

Trust Accounts & Audits

Audit and Independent Examination

Why the need for an independent review of accounts?

- Prior to 2006 and the need for a change 2

Audit

- What is an audit 3
- Regulatory framework 3
- The first AGM 3
- When do we need an audit 4
- Who qualifies as an auditor 4
- What do we need to do as a Trust 4

Independent Examination – the alternative

- What is an Independent Examination (IE) 5
- Legal status of the IE 5
- When do we need an IE 6
- What do we need to do as a Trust 6

Guidelines for an Independent Examiner

- Who qualifies as an Independent Examiner 7
- Guidelines for the Independent Examiner 8
- Checklist for the Independent Examiner 9
- Directions for the Independent Examination 10

Appendices

- 1 Resolution to change the Rules to give Trusts the choice to have an IE 19
- 2 Resolution to allow a Trust to have an Independent Examination in any given year. 20
- 3 Regulatory Framework for IPSs in detail with flowchart 21
- 4 Sample Letter of Engagement for an Independent Examiner 22
- 5 Model Independent Examiner's report – unqualified 23
- 6 Model Independent Examiner's report – qualified 24
- 7 Model Auditor's report to Members 25
- 8 Treasurer's checklist in preparation for audit or Independent Examination 27
- 9 Model Society Board Member's Report 31
- 10 IPS Annual Returns and the FSA 33
- 11 Model Accounts 34

Why the need for an independent review of the Trust Accounts?

The Trust Board is elected to manage the affairs of the Trust on behalf of the members. The Annual Accounts are a report on the financial activities of your Trust provided for the members to assess how the Board have carried out their function in the last financial year. How much money was raised? How was this money spent? What assets - such as cash, or shares in the club - does the Trust have? How much money does it owe?.

One of the guiding principles behind all Supporters' Trusts is transparency. That means not just doing the right things, but being seen to be doing them. An independent person reviewing the accounts adds credence to the view that the Trust Board are being open in the manner that they are managing the Trust on behalf of the members.

Where we were – October 2006

Prior to October 2006, Trusts had the choice of Full Audit or nothing at all. The concept of 'nothing at all' does not sit happily with the principles of either 'openness' or 'accountability' as they should be applied by your Trust Board in managing the Trust on behalf of the members.

The Football Industry in recent times has been plagued by senior management who have been less than open to supporters and far from accountable. It is a guiding tenet of Supporters' Trusts that we will behave differently and be happy to be seen to be

doing so by showing ourselves to be the change we want to see.

For these reasons, prior to October 2006, SD membership criteria, as approved by Member Trusts, set the bar for exemption from Full Audit extremely high, with an exemption threshold of £2,350. This still means that Trusts could opt out of audit at the £1.4m threshold and be in compliance with the overriding statutory regulation. However unless their income was below the SD membership policy threshold, they would not qualify for full SD membership and the 'quality stamp' that implies. Nor would they benefit from the full range of services and support provided by SD.

The Board of Supporters Direct recognised this provided difficulties for Trusts both in costs and in finding a suitably qualified Auditor when the number of such auditors is shrinking due to recent increases in the audit threshold for ordinary Limited Companies. The audit threshold for an ordinary limited company is now over £5m, so with fewer companies needing audits, fewer qualified professionals are registering to become Auditors. In addition, in the wake of scandals at companies like Enron, the audit regime has been tightened, and so there are several aspects of the audit which have to be done regardless of the size of the organisation. This means that although a Trust with £500,000 has 100 times the turnover of one with £5,000 in the last year, the audit price will not be 100 times cheaper for the latter.

SD has therefore created an alternative – the Independent Examination. This will allow for field of potential examiners to be much wider, reducing costs, reducing the time spent securing an auditor, but whilst still retaining the principle of openness in trust affairs.

What is an audit?

An Audit is a review of the Trust Accounts in line with the codified International Standards of Auditing (ISAs). The Audit not only checks the veracity of the figures but also considers the adequacy of the underlying accounting records, the processes in place to ensure that all transactions are accurately recorded and whether the Trust has performed in compliance with its Model Rules or Constitution.

ISAs are onerous regulations governing the way the Auditor performs their role. The Auditor is required to maintain comprehensive records that describe how they planned their work, the processes they undertook in carrying out that plan and 'evidence' to support each of the conclusions they have reached.

The end product of an Audit is the Audit Report contained within the Accounts.

The Regulatory Framework

These notes deal exclusively with the regulations governing an Industrial & Provident Society registered under Supporters Direct's Model Rules. If your Trust is not an IPS registered under those rules, or you have made changes to those rules in subsequent years, then you must follow the regulations that govern your Trusts' specific situation.

A flowchart showing the regulatory framework in more detail can be found in appendix 3.

The First AGM

The first AGM has to be within 18 months of the registration of the Trust, and has to be within 6 months of the financial year-end. It might follow the anniversary of the registration of the Trust, or it may be at the point in the year you want to have future AGMs like just at the start of the new season. At this AGM the Trust must present Accounts to members which are subject to a full audit. The auditors should ideally have been approved by a members' meeting held before the AGM, but if this didn't happen, then the Trust Board have the power to adopt the auditor themselves in the first year.

The Accounts, together with an Annual Return must be filed with the Registrar of Friendly Societies. The Registrar is now run under the wing of the Financial Services Authority (FSA). The Registrar has extensive powers. The Annual Return (including the Accounts) come under careful scrutiny and will be rejected if they do not comply. In particular, if your Rules require you to have an audit, then the FSA will not accept the return if it is not accompanied by a set of Audited Accounts.

At the first AGM, the members have to appoint the auditors for the set of the accounts of the current financial year. However, if your rules have been amended to allow it, and you are allowed to become exempt under FSA Rules, the Trust members, at your AGM, may vote to allow the Trust to opt out of Full Audit for the subsequent year. This can be done only for subsequent years and not in any circumstances for any preceding year. So if your Trust wishes to opt out of audit it must do so in advance. Even if you would have liked to, and members are in full agreement, there is no way around this regulation, and failure to comply puts you in breach of the Rules and thus the law.

When do we need an audit?

The Model Rules provided by SD provide for "audited accounts" to be presented at each AGM. Therefore an audit is required for each year unless members voted to opt out of audit at the preceding AGM. The onus in the various IPS Acts enshrine the right of members to hold the Board of the Trust to account for their actions and spending in the previous year, and they do this through gaining an independent report into the financial affairs of the Trust.

Who is qualified to conduct an audit?

This is a restricted field. Only those people who are qualified as 'Registered Auditors' under the Companies Act can carry out an Audit. Anyone who is not sure whether they are so qualified is almost certainly not so qualified. The pool of available Auditors is shrinking and the demand on them to do 'pro bono' work for Charities and other Not-for-Profit organisations is increasing. The ISA regulations require investment in time and training and all Audit firms are subject to external examination themselves to ensure they conform to the regulations.

What do we need to do as a Trust?

As alluded to above, the requirements of an Auditor in performing a full audit will be significant. The Trust should do as much of the preparatory work as is possible, have robust accounting records and have available all the required documents in good order.

This will reduce any additional work required by the Auditor, increase the likelihood that your Trust can retain the Auditor for future years and keep costs down to the minimum. A checklist and guidelines to assist Member Trusts is included in Appendix 8.

Independent Examination – the Audit alternative

What is an Independent Examination?

An Independent Examination (IE) is a form of lay audit. It is not governed by statute and is not governed by International Standards of Auditing. It therefore carries significantly less weight than a full Audit. In essence, an audit will assure members that the accounts are right, whilst an IE will confirm to members that there is no evidence to suggest the accounts are wrong.

SD will use the IE internally as one aspect of assessing whether a Trust meets the criteria to qualify for full membership of SD as set out in the membership policy.

The IE does amount to an Independent Review of the Trust Accounts and therefore goes some way to meeting the principle of openness by providing a level of comfort to Trust Members that the accounts presented at the AGM have been subject to an independent review.

Nevertheless, it is for the members of each individual Trust to decide whether the IE is sufficient as a form of scrutiny of their Society Board Members. Whilst the process of IE will provide more information to members than a simple balance sheet, or a lay audit conducted without any guidelines, by its very nature, it cannot be seen as a replacement for an audit. If members have any doubts they should vote to retain a Full Audit.

The IE must follow the SD guidelines. The guidelines are based on the procedures set out initially by the Charities Commission but

there is no link to that organisation and the Charities Commission has no connection whatsoever to the guidelines as they are applied to an Independent Examination of a Supporters Trust registered as an IPS.

The examination is carried out by an Independent Examiner. The Examiners Report is required to be included in the Accounts presented to Trust Members for the AGM. The Examiner is also required to complete a report on their Examination for submission to SD and this will be used in assessing the Trust's application for Membership of SD.

Legal Status of the Independent Examination

The Independent Examination has no basis in statute. It is used by SD purely in the assessment of a Trust's application for membership. No liability attaches to SD in respect of Trust Accounts which have an Independent Examination and subsequently turn out to be flawed. A statement to this effect must be included in the standard Resolution to an AGM by Trusts that adopt the IE.

Should Trust members be concerned about the robustness of the Trust Accounts and are wary of the IE as a way forward they should vote against the Resolution that calls for the opt-out from Audit that is presented at the AGM. We do not assume any liability for a Trust whose members opt for an IE over Full Audit.

As an additional safeguard for members of Trusts, the Model Rules provide members with the right to demand a full Audit be carried out on a set of Accounts that have been presented at an AGM but have not been subject to a full Audit.

When do we need an Independent Examination (IE)?

An Independent Examination is required when your Trust wishes to qualify for full SD Membership and the income of the Trust falls below the SD threshold for a full audit (currently £25,000).

Therefore, if a Trust income falls below £25,000, **and** it has passed a resolution at the previous AGM to opt-out of full Audit **and** wishes to retain full SD Membership, it should commission an Independent Examination of the Accounts.

You should also note that the rule change and exemption resolution cannot be passed retrospectively. If your Trust has failed to complete audits for previous years of account, you must still get those audited to fulfill your legal obligations.

What do we need to do as a Trust?

If you have used the Supporters Direct Model Rules, you will first need to pass an amendment to your rules removing the need to have an annual audit, and replacing it with a rule that states that the Trust has to decide each year whether the members require an audit or require an Independent Examination. A model resolution is set out in Appendix 1.

Then, once that rule has been passed and agreed by the FSA, the AGM needs to pass a resolution each year stating that the members request that the society has an Independent Examination. This resolution must be passed by a specific threshold, which is laid down in more detail in Appendices 1 and 2.

Trusts can pass the rule change and the first resolution at the same meeting, even though the rule change has not been processed yet by the FSA. However, until and unless that rule change is processed with the FSA, the rule change is not valid, and therefore the resolution does not apply as your rules will still legally require you to have an audit.

Guidelines in selection of an Independent Examiner

Who qualifies as an Independent Examiner?

Whilst examiners do not have to hold a professional accountancy qualification, the Trust Board Members must appoint a person suitable for the circumstances of the Trust.

An understanding of accountancy principles and accounting standards will be needed and where possible a qualified accountant should be selected. The guidance also gives consideration to the criteria of independence when selecting an examiner. The prospective examiner should consider these guidelines prior to accepting appointment.

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

An independent person

For an examiner to be independent that individual should have no connection with the Trust Board members which might inhibit the impartial conduct of the examination.

Whether this connection exists will depend upon the circumstances of a particular Trust but the following persons at least will normally be considered to have such a connection:

- Members of the Trust Board or anyone else who is closely involved in the administration of the Trust;
- a major donor to or major beneficiary of the Trust; or
- a close relative, spouse, partner, business partner or employee of any person who falls within the two categories above.

Requisite ability

An independent examiner must obviously be competent for the task that they are to do and must be familiar with accounting methods, but need not be a practising accountant. People such as local authority treasurers or retired accountants, would be suitable as independent examiners.

All Trust accounts are prepared on the accruals basis so a commensurate understanding of accountancy principles and accounting standards will still be needed.

The quality of evidence of ability which is required will depend upon the size and nature of the Trust's transactions. Trust Board members should consider taking independent references on the capability of the prospective independent examiner to carry out this function.

Practical experience

Trusts should satisfy themselves that prospective examiners have practical experience relevant to the Trust in question which might be by virtue of that person having:

- had an involvement in the financial administration of a Trust of a similar nature;
- acted successfully as an independent examiner on previous occasions for a Supporters Trust
- relevant practical experience in accountancy or commerce.

Selection procedures

Trusts should discuss fully with the prospective examiner the work of the Trust and their expectations. They should ensure that the prospective independent examiner is conversant with the Supporters Direct Guidelines for independent examiners and the nature of the independent examiners' report as set out in those guidelines.

Trusts should take all necessary steps to satisfy themselves as to the matters referred to above.

Letter of engagement

Trusts should ensure that any written terms of engagement recognise but do not limit the examiner's duties. It is strongly recommended that Trusts issue an engagement letter to the Independent Examiner on initial appointment to properly set out the roles and responsibilities of each party.

This initial letter should be renewed each year.

A sample 'Letter of engagement' is included as part of these guidance notes in Appendix 4

Trusts that do not follow these guidelines and gain suitable assurances from prospective examiners and from any references cannot be satisfied that they have taken all reasonable steps to obtain a competent independent examination of their accounts for the period in question.

Guidelines for an Independent Examiner

The examiner's report

Following the examination, the independent examiner is required to produce a report. The specific reporting duties of the independent examiner are detailed below. In the report, the examiner must state whether or not any matter has come to their attention in connection with the examination which gives reasonable 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.
- A statement is also required as to whether or not any matter has been identified, in connection with the examination, to which attention should be drawn to enable a proper understanding of the accounts to be reached.
- The report should also include details of the following matters where they have become apparent:
- material expenditure or action contrary to the objects of the Trust;

- failure to provide information and 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 examiner's report must be signed by the examiner in his or her own name. Whilst the name of a partnership or company may be added, the appointment of an examiner relates to the individual rather than the partnership or company.

Directions to Examiners

Supporters Direct provides the procedural framework to define how the reporting duties of the examiner must be met. This is based on, but has no connection to, the approach given by the Charities Commission. The Charities Commission has no jurisdiction over and is completely independent from the Industrial & Provident Societies which are the subject of these Directions.

There are twelve specific Directions that the examiner must address in carrying out an examination.

Set out below are:

- an explanation of the objective of each of the twelve Directions; and
- guidance on operational procedures and methods which will help examiners to meet the requirements of the Directions.

The Directions (which must be followed) are reproduced in bold print at the head of each page to which they refer with explanatory guidance set out in light print below. As with any guidance, the examples given and procedures suggested cannot meet all circumstances that may arise in the course of examination and judgement will need to be exercised by all examiners in the context of their work.

A summary of the guidelines to act as a checklist is below.

The 12 Directives for Independent Examiners - Summary & Checklist

Action required by Independent Examiner

- | | | |
|-----------|--|--------------------------|
| 1 | Check that Independent Examination is a relevant option by <ul style="list-style-type: none">• Ensuring members have approved a suitable resolution• The income falls beneath the relevant threshold | ☐ |
| 2 | Understand the Trust's constitution, objectives and activities so that the Examination can be designed to be appropriate to the circumstances of the Trust | ☐ |
| 3 | Maintain a record of examination and procedures, particularly any matters which are relevant to support conclusions reached or any statement within the report | ☐ |
| 4 | Ensure the Trust Accounts can be tracked to the underlying accounting records | ☐ |
| 5 | Review the accounting records in order to assess whether there has been any material failure to maintain such records | ☐ |
| 6 | Analyse and review the accounts for any unusual or exceptional items. Obtain explanations for any such and assess the validity of such explanations | ☐ |
| 7 | Check that the contents of the Accounts comply with the disclosure requirements for IPS's as illustrated in the 'Model IPS Accounts'. | ☐ |
| 8 | Check that accounting policies adopted are appropriate to the Trust and review any significant estimate or judgement that has been applied in preparing the accounts | ☐ |
| 9 | Enquire of any material matters subsequent to the year end that may require disclosure in the Accounts | ☐ |
| 10 | Review the Trust Board Members Report to ensure it is consistent with the information in the Accounts | ☐ |
| 11 | In preparing the Examiners Report the Examiner should consider any matters that require to be reported, the implication for the Accounts and should ensure a clear explanation of the matter and its financial effects are set out in the report. | ☐ |
| 12 | In extreme cases where the Examiner has reasonable cause to believe that one or more of the Trust Board Members has been responsible for reckless or deliberate misconduct, the Examiner should inform, in writing, the Chair of Supporters Direct, setting out the circumstances that gave rise to this belief. | ☐ |

Direction 1

Examination and accounting thresholds

Carry out such specific procedures as are considered necessary to provide a reasonable basis on which to conclude that an examination is required and that the Trust Board may properly elect to prepare accounts under this sub-section.

Guidance

- a) Trusts may elect for independent examination if so authorised by Members. For the election to be valid, the Trust must be within the relevant income bands specified in the relevant resolution to the AGM. The examiner should therefore ascertain:
 - i) the Trust's gross income for the financial year concerned;
 - ii) whether the Trust members passed a valid resolution at the previous year's AGM to allow for exemption from full audit; and
 - iii) whether any other condition or commitments demand an audit.
- b) Carrying out these procedures at an early stage should prevent the work of the examiner being duplicated by professional audit which would add to the expense for the Trust.
- c) In cases where the Trust's gross recorded income or total expenditure for the year of the accounts, exceeds the threshold level of £25,000 (below which an independent examination can be carried out), the accounts should be referred back to the Trust Board for an auditor to be appointed.
- d) The examiner should consider at an early stage of the examination the levels of income and expenditure disclosed by the accounting records and by the trial balance. The examiner does, however, need to remain alert to any additional information which may come to attention during the course of the examination which indicates that an income or expenditure threshold has been crossed.
- e) The level of income should be considered on the accruals basis, taking account any income earned but not yet received by the Trust. The examiner should specifically enquire about any such unrecorded income.

Direction 2

Understanding the Trust

Obtain an understanding of the Trust's constitution, organisation, accounting systems, activities and nature of its assets, liabilities, incoming resources and application of resources in order to plan the specific examination procedures appropriate to the circumstances of the Trust.

Guidance

- a) For a proper examination to be carried out it is important for the examiner to have an understanding of the operations, structure and objectives of the Trust. This understanding will help the examiner to plan appropriate examination procedures. The steps taken by an examiner would normally include:
 - i) consideration of the constitution (or Model Rules) of the Trust, paying particular attention to the Trust's objects, powers and obligations;
 - ii) discussions with Trust Board members and, where appropriate, the Trust's staff to ascertain the structure, methods and means by which the Trust seeks to achieve its objects;
 - iii) discussions with Trust Board members and, where appropriate, the Trust's staff about the affairs, and activities of the Trust in order to gain an insight into any special circumstances and problems affecting the Trust;
 - iv) reviewing the minutes of Trust meetings to ascertain details of major events, plans, decisions and changes in Trust Board members; and
 - v) obtaining details of accounting records maintained and methods of recording financial transactions.

Direction 3

Documentation

Record the examination procedures carried out and any matters which are important to support conclusions reached or statement provided in the examiner's report.

Guidance

- a) The working papers should provide details of the work undertaken and support any conclusions reached, and record any judgmental matters (see [8.a](#)) which may arise. Working papers should normally be retained by the examiner for six years from the end of the financial year to which they relate, and would normally include:
 - i) a letter of engagement from the independent examiner to the Trust Board Members, together with evidence that this has been accepted by the Trust Board Members (for example a return copy of the letter signed by a representative of the Trust Board Members);
 - ii) relevant information extracted or obtained from the Trust Constitution, Trust Board meeting minutes and a record of discussions with the Trust Board Members and the Trust's staff;
 - iii) details of procedures carried out during the examination, with conclusions reached and any areas of concern identified;
 - iv) notes as to how any areas of concern have been resolved together with details of any verification procedures used;
 - v) schedules showing the breakdown of accounting items that have been aggregated for accounts disclosure purposes;
 - vi) copies of any trial balance, accounts and Trust annual report; and
 - vii) copies of any written assurances obtained from the Trust Board Members confirming amounts included within the accounts.

Direction 4

Comparison with accounting records

Compare the accounts of the Trust with the Trust's accounting records in sufficient detail to provide a reasonable basis on which to decide whether the accounts are in accordance with such accounting records.

consider whether separate procedures as set out above are also necessary to ensure this Direction has been met (i.e. to check the accuracy of the examiners own preparation work).

Guidance

- a) Compare the accounts with the underlying accounting records. All balances in the accounts will need to be compared with the trial balance or any nominal ledger maintained. A direct comparison with the cash records of the Trust should be carried out if no nominal ledger is kept.
- b) Test checks will also be necessary of the posting of entries from books of prime entry (eg petty cash book, any sales or purchase ledgers or day books) to any nominal ledger and/or to the trial balance itself. Similar checks are also necessary even where accounting records are maintained on computer based systems.
- c) A review of bank reconciliations, payroll summaries and control accounts prepared will provide a useful check as to the completeness of posting from books of prime entry.
- d) There is no requirement for accounting entries to be checked against source documents (eg invoices, supplier statements, purchase orders etc) unless concerns arise which cannot be resolved by seeking explanations.
- e) Whilst the Trust Board Members are responsible for the preparation of accounts, the examiner may also, on occasions, prepare accounts on behalf of the Trust Board. The preparation of accounts will not generally impinge on independence provided the examiner ensures that the requirements of the Directions are met and avoids involvement in the management or administration of the Trust. Where reliance is placed on work undertaken in the course of preparation of the accounts (eg posting of accounting entries) the examiner should

Direction 5

Accounting records

Review the accounting records maintained in accordance with section 41 in order to provide a reasonable basis for the identification of any material failure to maintain such records.

Guidance

- a) The Trust Board is responsible for maintaining the accounting records.
- b) The examiner is required to review the accounting records with a view to identifying any material failure to maintain such records.
- c) The review procedures are not aimed at identifying the occasional omission or insignificant error, but at any gross failure to maintain records in a manner consistent with statutory requirements.
- d) Accounting records should be well organised and capable of ready retrieval and analysis. The records may take a number of forms, for example book form, loose-leaf binder or computer records.
- e) The accounting records should:
 - i) be up to date;
 - ii) be readily available; and
 - iii) provide the basic information from which the financial position can be ascertained, not only at the year end, but also on any selected date.
- f) The accounting records should contain:
 - i) details of all money received and expended, the date, and the nature of the receipt or expenditure; and
 - ii) details of assets and liabilities.
- g) Smaller Trusts may not maintain formal ledgers to record assets and liabilities, and in such instances the requirements can generally be met by maintaining files for unpaid invoices and amounts receivable. A record of fixed assets is generally necessary to meet the accounting requirements.

Direction 6

Analytical procedures

Carry out analytical procedures to identify unusual items or disclosures in the accounts. Where concerns arise from these procedures, the examiner must seek explanation from the Trust Board Members. If, after following such procedures, the examiner has reason to believe that in any respect the accounts may be materially misstated then additional procedures, including verification of the asset, liability, incoming resource or application, must be carried out.

Guidance

- a) It is important that the examiner looks carefully at the final accounts to see if they reveal any unusual items, unexpected fluctuations, or inconsistencies with other financial information. This procedure is called analytical review. Steps taken would normally include:
 - i) comparing the accounts with those for comparable prior periods;
 - ii) comparing the accounts with any budgets or forecasts that have been produced;
 - iii) considering whether incoming resources and the application of resources are consistent with known fund-raising sources, payroll details, activities, and the objectives of the Trust - it is important to have obtained a proper understanding of the nature of the Trust's activities and affairs for this aspect of the review to be successful;
 - iv) considering whether the liabilities and current assets disclosed are consistent with the scale and type of activities undertaken;
 - v) considering whether fixed assets investments are producing income consistent with the nature of assets held; and
 - vi) considering whether the tangible fixed assets are consistent with the scale and type of activities undertaken by the Trust.

Direction 7

- vii) Where analytical review procedures identify any unusual items, unexpected fluctuation or inconsistency then explanations should be sought from the Trust Board Members or, where appropriate, the Trust's staff.
- b) If the explanations provided by the Trust Board Members or, where appropriate, the Trust's staff do not satisfy the examiner, then additional procedures will be necessary. Such procedures may include:
 - i) physical inspection of a tangible fixed asset;
 - ii) verification of title to an asset;
 - iii) inspection of third party documentary evidence (e.g. invoice, contract or agreement) to verify an expense or liability or to confirm an amount of income received or receivable;
 - iv) third party certification of a bank balance, or other asset held including the custody of investment certificates; and
 - v) checking of a post year end receipt or payment to confirm recoverability of a debt or the amount of a liability.
- c) A comprehensive list of analytical procedures and of additional procedures where concerns arise is beyond the scope of this publication, and will to an extent be an area in which the examiner will need to exercise judgments and to draw on experience.

Form and content of accounts

Carry out such detailed procedures as the examiner considers necessary to provide a reasonable basis on which to decide whether or not the accounts prepared comply with the requirements of the Industrial & Provident Societies Act of 1965 and the Friendly Industrial and Provident Societies Act 1968 as to the form and content of Trust accounts.

Guidance

- a) A Sample set of Accounts is attached as Appendix X <link>. The examiner should check that the form and content of the Trust Accounts is consistent with the Sample set of Accounts attached as Appendix X <link>.
- b) If the examiner is unsure about the form or the requirement for disclosure of a particular transaction, liability or asset they should refer to the appropriate legislation or seek advice from <we need an SD IPS advisory panel, ideally made up from 3 knowledgeable accountants – there should not be a high level of enquiry>

Direction 8

Accounting policies, estimates and judgments

The examiner should review the accounting policies adopted and consider their conformity with fundamental accounting concepts, consistency of application and their appropriateness to the activities of the Trust. The examiner must also consider and review any significant estimate or judgment that has been made in preparing the accounts.

Guidance

- a) The accounting policies adopted, and also any estimates or judgments made in preparing the accounts, may have a material effect on both the financial activities and state of affairs disclosed by the accounts. Such matters therefore require careful consideration by the examiner.
- b) The examiner should be satisfied that accounts are prepared on a basis consistent with the going concern assumption and accruals concept, and that the accounting policies adopted and applied are appropriate to the activities of the Trust and to ensure a relevant, reliable, comparable and understandable accounts presentation.
- c) The examiner must consider the reasonableness of any estimates or judgments where they are material to the accounts. Matters that may require consideration include:
 - i) transfers to or from designated fund accounts;
 - ii) valuation of gifts in kind;
 - iii) valuation of fixed asset investments where no market prices exist;
 - iv) estimates resulting from transactions not being fully recorded in the accounting records; and
 - v) where applicable, the allocation of costs between the various expenditure categories of the Income and Expenditure Account.

Direction 9

Events subsequent to the year end

Enquire of the Trust Board as to material events subsequent to the year end of the accounts examined which may require adjustments or disclosure in the accounts.

Guidance

- a) An event occurring after the balance sheet date may have a material effect on both the financial activities and state of affairs disclosed by the accounts.
- b) The events that have occurred subsequent to the year end should therefore be discussed with the Trust Board Members and, where appropriate, with the Trust's staff. Any effects on the accounts under review should be considered. The matters that should be discussed include:
 - i) whether any income anticipated and accrued into the accounts at the year end has proved irrecoverable;
 - ii) discovery of an error or fraud;
 - iii) crystallisation of a taxation liability;
 - iv) repayment of a grant or donation received;
 - v) a valuation of a property indicating a permanent diminution in value.
- c) Where an event occurring subsequent to the year end affects the amount or disclosure of an item in the accounts this should be brought to the attention of the Trust Board Members with a view to the accounts being amended.

Direction 10

Trust Board Members' annual report

Compare the accounts to any financial references in the Directors' report and Performance Report (if any); identifying any major inconsistencies and consider the significance such matters will have on a proper and accurate understanding of the Trust's accounts.

Guidance

- a) The Directors' report provides a report of the Trust's activities during the financial year. Trusts may also produce an Annual Performance Report to members setting out the Trust's activities during the year.
- b) Procedures should be directed at identifying inconsistencies with the accounts which are misleading or which contradict the financial information contained in the accounts.
- c) Where inconsistencies are identified which may have a significant effect on the proper understanding of the accounts, this should be drawn to the attention of the Trust Board Members. If no appropriate amendment is made to the Directors' report or the Annual Performance Report then details of the matter should be provided in the examiner's report.

Direction 11

Examiner's report

Review and assess all conclusions drawn from the evidence obtained from the examination and consider the implications on the examiner's report on the Trust Accounts. If the examiner has cause to make a statement on any matter arising from the examination, then the examiner must ensure so far as practicable that the report gives a clear explanation of the matter and of its financial effects on the accounts presented.

Guidance

- a) The requirements as to the form and content of the examiner's report are set out in Appendix <link> together with illustrative examples of such reports. The examiner needs to consider carefully the conclusions drawn from the procedures undertaken in accordance with these directions, and the impact of these conclusions on the examiner's report.
- b) In providing the examination report the examiner must state whether or not any matter has come to attention, in connection with the examination, which gives reasonable cause to believe that in any material respect:
 - i) accounting records have not been kept;
 - ii) the accounts do not accord with the accounting records; or
 - iii) whether the accounts fail to comply with the relevant Acts in respect of their form and content.
- c) Where any of the above concerns have been identified there should be a clear explanation of the nature of the failure and of its financial effects on the accounts. If the financial effect cannot be ascertained due to uncertainty, the nature of the uncertainty should be explained. If the concern relates to non-compliance with the relevant Acts as to the form and content of accounts, this should be raised with the Trust Board Members to seek the necessary amendment to the accounts.

- d) The examiner is also required to state whether or not any matter has been identified in connection with the examination to which, in the examiner's opinion, attention should be drawn in the report to enable a proper understanding of the accounts to be reached.
- e) Where such matters have come to attention, then they should be brought to the attention of the Trust Board Members with a view to seeking an amendment or adjustment to the accounts. If concerns remain, the matter should be addressed in the examiner's report. The matter concerned should be fully explained together with the financial effects on the accounts.
- f) There is also a requirement to provide a statement if the following matters have become apparent to the examiner during the course of the examination:
 - i) any material expenditure or action which appears not to be in accordance with the objects of the Trust;
 - ii) any failure to be provided with information and explanation by any past or present Director, officer or employee that is considered necessary for the examination; and
 - iii) any material inconsistency between the accounts and the Directors' report or Annual Performance Report.
- g) In order to identify any material expenditure or activities undertaken outside the objects of the Trust an understanding of the stated objects of the Trust, as set out in its Constitution (or Model Rules) is necessary. The guidance provided under [Direction 2](#) (Understanding the Trust) will be of particular relevance in obtaining a background understanding of the Trust's objectives and activities. Small or immaterial levels of expenditure on purposes outside of the objects of the Trust will not generally be included in the examiner's report unless they are of a recurrent nature. Material expenditure or significant actions contrary to the objectives of the Trust would be a major concern and details should be included on the examiner's report. The examiner need not carry out specific checks or procedures to identify such breaches, but such matters when identified must be included in the examiner's report.
- h) Any failure to be provided with information and explanations may seriously hamper an examination. If information and explanations requested are not provided this matter must be included in the examiner's report.
- i) Any major inconsistency between the accounts and the Directors' report or Annual Performance Report may give rise to misunderstanding. This should be brought to the attention of the Trust Board Members with a view to the amendment of the discrepancy. Where concerns still exist this must be stated in the examiner's report.

Direction 12

Reports to Supporters Direct

Inform the Board of Supporters Direct in writing if, whilst acting in the capacity of the examiner of a Trust, information or evidence is obtained which gives the examiner reasonable cause to believe that any one or more of the Trust Board Members has been responsible for deliberate or reckless misconduct in the administration of the Trust.

Guidance

- a) If the examiner believes that one or more of the Trust Board Members have been responsible for deliberate or reckless misconduct in the administration of a Trust then a separate written report of the matter must be forwarded to the Board of Supporters Direct. A reporting requirement would not arise through mere inadvertence or error of judgment on the part of a Trust Board Member whilst endeavouring honestly to carry out a Director's duties. It is also unlikely that a reporting duty will arise unless a material loss or misapplication of funds has resulted or could result.
- b) The duty to report relates to information or evidence obtained from the examiner's work undertaken in fulfilling these Directions or whilst acting in the capacity of the examiner of a Trust. It is not intended that the examiner should report on small or insignificant matters, particularly where such matters have been satisfactorily resolved internally.
- c) The reporting duty relates primarily to the actions of the Trust Board Members. However, in considering individual actions, the examiner must take into account the Trust Board Members' overall responsibilities of management and control.
- d) Where a reporting duty arises the examiner should report the matter in writing to the Chair of the Board of Supporters Direct. The examiner should state:
 - i) the Trust's name and registration number;

- ii) state that the report is made in accordance with "Direction 12" provided in this guidance;
 - iii) describe the matter giving rise to concern and, where possible, provide an estimate of the financial implications; and
 - iv) where the Trust Board Members are attempting to redress the situation a brief description of any steps being taken.
- d) Examples of the types of matters that will give rise to a reporting duty are set out in Appendix <link>.

Appendix 1

Model Resolution to change rules on audit

It is hereby resolved to amend the society's rules by inserting new clauses c-f in Rule 86 as laid out below

FINANCIAL AUDIT

86. The Society Board will in respect of each year of account ending on

.....:

- a. cause to be prepared a revenue account or revenue accounts which:
 - (i) singly or together deal with the affairs of the Society and any subsidiary company or society as a whole for that year; and
 - (ii) give a true and fair view of the income and expenditure of the Society and any subsidiary company or society for that year;
- b. cause to be prepared a balance sheet giving at that date a true and fair view of the state of the affairs of the Society and any subsidiary company or society.
- c. In any year of account, the Society shall not be required to appoint auditors if it is exempt under the 1968 Act and has disapplied the obligation to do so in accordance with the 1968 Act.
- d. In any such year, an Independent Examination of accounts under the guidelines recommended by Supporters Direct and all references below in Rules 25, 35, 87, 88, and 91 to 'auditor(s)' and 'audited' shall be read as independent examiner and Independently Examined' respectively and rules 89, 90, 92, 93 and 94 shall not apply.
- e. Any decision to disapply the requirement for audit must be passed by the appropriate margins laid down under the 1968 Act at the Annual General Meeting prior to the Annual General Meeting at which the accounts for the year in question are to be laid before members.
- f. No decision to disapply shall be valid if the accounts laid before the Annual General Meeting at which the decision is being taken indicate that the turnover of the society in that financial year is higher than the specified threshold for audit exemption by Supporters Direct, should such exemption be allowed under that policy.

This resolution needs to be included on the notice of the AGM sent to members, and must be passed by at least two-thirds of those voting in person and by proxy at the meeting.

Once approved, this resolution must then be notified to the FSA before it becomes legally registered. For details on how to change the rules and the forms you need to fill in, see the FSA Website at: http://www.fsa.gov.uk/pages/doing/small_firms/msr/societies/index.shtml

Appendix 2

Model resolution for the AGM

It is hereby resolved that subject to the provisions of section 4A of the 1968 Friendly and Industrial and Provident Societies Act, the members of the Society shall not require an audit for the accounts covering the current financial year ending on [insert year-end] when they are presented to the next AGM held in [insert year] .

The members of the society agree that the Accounts for the financial year ending on and for which reports will be laid before the following AGM do not require a full audit provided that:

- The total income for that year does not exceed the threshold laid down by Supporters Direct for audit exemption (currently £25,000)
- An Independent Examination of those accounts is carried out in place of the full Audit
- The Independent Examination is carried out in line with the best practice of Supporters Direct as set out in the Guidance Notes.
- A report from the Independent Examiner is included within the Accounts and circulated to members.

The Society notes that

- The Independent Examination does not carry the same weight as a full Audit
- The members of the Trust instruct the Board to identify a suitably qualified practitioner to undertake the review
- The Board shall agree the appointment of the examiner and shall agree the terms of that appointment in writing
- Supporters Direct has no liability in respect of any Trust Accounts
- Supporters Direct will use the report of an Independent Examiner when considering your Trust's eligibility for membership as against criteria in its membership policy

Note: This resolution must be passed by 80% of the members voting in person and by proxy, and only comes into force if it is passed by that margin AND the numbers voting against do not equal more than 10% of those member eligible to vote.

This resolution applies only to the accounts presented by the Trust Board to the next AGM. A resolution similar, to this, will need to be passed at each and every AGM to secure members approval for waiving the requirement for full audit for each subsequent year. If that resolution is not approved at the AGM in that financial year, then the default position is that the Trust must have a full audit..

In order to pass this policy and for it to be valid, the Trust must also have changed its rules to allow it to be exempt from an

audit pending approval of the above resolution each year. The resolution below should achieve this, provided your Trust has not already made amendments to the rules that refer to auditing and accounts. The precise numbers of the rules to be changed should be checked before laying the rule change resolution before members. In all cases, you are advised to check the final wording of your resolution with SD staff.

Appendix 3

IPS and Supporters Trusts – Regulatory Framework

There are 3 legal criteria relating to whether you require an audit, and one additional consideration in respect of joining Supporters Direct.

- **Legal, arising from the IPS regulations**
- **Organisational, arising from your Rules**
- **Procedural, arising from your last AGM**

All have to be met in order to be exempt. The assumption underpinning this system is that since the Audit is the primary means for members to hold the Board to account and to scrutinise them, the audit is owned by them and done for their convenience, and not that of the Board of a Society.

Legal

If the Trust has a subsidiary company, **or** has assets of more than £1.4M, **or** has a turnover of more than £350,000, then it **MUST** have an audit.

If it has a turnover **between** £90K and £350K, it must have at least an accountant's report, which falls considerably short of a full audit.

If the Trust has a turnover below £90K no audit is required **BUT....**

Organisational

If the Trust's rules stipulate a full audit is required, then the rules have to be followed, regardless of asset base and turnover in that year.

SD's Model Rules all include a provision for full audit, so unless a Trust has passed an amendment to remove this, then your Trust must have an audit.

Procedural

If your Trust is eligible to dispense with having an audit (i.e. doesn't meet the criteria in 'Legal' and has removed the rule on requiring an audit) then the Trust still needs to have voted at the **previous** AGM to dispense with having an audit for the subsequent year.

If such a vote wasn't tabled, or wasn't approved by an 80% majority, or where the numbers voting against counted for more than 10% of the total membership, then your Trust will still require an audit.

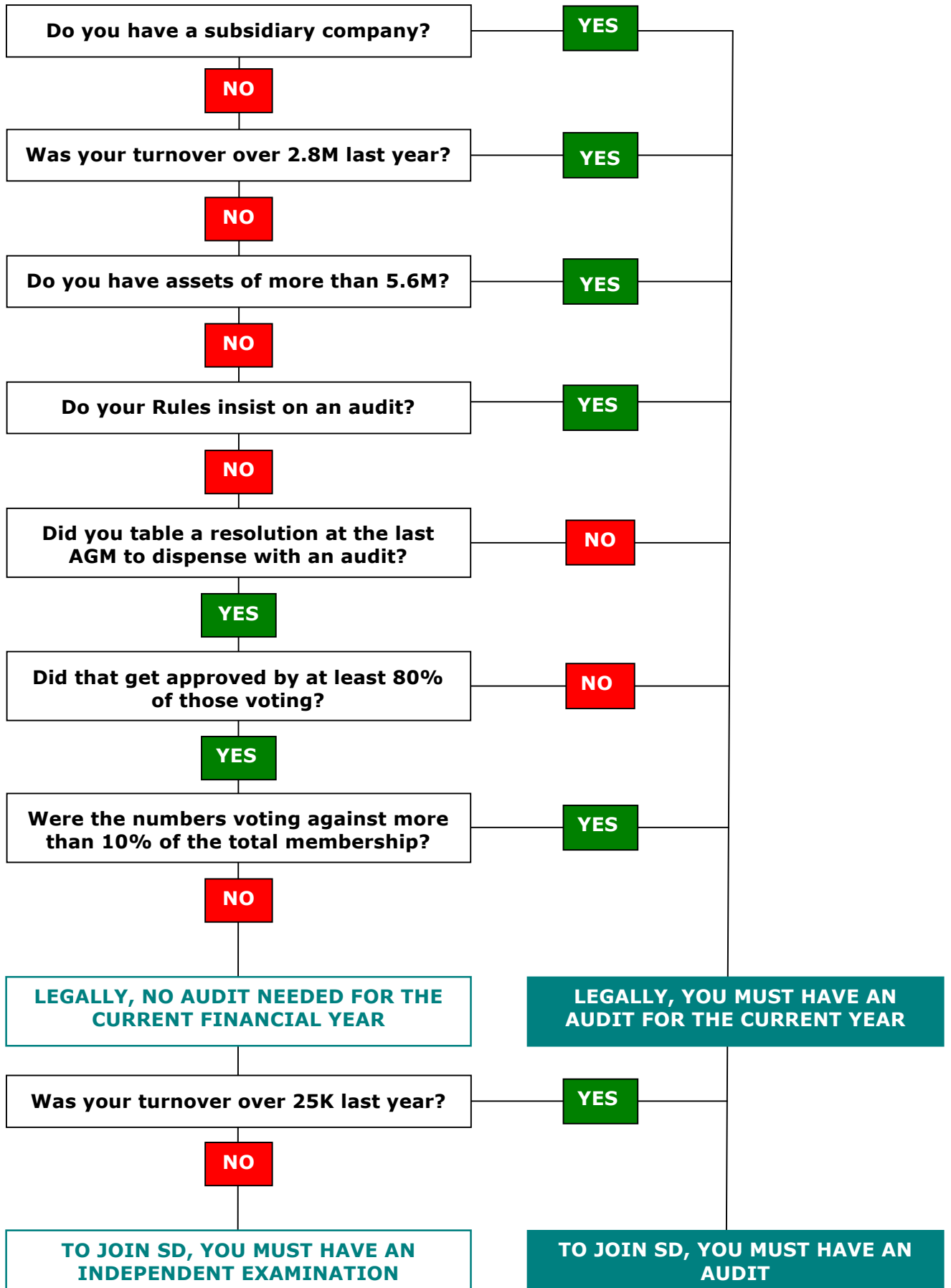
SD Membership Policy

The final issue is SD's threshold for member trust audits. This stipulates that all member must have full audits unless their turnover is less than £25,000.

Any Trust with a turnover above £25,000, which dispenses with an audit, will be ineligible for full SD Membership and the full SD support services that go with this.

Below £25,000 turnover, Trusts must have an Independent Examination in order to meet the relevant criteria for SD Membership.

Checklist



Appendix 4

Independent Examiner's Letter of Engagement

to the Society Board Members of [Trust's official registered name – usually xxxxxxxx Supporters' Society Limited].

1. Responsibilities of Society Board Members

As Society Board Members you are responsible for ensuring the Society maintains proper accounting records and for preparing accounts which give a true and fair view and which have been prepared in accordance with generally accepted accounting principles.

You are also responsible for determining whether, in respect of the year, the Society meets the conditions to be exempt from audit, and can therefore opt to commission an Independent Examination in order to meet the criteria for full membership set by Supporters Direct.

You are also responsible for assessing that my skills and experience are appropriate to carry out an Independent Examination of your Society, taking due consideration of its size and complexity.

2. Responsibilities of the Independent Examiner

It is my responsibility to

- a) examine the accounts
- b) to follow the procedures laid down in the General Directions given by Supporters Direct
- c) discuss with you if any particular matters have come to my attention
- d) write a report to members which will form part of the accounts

My work will not be an audit of the accounts.

3. Independence

I confirm that I have read the guidance provided by Supporters-Direct on independence and qualify as independent in line with that guidance.

4. Limitation of liability

Any liability that may arise as a result of this engagement is limited to my fee set out in (5) below.

5. Fees

My fees for completing this Independent Examination will be £____.

Please sign one of the two copies below to signify your agreement to these terms.

Signed _____
(on behalf of Society Board)

Signed _____
(on behalf of Society Board)

Date _____

Signed _____
(Independent Examiner)

Date _____

Appendix 5

Independent Examiner's Report (Unqualified example)

To the Members of [Trust's official registered name – usually xxxxxxxx Supporters' Society Limited] on the accounts for the year ended [date of year-end] set out on pages [pages featuring accounts].

This report is made solely to the society's members, as a body. My examination work has been undertaken so that I might state to the society's members those matters I am required to state to them in an examiners' report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the society and the society's members as a body, for my work, for this report, or for the opinions I have formed.

Respective responsibilities of Society Board Members and the examiner

The Society Board Members consider that an audit is not required for this year as an appropriate resolution was approved by members at the last AGM and that an independent examination is therefore appropriate.

It is my responsibility: to:

- examine the accounts
- follow the procedures laid down in the General Directions given by Supporters Direct; and
- state whether particular matters have come to my attention.

Basis of Independent Examiner's statement

My examination was carried out in accordance with General Directions given by Supporters Direct. An examination includes a review of the accounting records kept by the Society 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 the Society Board Members concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the accounts.

Independent examiner's statement

In the course of my examination, no matter has come to my attention (other than that disclosed below¹)

- a) which gives me reasonable cause to believe that, in any material respect, the Society Board Members have not met the requirements to ensure that:
- i) proper accounting records are kept
 - ii) accounts are prepared which agree with the accounting records and comply with generally accepted accounting requirements; or
- b) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signed _____

Date _____

Name _____

Qualification _____

Address _____

¹ Delete if there are no matters to be disclosed.

Appendix 6

Independent Examiner's Report (Qualified example)

To the Members of [Trust's official registered name – usually xxxxxxxx Supporters' Society Limited] on the accounts for the year ended [date of year-end] set out on pages [pages featuring accounts].

This report is made solely to the society's members, as a body. My examination work has been undertaken so that I might state to the society's members those matters I am required to state to them in an examiners' report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the society and the society's members as a body, for my work, for this report, or for the opinions I have formed.

Respective responsibilities of Society Board Members and the examiner

The Society Board Members consider that an audit is not required for this year as an appropriate resolution was approved by members at the last AGM and that an independent examination is therefore appropriate.

It is my responsibility to

- examine the accounts
- to follow the procedures laid down in the General Directions given by Supporters-Direct; and
- to state whether particular matters have come to my attention.

Basis of Independent Examiner's statement

My examination was carried out in accordance with General Directions given by Supporters-Direct. An examination includes a review of the accounting records kept by the Society 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 the Society Board Members concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the accounts.

Independent examiner's statement

In the course of my examination, no matter has come to my attention other than that disclosed below which gives me reasonable cause to believe that, in any material respect, the Society Board Members have not met the requirements to ensure that:

- i) proper accounting records are kept
- ii) accounts are prepared which agree with the accounting records and comply with generally accepted accounting requirements;

The accounts disclose that £x is receivable from the _____ Football Club in respect of membership fees taken on behalf of the Society. I have been unable to obtain adequate assurance from the Football Club that they will pay this sum to the Society.

No other matter has come to my attention in connection with my examination to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signed _____

Date _____

Name _____

Qualification _____

Address _____

Appendix 7

Model Auditor's Report (Unqualified)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUPPORTERS DIRECT

YEAR ENDED 31 MARCH 2006

We have audited the financial statements of Supporters Direct for the year ended 31 March 2006 on pages [pages in report featuring accounts and notes] which have been prepared under the historical cost convention and the accounting policies set out on page [page detailing accounting policies].

This report is made solely to the society's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Board of Directors' Responsibilities the society's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 and the Friendly and Industrial and provident Societies Act 1968. We also report to you if, in our opinion, the Board of Directors' Report is not consistent with the financial statements, if the society has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the society is not disclosed, or if a satisfactory system of internal control has not been established and maintained.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Appendix 7

Model Auditor's Report (Unqualified) - continued

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUPPORTERS DIRECT (Continued)

YEAR ENDED 31 MARCH 2006

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statement.

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the society's affairs as at 31 March 2006 and of its surplus for the year then ended, and have been properly prepared in accordance with the Industrial and Provident Societies Act 1965 and the Friendly and Industrial and Provident Societies Act 1968.

Address
Address
Address
Address

Tick & Bash & Co
Chartered Accountants
& Registered Auditors

Appendix 8 -

Checklist for Treasurers

NB This checklist applies equally whether you are to have an audit or Independent Examination.

If the auditor is given all the information they require there is an increased chance they will

- **hold to their quoted fee (and save your Trust some money)**
- **be willing to do the job next year (and save the time and trouble of finding a replacement)**
- **ensure the annual reports reflect the strengths of your Trust**

This checklist will not be exhaustive and you should consider what other areas are significant in respect of your own Trust and provide relevant information to enable the auditor to properly reflect these in your annual accounts. If in doubt table any such matters for discussion in your initial meeting with the auditor.

Note that many people now work electronically and more offices are moving to being 'paperless'. Therefore it makes sense to check with the auditor and send the information, as far as practicable, in an electronic format

Background to the Trust

- *to give the auditor the background and context to the Trust as well as highlighting any special issues that have arisen in the year under review*

• Trust constitution or Rules	And any changes since registration of the Rules
• Any policy documents that supplement the Rules	E.g. Board membership policy, election policy
• Society Board minutes	All minutes since the previous financial year end
• Any Resolutions from GMs	At minimum this is the minutes of the last AGM
• Business plan	Or similar
• Membership form	Showing fees charged and period covered
• List of Directors	Showing category, when elected, term of office

Accounting records

- *the papers, files, spreadsheets or accounting systems that are a record of activity in the financial year under review. Note that the auditor will also want to scrutinise transactions since the financial year end date. This list is the bare minimum!*

Cash book	The record of receipts and payments
Bank statements	For all Society Bank Accounts
Bills / costs	File of invoices/receipts that support the payments made by the Trust

Appendix 8 - Checklist for Treasurers (Contd)

Receipts / pay in slips

File of papers that support and analyse the amounts received by the Trust

- should split income from different sources (e.g. membership fees, donations, raffles, merchandise)
- should identify if receipts are earmarked for specific projects (e.g. share fund, youth development fund etc)

Membership records

These should break down membership receipts between full, junior, life and any other categories
And should identify where membership year end does not match the financial year end (particularly for Trusts with rolling renewal)

Trust assets and liabilities

- *to support the items that need to be included in the Trust Balance Sheet at the Financial year end*
- *it is important to avoid 'paper clip' accounting and restrict any action on the items discussed below to those which are 'significant' or 'material'. What is 'material' will vary from Trust to Trust dependent upon scale. The auditor will have their own view on this so it is useful to include this in your initial discussion.*

Shares

Shares owned in the football club.

When purchased? What price paid? How many? What category of share? Does the Trust have the share certificate(s)? Has the ownership been notified by the club to Companies House? Is there any evidence of the current value? For a quoted company the value is the list price at the balance sheet date. For an unlisted Plc or Ltd Co the value is uncertain and the auditor will probably include the shares at cost but refer to the uncertainty of that value within their report.

If your Trust holds valid proxy's for shares beneficially owned by others it is worth referring to this in the Trust Accounts by way of a note although the auditor will ask to see the signed proxy forms as evidence.

Fixed Assets

Fixed Assets have an economic value to the Trust that extends more than a year. A classic example is a computer. It lasts for, say, 3 years, costs £900 and can be 'written off' at £300 a year. After one year it therefore has a value of £600.

Your Trust can choose a policy for such assets. Such a policy may be to 'capitalise' any such assets that cost over £1,000. This has the beneficial effect for most trusts of eliminating the need to worry about fixed assets.

It is your policy so you can choose to set this limit lower. For any such assets the auditor will require a copy of the original invoice, your estimate of the estimated useful life of the asset and will want evidence that the asset still exists.

Appendix 8 - Checklist for Treasurers (Contd)

Stock

Stock of merchandise for resale.

A list of merchandise held at the financial year end, showing item, quantity, unit cost, total cost. Stock is valued at "the lower of cost or net realisable value". Copies of the purchase invoices should be provided. Your Trust should consider whether the items are saleable. If not, then consider a reduced or Nil value.

Prepaid Annual Member-ships

This is partly covered by the membership records under Accounting Records above. Example. A Trust has a rolling membership year. The Trust year ends 30 June. The member pays £12 for a year's subs on 1st Jan. So £12 is received in this year but £6 of that is really next year's membership fee as far as the Trust Accounts are concerned.

In most cases this will not be a significant sum but the matter requires noting in the accounts and the auditor will advise whether, in their opinion, the sum involved is large enough to warrant adjusting in the accounts.

Prepaid, Life or multi year Member-ships

On the same basis, where your trust has sold life (or multi-year) memberships it requires a policy to apportion the life membership fee over the estimated average remaining lifetime of the life members.

Nothing sophisticated is required so there is no need to call in an actuary. An average membership lifetime of somewhere between 10 and 20 years is a perfectly reasonable basis. Clearly, the multi-year memberships, where the number of years is specified simply needs to be spread over the relevant number of years.

The minimum information required is the list of life members (or number of), the year in which each joined and, where appropriate, the previous year's calculation of prepaid life memberships.

Amounts owed to the Trust

Provide details of any sums which have been earned by the Trust during the year but which had not been paid to the Trust by the financial year end.

These are "Debtors". The auditor will require evidence have been settled since the year end or are recoverable.

Examples are

- auction proceeds from an event pre year end that were received post year end.
- Cash taken but not banked at the year end
- Membership fees collected by club but not yet paid over to Trust
- Joint ventures or agency agreements where the other party settled up after the year end for a trading period within the year being reported

Appendix 8 - Checklist for Treasurers (Contd)

Prepaid Costs

Provide details of any significant costs that cover a period that runs into the next financial year.

An example is insurance. Your insurance premium runs from 1st April each year and your financial year ends on 31st August. 7mths of the Insurance premium belongs in the next financial year.

Costs incurred but not yet paid

These are known as Creditors or Accrued Expenses. Your Trust has incurred costs but the bill has not been submitted and/or the bill had not been paid by the financial year end. These costs belong in the financial year in which they are incurred and not necessarily in the year in which they are paid. If in doubt, bring it to the attention of the auditor together with relevant details of the cost.

There are endless examples of these (Auditors fee). A simple approach is to just review the sums paid out since the year end and list those that relate to services or goods received before the year end.

Also add any significant costs that you know you are waiting to pay for or be billed for.

Ear-marked Reserves

Where your Trust has been fund-raising on a number of fronts during the year the accumulated funds need to be split between the various projects.

For example : in the 2004-05 year Swans Trust received monies for

- Youth development scheme
- Ivor Allchurch statue fund
- Share fund

Members will want to be assured that where they have contributed funds for a designated purpose, the funds will be applied solely for that purpose. They will want to see in the accounts not only how much has been spent but also how much of the accumulated surplus is retained/ear-marked for that purpose.

Where your Trust's accumulated surplus has some funds earmarked for a specific application you should provide this information to the auditor so they can refer to this within the accounts.

Please provide feedback, including ambiguities, inaccuracies and omissions, on this document to Finance@supporters-direct.org.

Appendix 9

Model Society Board Members' Report

SUPPORTERS SOCIETY LIMITED

SOCIETY BOARD MEMBERS' REPORT FOR THE YEAR ENDED 31st MAY 200X

The Society Board Members submit their report together with the financial statements for the year ended 31st May 2005.

Guiding principles

The Society is run on the following fundamental principles

- **Accountability – through annual elections to the Society Board in line with Supporters-Direct recommended practice.**
- **Democracy – by fully involving members in key decisions of the Society and operating in an engaging manner**
- **Inclusive – by setting a membership fee which is affordable to all and open to all.**
- **Open – by being transparent in all our activities.**

Principal Aims

The Society was set up with the following principal aims

- **To maintain a Professional senior Football Club in**
- **To bring the benefits of football closer to its local community and vice-versa**
- **To have elected supporters representation on the Board of the Club**
- **To raise sufficient funds to buy a stake in the club in pursuance of the above.**

Responsibilities of the Board

The Society Board is required to prepare financial statements, for each financial year, which give a true and fair view of the state of affairs of the society for that year. In preparing those financial statements, the Board is required to;

- **select suitable accounting policies and then apply them consistently;**
- **make judgments and estimates that are reasonable and prudent;**
- **follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;**
- **prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.**

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the society and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 and the Friendly and Industrial and Provident Societies Act 1968. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appendix 9

Model Society Board Members' Report (Contd.)

SOCIETY BOARD MEMBERS' REPORT FOR THE YEAR ENDED 31st MAY 200X

Business Review and Future Developments

Use this section to blow your own trumpet on what has been achieved in the year and what plans are in store for the year now in progress (be realistic but positive). Slow burn Trusts can be suitably circumspect but nevertheless positive on the need for a supporters' voice, and the need to maintain and develop the Trust as the only realistic model to provide that.

Society Board

The members of the Society Board in the year were	Until
Name - Elected – [[date of election] of election]	20xx
Name - Elected – [date of election]	20xx
Name - Elected – [date of election]	20xx
Name - Elected – [date of election]	20xx
Name - Elected – [date of election]	20xx
Name - Elected – [date of election]	20xx
Name - Elected – [date of election]	20xx
Name - Elected – [date of election]	20xx
Name - Elected – [date of election]	20xx
Name - Resigned - [date of resignation]	
Name - Co-opted – [date of election]	20xx
Name - Co-opted – [date of election]	20xx
Name - Co-opted – [date of election]	20xx

Society Board members each serve for two years. In accordance with the constitution the following members retire at the forthcoming AGM but are eligible for re-election; [name], [name], [name], [name], and [name]. [Name], having been co-opted in the year to fill a casual vacancy is also required to resign and is eligible for election.

Auditors/Independent Examiner²

The [Auditors, Tick & Bash & Co, / Independent Examiner, J Smith] will be proposed for re-election at the forthcoming AGM.

This report was approved by the Society Board on [date of Trust Board meeting where approved].

On behalf of the Board

Name
Position

² Delete as appropriate

Appendix 10

IPS Annual Returns - Regulatory Framework

As an IPS is a corporate body, it has to submit an Annual Return each year to the IPS section of the [Financial Services Authority \(FSA\)](#). It's similar to the process that companies have to go through each year with Companies House.

The FSA needs certain documents from every IPS each year; they also charge a fee for handling these documents and filing them in the public domain. Like the record of companies, the Annual Return is available to anyone – a Trust member, or indeed any member of the public.

The fee is calculated in bands depending on the assets of the IPS in question – the more assets a Trust has, the more it pays. The periodic fee rates for 2001/02 and 2002/03 were:

Total assets from last Annual Return (£'000)	Rebate or additional periodic fee (£)
0 to 50	(50)
>50 to 100	(35)
>100 to 250	(10)
>250 to 1000	15
>1000	95

The documents the FSA need are:

- The audited accounts approved by the AGM as a true and accurate record of the past year's financial dealing
- Notification of any changes to the registered address of the Trust
- Notification of any changes to the name and address of the Secretary
- Details of the names and addresses of the Trust's board.

Unlike companies, Trusts don't have to notify the FSA whenever there's a change, and only report details of the board once a year.

The Secretary is the person who is responsible for filing these documents. Failure to submit a return by the due date is an offence and may result in prosecution. The relevant forms that need to be filled in and sent off are available from Supporters Direct or the FSA directly. If your Trust has any queries about this, contact your Development Officer at Supporters Direct.

The address of the Financial Services Authority is:

**The Financial Services Authority
Returns & Statistics Section
Intelligence & Records
9th Floor, 25 The North Colonnade
Canary Wharf
London E14 5HS**

Annual Returns Queries: Telephone 020 7066 8002 (select option 3)

Appendix 11 - Model Accounts

Version 1		
Members subs		15,415
Donations and sponsorships		
Battle for Britton	2,570	
Share Fund	4,083	
Ivor Allchurch Fund	2,401	
General	53	
		<u>9,107</u>
Fundraising activities		
Megabowl	1,736	
Race Nite	4,012	
E-bay	0	
Raffle proceeds	237	
Merchandise Sales	146	
		<u>6,131</u>
Fundraising costs		
Megabowl	546	
Race Nite	926	
Quiz night	50	
		<u>(1,522)</u>
Interest Received		<u>36</u>
Net income		29,167
Other Administrative Costs		
Community projects	46	
Ivor Allchurch statue	2,500	
Printing postage & stationery	6,032	
Website / internet	63	
Repairs and renewals	348	
Insurance	0	
Statutory costs	383	
Bank charges	8	
Subscriptions	200	
Audit fees	980	
Depreciation	880	
		<u>11,440</u>
Administrative Costs		11,440
Net Surplus		17,727

Version 2		
Members subs		15,415
Donations and sponsorships		
Battle for Britton	2,570	
Share Fund	4,083	
Ivor Allchurch Fund	2,401	
General	53	
		<u>9,107</u>
Fundraising activities		
Megabowl	1,736	
Race Nite	4,012	
E-bay	0	
Raffle proceeds	237	
Merchandise Sales	146	
		<u>6,131</u>
Fundraising costs		
Megabowl	546	
Race Nite	926	
Quiz night	50	
		<u>(1,522)</u>
Interest Received		<u>36</u>
Net income		29,167
Members Services		
Community projects	46	
Ivor Allchurch statue	2,500	
Members Newsletters	4,856	
Election expenses	974	
		<u>(8,376)</u>
Society Operating Costs		
Postage, printing	202	
Website / internet	63	
Repairs and renewals	348	
Bank charges	8	
Statutory costs	383	
Subscriptions	200	
Audit fees	980	
Depreciation	880	
		<u>(3,064)</u>
Net Surplus		17,727
How was your £5 membership fee applied ?		
Newsletters		£1.58
Election expenses		£0.32
Operating Costs		£0.99
Surplus carried forward		£2.12
		£5.00

With acknowledgement due to Swansea City Supporters Trust for allowing us to base this illustration on their accounts