



# Charities Act 2011

## 2011 CHAPTER 25

### PART 8

#### CHARITY ACCOUNTS, REPORTS AND RETURNS

### CHAPTER 3

#### AUDIT OR EXAMINATION OF ACCOUNTS

##### *Audit or examination of individual accounts*

#### **144 Audit of accounts of larger charities**

- (1) Subsection (2) applies to a financial year of a charity if—
- the charity's gross income in that year exceeds [<sup>F1</sup>£1 million], or
  - the charity's gross income in that year exceeds the accounts threshold and at the end of the year the aggregate value of its assets (before deduction of liabilities) exceeds £3.26 million.
- “The accounts threshold” means the sum for the time being specified in section 133 (account and statement an option for lower-income charities).
- (2) If this subsection applies to a financial year of a charity, the accounts of the charity for that year must be audited by a person who—
- is eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006, or
  - is a member of a body for the time being specified in regulations under section 154 and is under the rules of that body eligible for appointment as auditor of the charity.

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#### Textual Amendments

- F1** Words in s. 144(1)(a) substituted (with application in accordance with art. 5 of the commencing S.I.) by [The Charities Act 2011 \(Accounts and Audit\) Order 2015 \(S.I. 2015/321\)](#), arts. 1, 3

#### Modifications etc. (not altering text)

- C1** [S. 144](#) applied (1.1.2018) by [The Charitable Incorporated Organisations \(Conversion\) Regulations 2017 \(S.I. 2017/1232\)](#), regs. 1(1), 14

### 145 Examination of accounts an option for lower-income charities

- (1) If section 144(2) does not apply to a financial year of a charity but its gross income in that year exceeds £25,000, the accounts of the charity for that year must, at the election of the charity trustees, be—
- (a) examined by an independent examiner, that is, an independent person who is reasonably believed by the trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts, or
  - (b) audited by a person within section 144(2)(a) or (b).
- (2) Subsection (1) is subject to—
- (a) subsection (3), and
  - (b) any order under section 146(1).
- (3) If subsection (1) applies to the accounts of a charity for a year and the charity's gross income in that year exceeds £250,000, a person qualifies as an independent examiner for the purposes of subsection (1)(a) if (and only if) the person is independent and—
- (a) a member of one of the bodies listed in subsection (4), or
  - (b) a Fellow of the Association of Charity Independent Examiners.
- (4) The bodies referred to in subsection (3)(a) are—
- (a) the Institute of Chartered Accountants in England and Wales;
  - (b) the Institute of Chartered Accountants of Scotland;
  - (c) the Institute of Chartered Accountants in Ireland;
  - (d) the Association of Chartered Certified Accountants;
  - (e) the Association of Authorised Public Accountants;
  - (f) the Association of Accounting Technicians;
  - (g) the Association of International Accountants;
  - (h) the Chartered Institute of Management Accountants;
  - (i) the Institute of Chartered Secretaries and Administrators;
  - (j) the Chartered Institute of Public Finance and Accountancy.
- [<sup>F2</sup>(k) the Institute of Financial Accountants;
- (l) the Certified Public Accountants Association.]
- (5) The Commission may—
- (a) give guidance to charity trustees in connection with the selection of a person for appointment as an independent examiner;
  - (b) give such directions as it thinks appropriate with respect to the carrying out of an examination in pursuance of subsection (1)(a);

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and any such guidance or directions may either be of general application or apply to a particular charity only.

- (6) The [F3Secretary of State] may by order—
- (a) amend subsection (3) by adding or removing a description of person to or from the list in that subsection or by varying any entry for the time being included in that list;
  - (b) amend subsection (4) by adding or removing a body to or from the list in that subsection or by varying any entry for the time being included in that list.

#### Textual Amendments

- F2** S. 145(4)(k)(l) inserted (with application in accordance with art. 5 of the commencing S.I.) by [The Charities Act 2011 \(Accounts and Audit\) Order 2015 \(S.I. 2015/321\)](#), arts. 1, 4
- F3** Words in s. 145(6) substituted (9.11.2016) by [The Transfer of Functions \(Elections, Referendums, Third Sector and Information\) Order 2016 \(S.I. 2016/997\)](#), art. 1(2), **Sch. 2 para. 25(2)(w)** (with art. 12)

### 146 Commission's powers to order audit

- (1) The Commission may by order require the accounts of a charity for a financial year to be audited by a person within section 144(2)(a) or (b) if it appears to the Commission that—
- (a) section 144(2), or (as the case may be) section 145(1), has not been complied with in relation to that year within 10 months from the end of that year, or
  - (b) although section 144(2) does not apply to that year, it would nevertheless be desirable for the accounts of the charity for that year to be audited by a person within section 144(2)(a) or (b).
- (2) If the Commission makes an order under subsection (1) with respect to a charity, the auditor must be a person appointed by the Commission unless—
- (a) the order is made by virtue of subsection (1)(b), and
  - (b) the charity trustees themselves appoint an auditor in accordance with the order.
- (3) The expenses of any audit carried out by an auditor appointed by the Commission under subsection (2), including the auditor's remuneration, are recoverable by the Commission—
- (a) from the charity trustees of the charity concerned, who are personally liable, jointly and severally, for those expenses, or
  - (b) to the extent that it appears to the Commission not to be practical to seek recovery of those expenses in accordance with paragraph (a), from the funds of the charity.

### 147 Accounts required to be audited under Companies Act

- (1) Nothing in sections 144 to 146 applies in relation to the accounts of a charitable company for a financial year if those accounts are required to be audited in accordance with Part 16 of the Companies Act 2006 (“Part 16 accounts”).

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- (2) In the case of a charitable company, the Commission may by order require that the condition and Part 16 accounts of the company for such period as the Commission thinks fit are to be investigated and audited by an auditor who—
- (a) is eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006, and
  - (b) is appointed by the Commission.
- (3) An auditor acting under subsection (2)—
- (a) has a right of access to all books, accounts and documents relating to the company which are in the possession or control of the charity trustees or to which the charity trustees have access;
  - (b) is entitled to require from any charity trustee, past or present, and from any past or present officer or employee of the company such information and explanation as the auditor thinks necessary for the performance of the auditor's duties;
  - (c) must at the conclusion or during the progress of the audit make such reports to the Commission about the audit or about the accounts or affairs of the company as the auditor thinks the case requires, and must send a copy of any such report to the charity trustees.
- (4) The expenses of any audit under subsection (2) including the remuneration of the auditor, are to be paid by the Commission.
- (5) If any person fails to afford an auditor any facility to which the auditor is entitled under subsection (3), the Commission may by order give to that person or to the charity trustees for the time being such directions as the Commission thinks appropriate for securing that the default is made good.

#### **148 NHS charities: general**

Nothing in sections 144 to 146 applies in relation to a financial year of a charity where, at any time in the year, it is—

- (a) an English NHS charity (as defined in section 149), or
- (b) a Welsh NHS charity (as defined in section 150).

#### **149 Audit or examination of English NHS charity accounts**

- (1) This section applies in relation to a financial year of a charity where, at any time in the year, it is an English NHS charity.
- (2) If section 144(1)(a) or (b) is satisfied in relation to that financial year of the charity, the accounts of the charity for that year must be audited by [<sup>F4</sup>a person who—
- (a) is eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006,
  - (b) is eligible for appointment as a local auditor (see Part 4 of the Local Audit and Accountability Act 2014), or
  - (c) is a member of a body for the time being specified in regulations under section 154 and is under the rules of that body eligible for appointment as auditor of the charity.]
- (3) In any other case, the accounts of the charity for that financial year must, at the election of [<sup>F5</sup>the charity trustees], be—

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- (a) audited by [<sup>F6</sup>a person who is within subsection (2)(a), (b) or (c)], or
- (b) examined by [<sup>F7</sup>a person who is qualified to be an independent examiner].

[<sup>F8</sup>(3A) For the purposes of subsection (3)(b), a person is qualified to be an independent examiner if (and only if)—

- (a) the person is independent,
- (b) the charity trustees reasonably believe that the person has the requisite ability and practical experience to carry out a competent examination of the accounts, and
- (c) the person—
  - (i) falls within a description of person for the time being included in the list in section 145(3), or
  - (ii) is eligible for appointment as a local auditor (see Part 4 of the Local Audit and Accountability Act 2014).]

<sup>F9</sup>(4) .....

[<sup>F10</sup>(5) The Commission may—

- (a) give guidance to charity trustees of an English NHS charity in connection with the selection of a person for appointment as an independent examiner;
- (b) give such directions as it thinks appropriate with respect to the carrying out of an examination in pursuance of subsection (3)(b);

and any such guidance or directions may either be of general application or apply to a particular charity only.]

(6) The Comptroller and Auditor General may at any time examine and inspect—

- (a) the accounts of the charity for the financial year,
- (b) any records relating to those accounts, and
- (c) any report of a person appointed under subsection (2) or (3) to audit or examine those accounts.

(7) In this section, “English NHS charity” means a charitable trust, the trustees of which are—

<sup>F11</sup>(a) .....

<sup>F12</sup>(b) .....

[<sup>F13</sup>(ba) [<sup>F14</sup>NHS England],

[<sup>F15</sup>(bb) an integrated care board,]

<sup>F16</sup>(bc) .....

<sup>F16</sup>(bd) .....]

- (c) a National Health Service trust all or most of whose hospitals, establishments and facilities are situated in England,
- (d) trustees appointed in pursuance of paragraph 10 of Schedule 4 to the National Health Service Act 2006 for a National Health Service trust falling within paragraph (c),
- (e) special trustees appointed in pursuance of section 29(1) of the National Health Service Reorganisation Act 1973, section 95(1) of the National Health Service Act 1977 and section 212(1) of the National Health Service Act 2006 for such a National Health Service trust, or

<sup>F17</sup>(f) .....

<sup>F18</sup>(8) .....

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### Textual Amendments

- F4** S. 149(2)(a)-(c) substituted (1.4.2017) by [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(2\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)
- F5** Words in s. 149(3) substituted (1.4.2017) by [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(3\)\(a\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)
- F6** Words in s. 149(3)(a) substituted (1.4.2017) by [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(3\)\(b\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)
- F7** Words in s. 149(3)(b) substituted (1.4.2017) by [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(3\)\(c\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)
- F8** S. 149(3A) inserted (1.4.2017) by [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(4\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)
- F9** S. 149(4) omitted (1.4.2017) by virtue of [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(5\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)
- F10** S. 149(5) substituted (1.4.2017) by [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(6\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)
- F11** S. 149(7)(a) omitted (1.4.2013) by virtue of [Health and Social Care Act 2012 \(c. 7\), s. 306\(4\), Sch. 5 para. 184\(a\)](#); S.I. 2013/160, art. 2(2) (with arts. 7-10Sch. para. 1Sch. para. 6Sch. para. 16)
- F12** S. 149(7)(b) omitted (1.4.2013) by virtue of [Health and Social Care Act 2012 \(c. 7\), s. 306\(4\), Sch. 5 para. 184\(b\)](#); S.I. 2013/160, art. 2(2) (with arts. 7-10Sch. para. 1Sch. para. 6Sch. para. 16)
- F13** S. 149(7)(ba)-(bd) inserted (1.10.2012) by [Health and Social Care Act 2012 \(c. 7\), s. 306\(4\), Sch. 5 para. 184\(c\)](#); S.I. 2012/1831, art. 2(2)
- F14** Words in s. 149 substituted (1.7.2022) by [Health and Care Act 2022 \(c. 31\), s. 186\(6\), Sch. 1 para. 1\(1\)\(2\)](#); S.I. 2022/734, reg. 2(a), Sch. (with regs. 13, 29, 30)
- F15** S. 149(7)(bb) substituted (1.7.2022) by [Health and Care Act 2022 \(c. 31\), s. 186\(6\), Sch. 4 para. 174](#); S.I. 2022/734, reg. 2(a), Sch. (with regs. 13, 29, 30)
- F16** S. 149(7)(bc)(bd) omitted (17.6.2021) by virtue of [NHS \(Charitable Trusts Etc\) Act 2016 \(c. 10\), s. 5\(1\), Sch. 1 para. 15](#); S.I. 2021/712, reg. 3(c)
- F17** S. 149(7)(f) omitted (1.4.2013) by virtue of [Health and Social Care Act 2012 \(c. 7\), s. 306\(4\), Sch. 5 para. 184\(d\)](#); S.I. 2013/160, art. 2(2) (with arts. 7-10Sch. para. 1Sch. para. 6Sch. para. 16)
- F18** S. 149(8) omitted (1.4.2017) by virtue of [Local Audit and Accountability Act 2014 \(c. 2\), s. 49\(1\), Sch. 12 para. 119\(7\)](#); S.I. 2015/841, art. 4 (with Sch. para. 11) (as amended (27.6.2016) by S.I. 2016/675, art. 2)

## 150 Audit or examination of Welsh NHS charity accounts

- (1) This section applies in relation to a financial year of a charity where, at any time in the year, it is a Welsh NHS charity.
- (2) If section 144(1)(a) or (b) is satisfied in relation to that financial year of the charity, the accounts of the charity for that year must be audited by the Auditor General for Wales.
- (3) In any other case, the accounts of the charity for that financial year must, at the election of the Auditor General for Wales, be audited or examined by the Auditor General for Wales.

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- (4) In this section “Welsh NHS charity” means a charitable trust, the trustees of which are—
- (a) a Local Health Board,
  - (b) a National Health Service trust all or most of whose hospitals, establishments and facilities are situated in Wales,
  - (c) trustees appointed in pursuance of paragraph 10 of Schedule 3 to the National Health Service (Wales) Act 2006 for a National Health Service trust falling within paragraph (b), or
  - (d) special trustees appointed in pursuance of section 29(1) of the National Health Service Reorganisation Act 1973, section 95(1) of the National Health Service Act 1977 and section 160(1) of the National Health Service (Wales) Act 2006 for such a National Health Service trust.
- (5) References in this Act to an auditor or an examiner have effect in relation to this section as references to the Auditor General for Wales acting under this section as an auditor or examiner.

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 42(1)(1A) substituted for s. 42(1) by [2022 c. 6 s. 25\(b\)](#)
- s. 45A inserted by [2022 c. 6 s. 26](#)
- s. 45B inserted by [2022 c. 6 s. 27](#)
- s. 104B(d) and word inserted by [2022 c. 6 s. 13\(3\)\(d\)](#)
- s. 104B(ba) inserted by [2022 c. 6 s. 13\(3\)\(c\)](#)
- s. 104AA inserted by [2022 c. 6 s. 13\(2\)](#)
- s. 106(1)-(1B) substituted for s. 106(1) by [2022 c. 6 s. 16\(a\)](#)
- s. 117(1A) inserted by [2022 c. 6 s. 17](#)
- s. 117(3)(aa) inserted by [2022 c. 6 s. 18\(2\)\(a\)](#)
- s. 118(2A) inserted by [2022 c. 6 s. 22](#)
- s. 122(2)(2A) substituted for s. 122(2) by [2022 c. 6 s. 23\(2\)\(a\)](#)
- s. 122(4)(4A) substituted for s. 122(4) by [2022 c. 6 s. 23\(2\)\(c\)](#)
- s. 122(5)(5A) substituted for s. 122(5)(6) by [2022 c. 6 s. 23\(2\)\(d\)](#)
- s. 124(9)(aa) inserted by [2022 c. 6 s. 18\(3\)\(a\)](#)
- s. 125(1)(1A) substituted for s. 125(1) by [2022 c. 6 s. 23\(3\)\(a\)](#)
- s. 128A and cross-heading inserted by [2022 c. 6 s. 21\(2\)](#)
- s. 184B and cross-heading inserted by [2022 c. 6 s. 29](#)
- s. 186A inserted by [2022 c. 6 s. 31](#)
- s. 198(2A) inserted by [2022 c. 6 s. 1\(3\)](#)
- s. 226(2A) inserted by [2022 c. 6 s. 2\(2\)\(b\)](#)
- s. 227(1A)-(1C) inserted by [2022 c. 6 s. 2\(3\)\(a\)](#)
- s. 239(3)(4) substituted for s. 239(3) by [2022 c. 6 s. 33\(2\)](#)
- s. 244(2)(3) substituted for s. 244(2) by [2022 c. 6 s. 33\(3\)](#)
- s. 280A280B and cross-heading inserted by [2022 c. 6 s. 3\(2\)](#)
- s. 281(6A)-(6D) inserted by [2022 c. 6 s. 10\(2\)\(b\)](#)
- s. 282(1A) inserted by [2022 c. 6 s. 10\(3\)\(c\)](#)
- s. 282(3A)(3B) inserted by [2022 c. 6 s. 10\(3\)\(d\)](#)
- s. 284(4)-(4B) substituted for s. 284(4) by [2022 c. 6 s. 11\(3\)](#)
- s. 284(6) inserted by [2022 c. 6 s. 10\(4\)\(b\)](#)
- s. 284A-284D and cross-heading inserted by [2022 c. 6 s. 12\(2\)](#)
- s. 285(3) inserted by [2022 c. 6 s. 12\(3\)](#)
- s. 311(2)(2A) substituted for s. 311(2) by [2022 c. 6 s. 33\(4\)](#)
- s. 322(2)(ea) inserted by [2022 c. 6 Sch. 2 para. 26](#)
- s. 331A331B and cross-heading inserted by [2022 c. 6 s. 15](#)
- s. 348(1)(d) inserted by [2022 c. 6 s. 12\(4\)\(a\)](#)
- s. 348(1)(e) inserted by [2022 c. 6 s. 39\(2\)\(a\)](#)
- s. 352A inserted by [2022 c. 6 s. 39\(1\)](#)
- s. 353(4) inserted by [2022 c. 6 s. 14\(2\)](#)