

To: All firms
From: Andrew Jarvis
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CHARITY COMMISSION TO REVIEW ALL MODIFIED AUDIT AND INDEPENDENT EXAMINER'S REPORTS

We understand the Charity Commission are planning to review *all* audit and independent examiners' reports received by them and signed on or after 1 May this year to ensure that where the report contains 'a qualification, modified opinion or other reporting paragraph' that a matter of material significance ("whistleblowing") report was submitted to the Commission on a timely basis.

Although auditors and independent examiners have for some time been required to separately report to the Commission where they modify their report, the Commission has not previously checked all reports to ensure this is happening. Where the Commission has previously checked for compliance on a sample basis, they have found that many auditors and independent examiners **do not comply with this requirement** on a timely basis.

An example of a modification to your report where you would need to whistleblow to the Commission is where a 'material uncertainty regarding going concern' is included in your audit report or the independent examiner considers it necessary to highlight in their report that the charity may be in financial difficulty. Clearly in the current circumstances such modifications to reports are more common. However, we do not consider that all reports should be modified – the specific circumstances of each client should be considered before determining whether a modification is required.

It is therefore vital that you carefully consider the need to whistleblow to the Commission as part of the finalisation of the assignment and where appropriate whistleblow to the Commission either before, or immediately after signing your audit or independent examiners report.

Full guidance on what is reportable to the Commission is included at Aa13 in the HAT Charities Manual and Aa1 includes a reminder of your obligations at the point of signing your report.

It is important to understand that as an exception to the above, the Commission (together with their equivalents in Scotland and Northern Ireland) have clarified that

"where a modified opinion, an emphasis of matter, or a matter identified by the independent examiner is solely due to the exceptional circumstances of the national emergency affecting the conduct of the audit or the independent examination then this is not considered to be reportable as a matter of material significance to the

charity regulator. This is because remedying this situation is not in the power of the auditor or examiner, the preparer of the charity's accounts, or the charity regulator.

Examples of such exceptional circumstances are:

- *travel restrictions prevent the auditor or examiner from verifying the existence of physical assets such as stock*
- *access restrictions prevent the auditor or examiner from reviewing accounting records and/ or from obtaining the assurances required*
- *limitations of scope are identified due to the control measures imposed to deal with a national emergency."*

Therefore, in the limited circumstances above a whistleblowing report is **not** required.

It is currently unclear what action the Commission will take where it is identified that a whistleblowing report has not been received. However, earlier this year the Commission signed a data sharing agreement with the ACCA which allows the Commission to share instances or poor practice with the ACCA and ultimately for the ACCA to take disciplinary action against their members.

Details of the updated guidance on whistleblowing can be obtained [here](#). The Commission has also issued [specific guidance for Independent Examiners](#) for dealing with problems arising from Covid-19. This guidance may also be helpful for auditors. There is also [guidance](#) from the Commission for charities, which may of interest to auditors and independent examiners.

If you have questions on any of the above, please contact our Technical Helpline on 020 7213 9911. We also have recordings of our recent [Covid-19 Audit and Financial Reporting Implications](#) and [Charities Updates](#) courses. For prices and details of how to access these courses please email maggie@hatgroup.co.uk