

# LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

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## EXPLANATORY NOTES

### COMMENTARY

#### **Part 7 – Miscellaneous and Supplementary**

#### *Section 45 and Schedule 12: Related amendments*

#### **NHS charities**

159. [Paragraphs 118 to 122](#) make amendments to the provisions in the Charities Act 2011 which concern the audit or examination of the accounts of English NHS charities. An English NHS charity is a charitable trust which has as its trustee an English NHS body, such as an NHS trust (see section 149(7) of the Charities Act 2011). English NHS charities are generally established by English NHS bodies in order to handle their charitable funds.
160. [Paragraph 119\(2\)](#) replaces the requirement in section 149 of the Charities Act 2011 that the accounts of larger NHS charities should be audited by a person appointed by the Audit Commission with a requirement that the audit be carried out by someone who is eligible to act as an auditor under either the Companies Act 2006, this Act, or who is a member of a body specified in regulations under the Charities Act 2011. Section 144(1) of the Charities Act 2011 provides that this applies to NHS charities whose gross income in the year exceeds £500,000; or whose gross income in the year exceeds the accounts threshold (specified in section 133 of the Charities Act 2011) and whose assets exceed £3.26 million.
161. [Paragraph 119\(3\)](#) requires the trustees of smaller English NHS charities, with income of between £25,000 and £500,000 in the year in question, to appoint either an auditor (in the same way as larger English NHS charities) or a qualified independent examiner. Currently, the Audit Commission decides whether the accounts of smaller NHS charities should be audited or examined. Paragraph 119(4) sets out the criteria for someone to be qualified as an independent examiner.
162. [Paragraph 119\(5\)](#) removes the imposition of the requirements in section 3 of the Audit Commission Act 1998 on the audit of accounts of English NHS charities. The main provisions in that section relate to who should be appointed as an auditor. For NHS charities, these would be superseded by the provision in paragraph 118(2). Other provision in section 3 concerns the terms of appointment of auditors, which would become a matter for the trustees of an NHS charity.
163. [Paragraph 119\(6\)](#) extends the existing provision in section 149(5) of the Charities Act 2011 whereby the Charities Commission can give directions about the carrying out of examinations of the accounts of smaller NHS charities, so that the Charities Commission can also give guidance about the selection of independent examiners.

164. [Paragraph 120](#) has the effect that if an NHS charity is the parent charity for a group of charities that meets the definition of larger group in section 151 of the Charities Act 2011, the auditor for the group accounts would in future be appointed by the trustees of that charity, rather than the Audit Commission. Paragraph 117 makes similar provision where a NHS charity is the parent charity for a group of charities that meets the definition of smaller group in section 152 of the Act.