**LETTER OF ENGAGEMENT**

The Trustees

Dear Trustees,

In accordance with the recommendations of our professional body, The Association of Charity Independent Examiners, this letter confirms the basis on which we provide services to you so as to avoid any misunderstandings of our respective responsibilities.

**1 - PREPARATION OF THE ANNUAL ACCOUNTS**

**Your responsibility for the preparation of the annual accounts**

1. You have undertaken to make available to us, as and when required, all the accounting records and related financial information necessary for the compilation of the accounts. You will make full disclosure to us of all relevant information. The accounts need to be approved by you before we are able to issue our report.

2. You are responsible for ensuring that, to the best of your knowledge and belief, financial information, whether used by the charity or for the accounts, is reliable. You are also responsible for ensuring that the activities of the charity are conducted honestly and that its assets are safeguarded, and for establishing arrangements designed to deter fraudulent or other dishonest conduct and to detect any that occur.

3. You are responsible for ensuring that the charity complies with the laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.

**Our responsibilities for the preparation of annual accounts**

1. We will compile your annual accounts based on the accounting records [maintained by you] and the information and explanations supplied by you. We shall prepare draft annual accounts for your approval.

2. We will advise you as to the adequacy of your records for preparation of the annual accounts and make recommendations for improvements which we consider necessary. We shall not be responsible if, as a result of you not taking our advice, you incur losses or penalties.

3. We will use reasonable skill and care in the preparation of your accounts but will not be responsible for errors arising from incorrect information supplied by you.

**1 - PREPARATION OF THE ANNUAL ACCOUNTS**

4. We will report, with any variations that we consider may be necessary, that in accordance with your instructions and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the accounts from your accounting records and from the information and explanations supplied to us.

5. We have a professional duty to compile accounts for charities which conform with generally accepted accounting principles and in particular the prevailing Charities SORP. Where we identify that the accounts do not conform to accepted accounting principles, or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the accounts.

6. We will complete and submit your unincorporated charity’s annual accounts to the Charity Commission of England and Wales *[or Scotland]* subject to their requirements. In some circumstances the Charity Commission does not require the annual accounts to be submitted to it, but the annual accounts should be made available to the public on request and may be required for tax purposes.

**Our responsibility for the Independent Examination of the annual accounts**

We are required to carry out an examination in accordance with the General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently we do not express an audit opinion on the view given by the accounts.

**2 - INDEPENDENT EXAMINATION OF ANNUAL ACCOUNTS**

**Your responsibilities:**

As Trustees, you are responsible for keeping accounting records in compliance with section 145 of the Charities Act 2011.

You are responsible for making available to me all books, documents and other records and to provide information and explanations, which I may require for the purposes of the examination. You are required to inform us of all non–UK bank accounts held, together with any credit card information issued by the banks in the UK, in particular regarding any such credit cards being linked or funded by an offshore account.

(Whilst you are responsible to determine whether the Charity meets the requirements for exemption from audit, I will verify this myself at the outset and immediately withdraw if exemption does not apply).

Responsibility for the prevention and detection of fraud, error or non-compliance rests with yourselves.

**My responsibilities:**

I am required under the Charities (Accounts and Reports) Regulations 2008 to produce a report to you following my examination.

In the report I must state whether any matter has come to my attention, which gives cause to believe that:

* Proper accounting records have not been kept,
* The accounts do not accord with such records, or
* The accounts fail to comply with relevant regulations.

The report will also include details of the following matters where they have become relevant:

* Material expenditure or action contrary to the trust deed,
* Failure to provide information or explanations to which the examiner is entitled, or
* Evidence that accounts prepared on an accruals basis are materially inconsistent with the Trustees’ annual report.

**The scope of my examination**:

It will be conducted in accordance with directions issued by the Charity Commissioners.

Although the legal responsibility for preparation of accounts rests with the Trustees, I will assist you with the preparation of these accounts in the appropriate format. Draft accounts will be sent to you, which should be scrutinised carefully before they are finalised.

If during the examination, I find any other issues which might be relevant to you, I will mention these in a separate informal report.

**Anti-Money Laundering Legislation**

All accountants must comply with onerous duties imposed by the [Proceeds of Crime Act 2002](http://www.legislation.gov.uk/ukpga/2002/29/contents) (as amended by the [Crime and Courts Act 2013](http://www.legislation.gov.uk/ukpga/2013/22/contents/enacted) and the [Serious Crime Act 2015](http://www.legislation.gov.uk/ukpga/2015/9/contents/enacted)), The [Terrorism Act 2000](http://www.legislation.gov.uk/ukpga/2000/11/contents) (as amended by the [Anti-Terrorism, Crime and Security Act 2001](http://www.legislation.gov.uk/ukpga/2001/24/contents), the [Terrorism Act 2006](http://www.legislation.gov.uk/ukpga/2006/11/contents) and the [Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007](http://www.legislation.gov.uk/uksi/2007/3398/pdfs/uksi_20073398_en.pdf)), and the Money Laundering Regulations 2007 (the “Anti Money Laundering Legislation”), which are intended to inhibit the activities of terrorists and other criminals by denying them access to technical expertise. If we fail to perform these duties, we risk imprisonment.

Before we accept your instructions, we may need to obtain ‘satisfactory evidence’ to confirm your identity and that of one or more trustees. In certain circumstances, we may need to obtain evidence confirming the identities of the settlor, beneficiaries and any third parties, the source of any funds or other property, the purpose of any instructions or any other matter. We may also need to obtain such evidence after we have begun to act on your instructions.

We assume that our clients are honest and law abiding. However, if, at any time, there appear to be grounds to suspect (even if we do not actually suspect) that your instructions relate to ‘criminal property’, we are obliged to make a report to the Serious Organised Crime Agency (SOCA), and we are prohibited from telling you that we have done so.

In such circumstances, we must not act on your instructions without consent from SOCA. If SOCA do not refuse consent within 7 working days, we may continue to act. If SOCA issue a refusal within that time, we must not act for a further 31 days from the date of the refusal.

‘Criminal property’ is property in any legal form, whether money, real property, rights or any benefit derived from criminal activity. It does not matter who carried out the criminal activity or how removed the property is from the original crime. Even if you are honest in your dealings, if your property represents a benefit from someone else’s crime, we must still make a report.

Activity is considered ‘criminal’ if it is a crime under UK law, no matter how trivial, and whether carried out in the UK or abroad. For example, tax evasion is a criminal offence, but an honest mistake is not.

**Client Monies**

We may, from time to time, hold money on your behalf. Such money will be held in trust in a client bank account, which is segregated from the firm’s funds.

If the total sum of money held on your behalf exceeds £2,000 for a period of more than 2 months, or such sum is likely to be held for more than 2 months, then the money will be placed in an interest-bearing client bank account. All interest earned on such money will be paid to you. Subject to any tax legislation, interest will be paid gross.

If there are grounds to suspect (even if we do not actually suspect) that any monies held in a client account is derived directly or indirectly from any criminal activity whatsoever, we may not release such monies until we receive permission to do so from NCA.

**Our Fees**

Our fees are computed on the basis of time spent on your affairs and the responsibility and skill involved by the partners and staff of this firm. Unless otherwise agreed, our fees will be charged separately for each main class of work mentioned above and will be billed at appropriate intervals during the course of our work.

Unless specifically agreed, payment of our invoices is due within 30 days from the date of the invoice.

A fee will be agreed before the work is commenced. If, when the work has commenced, it appears that additional work is likely to be necessary, this will be agreed with you before continuing.

Our terms relating to payment of amounts invoiced are strictly 30 days of invoice date. Interest will be charged on all overdue debts at the rate for the time being applicable under the Late Payment of Commercial Debts (Interest) Act 1998, whichever is the higher.

**Commissions or Other Tangible Benefits**

In some circumstances, commissions or other tangible benefits may become payable to us in respect of introductions to other professionals or transactions we arrange for you, in which case you will be notified in writing of the amount, the terms of payment and receipt of any such commissions or tangible benefits.

**Ownership of Records**

In the event of non-payment of our fees for services rendered, we may exercise a particular right of lien over the books and records in our possession and withhold the documents until such time as payment of our invoice is received in full.

**File Destruction**

Whilst certain documents may legally belong to you, unless you tell us not to, we intend to destroy correspondence and other papers that we store which are more than seven years old, other than documents which we think may be of continuing significance. If you require the retention of any document, you must notify us of that fact in writing.

**Ethical Guidelines**

We will observe the ethical guidelines of the Association of Accounting Technicians and The Association of Charity Independent Examiners and accept instructions to act for you on the basis that we will act in accordance with those guidelines. A copy of these guidelines will be supplied to you on request.

**Customer Service**

We are committed to providing a high standard of customer service. If you have any ideas as to how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please let us know. In the event that you have a complaint, we will look into this carefully and promptly and do all we can to explain the position to you or address your concerns. If you are still not satisfied you may of course make a complaint to the Association of Accounting Technicians and The Association of Charity Independent Examiners.

**Third Parties**

All accounts, statements and reports prepared by us are for your exclusive use within the Trust’s objects or to meet specific statutory responsibilities.

No third party shall acquire any rights pursuant to our agreement to provide professional services.

**Applicable Law**

This engagement letter is governed by, and construed in accordance with, English law. The Courts of England will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. 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 inappropriate forum, or to claim that those Courts do not have jurisdiction.

**Disclaimer**

We will not be liable for any loss suffered by you or any third party as a result of our compliance with the Anti-Money Laundering Legislation or any UK Law or at all.

**Agreement of Terms**

Once agreed, this letter will remain effective from the date of the signature until it is replaced. Either party may vary or terminate our authority to act on your behalf at any time without penalty. Notice of termination must be given in writing.

Would you please confirm your agreement to the terms set out in this letter by signing and returning the enclosed copy. If anything is unclear to you or you require any further information please let me know.

Yours faithfully,

Harbour View Accounting Ltd

16 Purbeck Place,

Littlehampton,

West Sussex

BN17 5DP

We confirm that we have read and understood the contents of this letter and agree that it accurately reflects the services that we have instructed you to provide.

Signed: ……………………………………. Dated: …………………………..

Signed: ……………………………………. \* Dated: ………………………….. \*

For and on behalf of the Trustees\*

**LETTERS OF ENGAGEMENT – APPENDIX**

**NATURE OF SERVICES**

A. ANNUAL ACCOUNTS – UNINCORPORATED CHARITIES

B. ANNUAL ACCOUNTS – INCORPORATED CHARITIES

C. INDEPENDENT EXAMINATION ACCOUNTS

D. TAXATION - CHARITIES

E. COMPANY SECRETARIAL SERVICES - CHARITABLE COMPANIES

F. PAYROLL PREPARATION, P.A.Y.E. AND N.I. RETURNS

G. VAT RETURNS

H. MANAGEMENT ACCOUNTS

I. MAINTAINING ACCOUNTING RECORDS

**A. ANNUAL ACCOUNTS – UNINCORPORATED CHARITIES**

**Your responsibility for the preparation of the annual accounts**

1. You have undertaken to make available to us, as and when required, all the accounting records and related financial information necessary for the compilation of the accounts. You will make full disclosure to us of all relevant information. The accounts need to be approved by you before we are able to issue our report.

2. You are responsible for ensuring that, to the best of your knowledge and belief, financial information, whether used by the charity or for the accounts, is reliable. You are also responsible for ensuring that the activities of the charity are conducted honestly and that its assets are safeguarded, and for establishing arrangements designed to deter fraudulent or other dishonest conduct and to detect any that occur.

3. You are responsible for ensuring that the charity complies with the laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.

**Our responsibilities for the preparation of annual accounts**

1. We will compile your annual accounts based on the accounting records [maintained by you] and the information and explanations supplied by you. We shall prepare draft annual accounts for your approval.

2. We will advise you as to the adequacy of your records for preparation of the annual accounts and make recommendations for improvements which we consider necessary. We shall not be responsible if, as a result of you not taking our advice, you incur losses or penalties.

3. We will use reasonable skill and care in the preparation of your accounts but will not be responsible for errors arising from incorrect information supplied by you.

4. We will report, with any variations that we consider may be necessary, that in accordance with your instructions and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the accounts from your accounting records and from the information and explanations supplied to us.

5. We have a professional duty to compile accounts for charities which conform with generally accepted accounting principles and in particular the prevailing Charities SORP. Where we identify that the accounts do not conform to accepted accounting principles, or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the accounts.

6. We will complete and submit your unincorporated charity’s annual accounts to the Charity Commission of England and Wales *[or Scotland]* subject to their requirements. In some circumstances the Charity Commission does not require the annual accounts to be submitted to it, but the annual accounts should be made available to the public on request and may be required for tax purposes.

**Our responsibility for the Independent Examination of the annual accounts**

We are required to carry out an examination in accordance with the General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently we do not express an audit opinion on the view given by the accounts.

B. **ANNUAL ACCOUNTS – INCORPORATED CHARITIES**

**Your responsibilities as Trustees/Directors**

As trustee/director of the charitable company, under the Companies Acts you are responsible for:

* ensuring that the charitable company maintains proper accounting records and for preparing accounts
* determining whether for any reason the exemption is not available in respect of the period.

You will keep records of all income and expenditure including transaction in specie (such as donations of assets) together with any other documents relating to the charitable company’s transactions and activities. It will also be necessary for you to provide a record of stock at the charity’s year end.

**Our responsibility for the preparation of the annual accounts**

In relation to the accounts, we will prepare the charitable company’s accounts on the basis of the information that is provided to us. We will also draft the accounts in accordance with the provisions of the Charities Act, Companies Acts, related Accounting Standards and the prevailing Charities SORP for approval by the Board of Trustees/Directors.

Should our work lead us to conclude that the charitable company is not entitled to exemption from an audit of the accounts, or should we be unable to reach a conclusion on this matter, then we will advise you of this.

You have instructed us to prepare your accounts for the year ended …………… and subsequent years. It is agreed that we should carry out the following accounting and other services:

(a) write up the accounting records of the charity insofar as they are incomplete when presented to us;

(b) complete the postings to the nominal ledger; and

(c) prepare the accounts for approval by yourselves.

You have agreed that you or your staff will:

(a) keep the records of receipts and payments;

(b) reconcile the balances monthly with the bank statements;

(c) keep records of monies due and payable by the charity

(d) prepare details of the annual stocktaking, suitably priced and extended in a form which will enable us to verify the prices readily by reference to suppliers’ invoices.

***Or***

(e) provide us with a copy of the valuation produced by your independent stocktakers.

***And***

(f) prepare details of work-in-progress at the accounting date and make available to us the documents and other information from which the statement is compiled.

**B. Continued**

The Trustees/Directors are responsible for the detection of irregularities and fraud. We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter in preparing your accounts, unless prohibited from doing so by the Anti Money Laundering Legislation.

We will report, with any variations that we consider may be necessary, that in accordance with your instructions and in order to assist you to fulfil your responsibilities, we have compiled, without carrying out an audit, the accounts from your accounting records and from the information and explanations supplied to us.

We have a professional duty to compile accounts which conform with generally accepted accounting principles. Furthermore, the accounts of a limited company are required to comply with the Charities Acts, Companies Acts and applicable accounting standards. Where we identify that the accounts do not conform to accepted accounting principles, or if the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the accounts.

**Our responsibility for the Audit Exemption Report**

We are required to perform such procedures as are necessary to provide a reasonable basis on which to form an opinion on whether, having regard to, and on the basis of the information in the accounting records, the company is entitled to exemption from audit. We will accept the information contained in those records and will not attempt to verify further, or substantiate, the basis on which entitlement to the exemption is claimed by the trustees/directors.

We are required to carry out procedures as are necessary to provide reasonable assurance on which to express an opinion on whether the accounts are in agreement with the accounting records, and to state whether the accounts have been drawn up in a manner consistent with the specified accounting requirements.

C. **INDEPENDENT EXAMINATION OF ANNUAL ACCOUNTS**

**Your responsibilities:**

As Trustees, you are responsible for keeping accounting records in compliance with section 145 of the Charities Act 2011.

You are responsible for making available to me all books, documents and other records and to provide information and explanations, which I may require for the purposes of the examination. You are required to inform us of all non–UK bank accounts held, together with any credit card information issued by the banks in the UK, in particular regarding any such credit cards being linked or funded by an offshore account.

(Whilst you are responsible to determine whether the Charity meets the requirements for exemption from audit, I will verify this myself at the outset and immediately withdraw if exemption does not apply).

Responsibility for the prevention and detection of fraud, error or non-compliance rests with yourselves.

**My responsibilities:**

I am required under the Charities (Accounts and Reports) Regulations 2008 to produce a report to you following my examination.

In the report I must state whether any matter has come to my attention, which gives cause to believe that:

* Proper accounting records have not been kept,
* The accounts do not accord with such records, or
* The accounts fail to comply with relevant regulations.

The report will also include details of the following matters where they have become relevant:

* Material expenditure or action contrary to the trust deed,
* Failure to provide information or explanations to which the examiner is entitled, or
* Evidence that accounts prepared on an accruals basis are materially inconsistent with the Trustees’ annual report.

The scope of my examination:

It will be conducted in accordance with directions issued by the Charity Commissioners.

Although the legal responsibility for preparation of accounts rests with the Trustees, I will assist you with the preparation of these accounts in the appropriate format. Draft accounts will be sent to you, which should be scrutinised carefully before they are finalised.

If during the examination, I find any other issues which might be relevant to you, I will mention these in a separate informal report.

**E. TAXATION - CHARITIES**

**Corporation Tax, Income Tax and Capital Gains Tax**

All registered charities, incorporated and unincorporated, are treated in the same way by the HM Revenue & Customs and are subject to corporation tax with the exception of Trust Deed charities which are subject to income tax.

We will prepare, in respect of each accounting period of the charity, a computation for corporation/income\* tax and capital gains tax purposes adjusted in accordance with the provisions of the Taxes Acts. We will also prepare the corporation/income\* tax return (form CT600 and CT600E / SA900 and SA907\*) required by the HM Revenue & Customs. The corporation/income\* tax return, together with the supporting corporation/income\* tax computations, will be sent to you for approval and signature prior to submission to the Inspector of Taxes.

It should be recognised that in law a taxpayer cannot contract out of his fiscal responsibilities and that computations and return forms are prepared by us as agent for the company. You are legally responsible for making correct returns and for the payment of tax on time. If we ask you for information to complete the tax return and it is not provided within the time-scale requested, so that the preparation and submission of the return are delayed, we accept no responsibility for any penalty or interest that may arise.

We will advise you of the corporation tax payments to which the charity will be liable, together with the due date of payment. You must inform us immediately if the charity pays or receives any interest.

Where necessary we will deal with any queries raised by the Inspector of Taxes and negotiate with the Revenue on any question of taxation interest or penalties which may arise.

To enable us to carry out our work you agree:

(a) to make a full disclosure to us of all sources of income, charges, allowances and capital transactions and to provide full information necessary for dealing with the charity’s affairs. We will rely on the information and documents being true, correct and complete;

(b) to respond quickly and fully to our requests for information and to other communications from us;

(c) to provide us with information in sufficient time for the charity’s corporation/income tax return to be completed and submitted by the due date. In order to do this, we need to receive all relevant information by [……………………..] each year; and

(d) to forward to us on receipt copies of all statements of account, letters and other communications received from the HM Revenue & Customs to enable us to deal with them as may be necessary within the statutory time limits.

**E. Continued**

You agree that we can approach such third parties as may be appropriate for information that we consider necessary to deal with your affairs and undertake to authorise such third parties to communicate directly with us.

[Please sign and return the enclosed HM Revenue & Customs form 64-8, \*]/[We have submitted form 64-8 to the HM Revenue & Customs, \*] which authorises the HM Revenue & Customs to send us copies of formal notices. In practice, the HM Revenue & Customs will treat this as authority to correspond with us, in which case they will not correspond with you except to the extent that they are formally required to do so. However, this authority does not apply to all HM Revenue & Customs correspondence, and even where it does, the HM Revenue & Customs sometimes overlook it. You should therefore always send us the originals or copies of all communications you receive from the HM Revenue & Customs.

The HM Revenue & Customs investigates a number of tax returns each year, many of these investigations are the result of a random selection. Assistance in respect of such an investigation beyond the answering of straightforward queries regarding entries on the tax return is additional work and will result in separate charges. We will keep you fully informed before undertaking any extra work in respect of such an investigation.

We will provide our professional services outlined in this letter with reasonable care and skill. However, we will not be responsible for any losses, penalties, surcharges, interest or additional tax liabilities arising from the supply by you or others of incorrect or incomplete information, or your or others’ failure to supply any appropriate information or your failure to act on our advice or respond promptly to communications from us or the tax authorities.

***Or***

You have not asked us to become involved in your tax affairs with regard to corporation tax, income tax and capital gains tax. However, we can offer advice on all aspects of tax should you so require.

We will be pleased to advise on any other taxation matters that may be referred to us and would strongly encourage you to approach us before entering into any complex or unusual transactions in order that we can assess their tax implications.

**F. COMPANY SECRETARIAL SERVICES**

For financial years beginningon or after 06 April 2008, a private company is usually required to file its accounts at Companies House within 9 months of the year end. The company will be liable to a fine if it fails to do so. In order to avoid this, we will produce statutory accounts, suitable for filing, within the required period, provided all your records are complete and presented to us within five months of the year end, and all subsequent queries are promptly and satisfactorily answered.

We have agreed to act as your agent and to:

(a) complete and submit the accounts to Companies House;

(b) complete and submit the charitable company’s annual return to Companies House;

(c) complete and submit the accounts to the Charity Commission of England and Wales;

(d) complete and submit the charitable company’s annual return to the Charity Commission of England and Wales.

(e) complete and submit any other forms required by law to be filed at Companies House and the Charity Commission, provided that you keep us fully informed of any relevant changes or events which are required to be notified within one week of the change or event; and

(f) maintain the statutory books.

***Or***

You have agreed to complete all the returns required by law, for example, the annual return and the notification of changes in trustees/directors. We shall, of course, be pleased to advise you on these and any other company secretarial matters if requested.

G. PAYROLL PREPARATION, P.A.Y.E. AND N.I.

**Payroll and year end returns**

In order for us to prepare your payroll and year end returns we will require the following information from you:

(a) Personal details of all employees (i.e. name, NI number, home address, and the data required by HMRC to file payroll returns online which is known as Real Time Information (RTI)).

(b) All P45s, or equivalent, received by you.

(c) If any casual labour is taken on, you are required to operate P46, or equivalent, procedures.

Completed forms should be passed to us for processing.

(d) Notification within two weeks of any employee who is ill for four or more calendar days, including weekends, bank holidays etc. This will enable us to operate statutory sick pay for you.

(e) Notification of any employee who adopts, becomes pregnant or whose partner adopts or becomes pregnant. This will enable us to operate statutory adoption, maternity and paternity pay.

(f) Details of any money or benefits made available to employees by you or by a third party through you.

(g) Hours worked, rates of pay, bonuses, the amount of any pension deductions (Automatic Enrolment) etc.

(h) Notification of employees engaged by you or leaving your employment.

(i) Any notice of coding received by you.

In respect of the “Automatic Enrolment” of pensions you will need to seek the advice of a person who is regulated to provide pension’s advice. We will assist you in processing your payroll based on the pension deductions that you provide.

The end of period payroll returns must be received by HM Revenue & Customs on or before pay day otherwise significant penalties may be levied. There may also be interest payable if income tax and National Insurance contributions payments, due each month or quarter are late or less than indicated by the return. Only the information provided for the payroll will be reported to HMRC.

We will assist in the preparation and submission of PAYE returns as required by the authorities concerned. However, it should be understood that our appointment as your agent does not absolve the company or its directors from their statutory responsibilities. We would draw your attention to the strict rules and time limits for the submission of such returns and the substantial penalties which may arise if these are not observed. It is therefore essential that we receive full information from you promptly to enable us to ensure that the returns are made on a timely basis. Completed returns will be submitted in accordance with HMRC requirements unless you undertake to submit these yourself.

**P9D/P11D benefits for directors\*/officers\* and employees\***

You have asked us to prepare forms P9D/P11D for your approval. To ensure these forms are correctly prepared we will require details of all benefits, perks or reimbursed expenses received by the directors\*/officers\*/employees. \*

There are penalties for the late submission of forms P9D/P11D. In order to avoid these, you must ensure that we receive complete and accurate details of all benefits and expenses for the tax year (*NB*: not accounts year) within 14 days of the end of the tax year.

As detailed above, we have agreed to operate your payroll/P9D/P11D/subcontractors’\* system. We can also offer you advice in the following related areas:

returns EAS/FPS/EPS/P60 and reconciliations; \*

casual labour P46; \*

subcontractors; \*

benefits for employees and directors. \*

(\* Delete *as appropriate and consider which of the paragraphs are necessary*)

***Or***

You have not asked us to become involved in your PAYE system. However, we can offer advice on the operation of all aspects of wages and PAYE, should you so require.

We will be pleased to advise on any other taxation matters referred to us and would strongly encourage you to approach us before entering into any complex or unusual transactions in order that we can assess their tax implications.

**H. VAT RETURNS**

You have asked us to undertake the completion of your VAT returns. We cannot be held responsible for any penalties or default surcharges arising from the late submission of VAT returns. However, we will endeavour to meet the relevant deadlines if we receive all the company’s VAT records within 14 days of the end of the VAT return period. You have undertaken that you/your staff will ensure that:

(a) all relevant VAT records are forwarded to us within 14 days of the end of the VAT return period;

(b) valid VAT invoices are received for all payments where VAT is being reclaimed;

(c) the VAT rating of supplies is correctly dealt with, i.e. between positive and zero rates and exempt supplies;

(d) we are notified in writing of any positive-rated own consumption;

(e) any input VAT on non-business expenditure is clearly marked on supporting invoices;

(f) we are notified each quarter of any payments to or for the benefit of directors or staff for fuel used for private mileage, together with the business mileage for each such person, for each quarter;

(g) all supplies made by the business are shown in the records made available to us.

***Or***

You/your staff will be responsible for completing and submitting VAT returns. We will not be responsible for checking the VAT treatment of supplies made, i.e. between positive and zero rates, and exempt supplies unless specifically requested in writing to make a detailed review. We will, however, ensure that the sales figure in your accounts is reconciled to your VAT returns submitted, provided you:

(a) let us have copies of all returns submitted; or,

(b) complete our VAT return from which we will forward to you on request.

Similarly, we will not specifically check the deductibility of input VAT and the validity of supporting invoices unless specifically requested in writing to carry out a detailed review.

***Or***

At the time of this letter you are not VAT registered. If registration becomes necessary, we will endeavour to ensure that you register in time provided that:

(a) you notify us in writing within 14 days of the end of each month of the total value of supplies you have made in that month; and

(b) you notify us immediately in writing if the value of taxable supplies that you will make in the next 30 days is likely to exceed the annual registration limit then in force.

It should be understood that our appointment as your agent does not absolve the charity or its trustees from their statutory responsibilities. We would draw your attention to the strict rules and time limits for the submission of such returns and the substantial penalties which may arise if these are not observed. It is therefore essential that we receive full information from you promptly to enable us to ensure that the returns are made on a timely basis. Completed returns will be sent to you for approval and signature prior to submission on the charity’s behalf.

**I. MANAGEMENT ACCOUNTS**

We understand that you require us to prepare the monthly/quarterly\* management accounts of your charity for the month/quarter\* ended ………………………. and subsequent months/quarters\*.

This involves us in completing the writing up of your books and records, insofar as they are incomplete when presented to us, from the information and explanations supplied to us and preparing draft accounts therefrom for your approval.

We understand that you have agreed that your staff will be responsible for: -

(a) maintaining records of all receipts and payments of cash

(b) reconciling cash book balances monthly/quarterly\* with the bank statements

(c) maintain records of money due to and payable by the charity

You will also provide estimates of any stocks and work in progress at the end of each period.

You understand that we will not be carrying out an audit and accordingly will not verify the assets and liabilities of the business, nor the items of expenditure and income. To carry out an audit would require additional work to comply with generally accepted auditing standards which we are not authorised to carry out.

We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter in preparing your accounts, unless prohibited from doing so by the Anti Money Laundering Legislation.

The management accounts are prepared for your exclusive use within your organisation and must not under any circumstances be shown to any other party, who may rely on those management accounts to enter into any financial or other arrangement with your charity, without our prior written consent on each and every occasion.

The management accounts are not intended for and therefore not suitable for submission within the self-assessment tax return, or for summary thereon.

***Or***

Our involvement in the management accounts production process is constrained by the need to process and produce the accounts on your computer system, so preventing the operation of certain of our quality control procedures. The accounts are prepared for your exclusive use within your charity and you undertake not to represent to any third party that the accounts have been prepared by us.

The management accounts are not intended for and therefore not suitable for submission within the self-assessment tax return, or for summary thereon.

**J. MAINTAINING ACCOUNTING RECORDS**

It is agreed that we should carry out the following accounting and other services:

Maintain and operate:

(a) records of monies payable by the charity

(b) records of monies due to the charity

(c) the cash books (including reconciliation with the bank statements)

(d) the fixed asset register (and annual depreciation calculation)

(e) the nominal ledger (up to and including the trial balance before period end adjustments)

Operate:

(a) purchasing procedure

(b) credit control

(c) stock control

You have agreed that you or your staff will:

(*detail items (a) to (h) above, as appropriate*)

**Scope of liability**

The trustees are responsible for the detection of irregularities and fraud. We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter, unless prohibited from doing so by the Anti Money Laundering Legislation.

**GLOSSARY OF TERMS**

**Annual report** means the trustees’ annual report prepared under s.45 of the Charities Act 1993.

**Trustees and Charity trustees** has the same meaning as in s.97(1) of the Charities Act 1993, that is, the persons having the general control and management of the administration of a charity, regardless of what they are called. For instance, in the case of an unincorporated association the executive or management committee are its charity trustees, and in the case of a charitable company it is the directors who are the charity trustees.

An **independent examiner** is an independent person who is reasonably believed by the charity trustees to have the requisite ability and practical experience to carry out a competent examination of its accounts.

**Registration with the Charity Commission of England and Wales**

Most charities in England and Wales have to register with the Charity Commission. Charities which do not have to register are those which:

i) Do not have an annual income over £1000 and

ii) Do not have use of land or buildings and

iii) Do not have any permanent endowment (permanent endowment is capital which cannot be spent like income)

iv) Other charities which do not have to register are Exempt or Excepted Charities

**Excepted charities**

An **excepted charity** is one which does not have to register with the Charity Commission of England and Wales but, in most other respects, is fully within its jurisdiction. Under section 3(5) of the Charities Act 1993, the following charities fall into this category:

(a) any charity which is excepted by order or regulations;

(b) any charity which has neither:

(i) any permanent endowment; nor

(ii) the use or occupation of any land;

and whose annual income from all sources does not amount to more than £1000.

No charity is required to be registered in respect of any registered place of worship.

**Exempt charities** are:

i) charities listed in Schedule 2 to the Charities Act 1993 (every institution listed is not necessarily a charity; the Act grants exempt status only "so far as they are charities"); and

ii) any common investment fund (CIF) or common deposit fund (CDF) in which its Scheme permits only exempt charities to participate; and

iii) any other charities which legislation declares to be exempt.

**Charities SORP** means the Statement of Recommended Practice: "Accounting and Reporting by Charities", published by the Charity Commission under the auspices of the Accounting Standards Board.

**Threshold for audit**

The type of scrutiny required depends on the income and assets of the charity. Broadly speaking, an independent examination is needed if gross income is between £25,000 and £1 million and an audit is needed where the gross income exceeds £1 million. An audit will also be needed if total assets (before liabilities) exceed £3.26 million, and the charity’s gross income is more than £250,000. The accounts of a charity should be audited if the gross annual income exceeds £1,000,000 in the relevant year or in either of the two years immediately preceding the relevant year.