



TRUSTEES' SHORT GUIDE SERIES

Audit or Independent examination.

Basic charity governance and accounting.

October 2026



pem.

There are varying requirements around scrutiny of charity financial statements which depend on the entity's size and governing documents. The Charity Commission has a number of guides available to support trustees and examiners in understanding the legal requirements, including CC31 which focuses on the trustees' decisions and CC32 which gives direction to the independent examiner.

Legal requirements

For years ending on the 30 September 2026 and after, Charity thresholds have been raised for both audit and independent examination.

Threshold	Years ending on or before 29 September 2026	Years ending on or after 30 September 2026
Independent examination by person with requisite skills	Gross income in excess of £25,000 but not exceeding £250,000	Gross income in excess of £40,000 but not exceeding £500,000
Independent examination by professional accountant	Gross income in excess of £250,000 but not exceeding £1,000,000	Gross income in excess of £500,000 but not exceeding £1,500,000
Audit threshold	Gross income in excess of £1,000,000 (for the group accounts of a parent charity, gross income of the group in excess of £1,000,000 after consolidation adjustments) or Gross income in excess of £250,000 and gross assets in excess of £3,260,000.	Gross income in excess of £1,500,000 (for the group accounts of a parent charity, gross income of the group in excess of £1,500,000 after consolidation adjustments) or Gross income in excess of £500,000 and gross assets in excess of £5,000,000.

A charity that is not otherwise required to have an audit may be required to do so by their governing document or a funder. If the requirement to have an audit is found in a governing document written prior to 1 March 1992, then the charity and examiner may infer that an independent examination is sufficient unless the governing document specifically states qualified auditor or accountant (CC32 1.17). If the requirement is being driven by a funder, the charity may be able to negotiate and agree that an independent examination is sufficient.

Conversely charity trustees may decide that an audit is appropriate for the charity even though it is below the thresholds.



An independent examination

The report

An independent examination gives a form of negative assurances, for a non-company charity, registered in England and Wales, the key part of the report would reflect the wording below. For a charity registered elsewhere appropriate country specific legislation would be referenced, and for a charitable company this would be similar but include references to the relevant parts of the Companies Act.

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. Accounting records were not kept in respect of the Trust as required by section 130 of the Charities Act 2011; or
2. The accounts do not accord with those records; or
3. The accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination.

This is an example of an unmodified report, should material matters arise they would be included in the report and the examiner would also report a 'matter of material significance' to the Charity Commission.

Work done

The key element of the independent examination is to check that the accounts are consistent with the accounting records so that the independent examiner can make their report. The Charity Commission directions require specific checks on the disclosure of related party transactions; the reasonableness of judgments and estimates in fund accounting and whether the trustees have made an assessment of the charity's position as a going concern (accruals accounts only).

The independent examiner will look at the form and content of the accounts (and consistency with the SORP if they are accruals accounts) and compare the trustees' annual report with the accounts.

An independent examiner will identify items from analytical review that require follow-up or further evidence.

An audit

The report

An audit report has various elements including reporting by exception for record keeping. However the key difference is the requirement for the auditor to give a positive confirmation and opinion. The example wording below is again for a non-company charity registered in England and Wales.

In our opinion, the financial statements:

- Give a true and fair view of the state of the charity's affairs as at [date] and of its incoming resources and application of resources [profit/loss] for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the Charities Act 2011.

The audit opinion also includes a conclusion as to whether the trustees' use of the going concern basis is appropriate and consideration of whether the trustees' report and other information presented with the accounts is materially consistent.

The objective of the audit opinion is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

If the auditor has to modify any part of the report to trustees' they would also make a report to the Charity Commission.

Work done

In order to give an audit opinion, the audit as a minimum will involve risk assessment, understanding key controls and substantive sample testing in order to be compliant. The auditor will test related party transactions as well as fund transactions and other judgments and estimates. Each material balance will be tested and analytical review performed on the statements as a whole.

The auditor must also consider compliance with laws and regulations, test the disclosures, and understand whether there are an adjusting or non-adjusting subsequent events.

The auditor must consider what is not included as much as what is to ensure that they can opine on whether the financial statements are 'true and fair'.

An audit involves more work than an independent examination and is typically more costly.





Next steps

Trustees will need to understand the legal requirements for their charity. If the governing documents require an audit and are not pre 1992, trustees should consider whether the governing document should be updated to give the trustees' choice.

If an audit is not required trustees will need to assess whether the increased assurance, with its increased cost provides value to the charity. For example it may mean that it is easier for the charity to engage with funders and raise income.

Trustees should consider the implications for accounting and reporting with their advisers or please contact any member of our Charities & Not-for-Profit team.

Further reading

- [Independent examination of charity accounts: Guidance for trustees - GOV.UK](https://www.gov.uk/guidance/independent-examination-of-charity-accounts-guidance-for-trustees)
- [Independent examination of charity accounts: Directions and guidance for examiners \(CC32\)](#)

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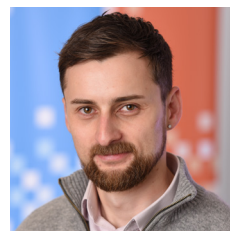
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Independent examination

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