

Happy Faces Childrens Charity (Charity number 1101620)

Trustees Report for the year ended 31st March 2021

I am pleased to report that we continued to meet our objectives of helping disadvantaged and disabled children in North Wales during the pandemic, despite the obvious difficulties. It is to the immense credit of all our wonderful Volunteers, Committee members and Trustees that the Charity not only continued to do so but also diversified, distributing food parcels and supermarket vouchers to the most needy families.

Our main income source, the Kiosk situated on Rhos on Sea promenade, was shut in line with Welsh Government instruction from March 2020 through to 21st June 2020, 24th October 2020 to 8th November 2020 and from 20th December 2020 to April 2021, a total of 201 days during this financial period, resulting in decreased income. However this was offset by three significant factors:

- * When open, The Kiosk sales were better than expected, totalling £28,960 despite continuing Government restrictions on people movement and additional safeguards being put in place in shops,
- * Applying for Gift Aid retrospectively from HMRC in respect of donations received from taxpayers who completed Gift Aid declarations. Refunds totalling £9,384 for previous tax years and £6,042 for this year were received.
- * Three grants financed by Central Government were received from Conwy CBC totalling £15k.

It is also a tribute to our many, many supporters that donations of over £20k were received despite our main source of donations, the London Marathon being cancelled.

The Charities great work continued unabated, when permitted to do so, agreeing to fund eight appeals, most notably funding £22,190 for the purchase of a mini bus for Ysgol Pendalar, Caernarfon and purchasing sports equipment and a greenhouse for the Penrhos Avenue Education Centre, Colwyn Bay.

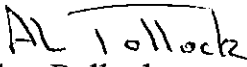
Owing to ongoing Government restrictions on meeting people outside of your household only one Committee Meeting was held on 7th December 2020 though the introduction of the Happy Faces Committee app kept all members informed and able to contribute throughout.

In addition to the distribution of food parcels and supermarket vouchers, the Charity also distributed over 1,000 toys to children at Christmas, 1,053 to be exact, which addressed some financial hardships and gave children joy during this unprecedented period. This again is a marvellous achievement and a great reflection of the driving force behind the Charity, Mr Ray Herbert M.B.E.

Special praise also for Denise Whittle, the Kiosk Manager, who was also heavily involved in all the Charities activities throughout the year and ensured the Kiosk continued to trade, when permitted to do so, despite the many obstacles encountered.

The Charity continues to remain strong, both financially and in terms of personnel where we are fortunate to have an excellent team who all bring their own area of expertise. To date Happy Faces Childrens Charity has given funds totalling £345,960 to very worthwhile appeals which has improved the lives of many children in North Wales.

In conclusion, a year like no other, despite adversity it has again highlighted the commitment of all connected with Happy Faces and one which everyone can justifiably be proud.


Alan Pollock
Trustee

HAPPY FACES
UNAUDITED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2021

Charity No 1101620

HAPPY FACES

BUSINESS INFORMATION

Accountants

Harold Smith
Unit 32, Llys Edmund Prys
St Asaph Business Park
St Asaph
Denbighshire
LL17 0JA

HAPPY FACES

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| Balance sheet | 2 |
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HAPPY FACES

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

| | | 2021 | | 2020 |
|------------------------------------|---------------|-----------------|---------------|-----------------|
| | £ | £ | £ | £ |
| Turnover | | | | |
| Donations | | 87,453 | | 96,054 |
| Gift Aid | | 15,427 | | - |
| | | <u>102,880</u> | | <u>96,054</u> |
| Cost of sales | | | | |
| Opening stock and work in progress | 26,000 | | 16,500 | |
| Purchases | 17,046 | | 18,607 | |
| | <u>43,046</u> | | <u>35,107</u> | |
| Closing stock and work in progress | (29,500) | | (26,000) | |
| | | <u>(13,546)</u> | | <u>(9,107)</u> |
| Gross profit | 86.83% | 89,334 | 90.52% | 86,947 |
| Administrative expenses | | | | |
| Wages and salaries (excl. N.I.) | - | | 598 | |
| Rent | 9,912 | | 10,341 | |
| Room Hire and Show Expenses | 30 | | 12,972 | |
| Insurance | 1,266 | | 3,210 | |
| Cleaning | 537 | | 257 | |
| Repairs and maintenance | 1,714 | | 612 | |
| Printing, postage and stationery | 2,325 | | 5,281 | |
| Advertising | 514 | | 2,759 | |
| Hire of equipment | 2,650 | | 3,828 | |
| Entry Fees | 1,980 | | 3,960 | |
| Motor running expenses | 1,260 | | 1,598 | |
| Appeals | 43,034 | | 24,283 | |
| Accountancy | 820 | | 750 | |
| Work Clothes | 114 | | 124 | |
| Sundry expenses - allowable | 2,418 | | 4,491 | |
| Depreciation on FF & E | 208 | | 184 | |
| Depreciation on motor vehicles | 2,818 | | 3,523 | |
| | | <u>(71,600)</u> | | <u>(78,771)</u> |
| Operating profit | | 17,734 | | 8,176 |
| Interest payable | | | | |
| Hire purchase interest | | (354) | | (265) |
| Net profit for the year | 16.89% | <u>17,380</u> | 8.24% | <u>7,911</u> |

HAPPY FACES

BALANCE SHEET

AS AT 31 MARCH 2021

| | Notes | 2021 £ | £ | 2020 £ | £ |
|--|-------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 2 | | 13,146 | | 15,746 |
| Current assets | | | | | |
| Stocks | | 29,500 | | 26,000 | |
| Cash at bank and in hand | | 21,166 | | 1,793 | |
| | | <u>50,666</u> | | <u>27,793</u> | |
| Current liabilities | | | | | |
| Trade creditors | | 709 | | 675 | |
| Other creditors | | 9,612 | | 12,570 | |
| | | <u>10,321</u> | | <u>13,245</u> | |
| Net current assets | | | 40,345 | | 14,548 |
| Total assets less current liabilities | | | <u>53,491</u> | | <u>30,294</u> |
| Capital account | | | | | |
| At 1 April 2020 | | | 30,294 | | 22,383 |
| Capital introduced | | | 5,817 | | - |
| Profit for the year | | | 17,380 | | 7,911 |
| | | | <u>53,491</u> | | <u>30,294</u> |

In accordance with the engagement letter dated 9 July 2018, I approve the accounts set out on pages 1 to 4. I acknowledge my responsibility for the accounts, including the appropriateness of the accounting basis as set out in note 1 to the accounts, and for providing Harold Smith with all information and explanations necessary for their compilation.



Date : 26/9/21

HAPPY FACES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

1.1 Accounting convention

The financial information is compiled on an agreed accounting basis that:

- enables profits to be calculated such as to meet the requirements of Section 25 of the Income Tax (Trading and Other Income) Act 2005; and
- provides sufficient and relevant information to enable the completion of a tax return.

1.2 Compliance with accounting standards

The financial information is not intended to achieve full compliance with the provisions of UK Generally Accepted Accounting Principles.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|--------------------------------------|
| Fixtures, fittings & equipment | on a reducing basis of 10% per annum |
| Motor vehicles | |

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value.

HAPPY FACES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2021

2 Tangible fixed assets

| | Fixtures, fittings & equipment £ | Motor vehicles £ | Total £ |
|-----------------------|---|------------------------|------------|
| Cost | | | |
| At 1 April 2020 | 2,188 | 17,614 | 19,802 |
| Additions | 426 | - | 426 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2021 | 2,614 | 17,614 | 20,228 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At 1 April 2020 | 533 | 3,523 | 4,056 |
| Charge for the year | 208 | 2,818 | 3,026 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2021 | 741 | 6,341 | 7,082 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 March 2021 | 1,873 | 11,273 | 13,146 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2020 | 1,655 | 14,091 | 15,746 |
| | <hr/> | <hr/> | <hr/> |

| | |
|--------------------------|------|
| Client Name: Happy Faces | Ref: |
| Year end: 31-3-21 | |
| File number: H631 | |

Schedules marked with an asterisk are not included within this programme.

Although it is expected that the majority of work performed will be documented in schedules provided, the examiner may decide that additional testing is required. This sheet provides a suggested index structure, which should be tailored to the charity's specific circumstances. The level of additional testing should be based on professional judgment and what is reasonable given the size and nature of the charity's activities.

Independent Examination Index

A ACCOUNTS

Final accounts*
Final Journals*
Draft accounts*
Typing instructions*
Letter of representation*
Letter to management*

base
base
base
smw
smw
smw

B FILE COMPLETION

Completion memorandum
File completion checklist
Principal review*
Trustees Annual Report
Independent Examiners' Report
Form and content of accounts

Failure in adequate accounting records
Whistleblowing - reporting to the Charity Commissioners
Assignment highlights*
Summary of uncorrected misstatements
Queries for principal*
Points forward to next year*
Observations on charity's operations*
Senior/manager review*
Cleared notes and queries*

B1
B1.1
B3
B4
B5
B6
B6.1
B8

C PLANNING

Planning memorandum
Acceptance procedures
Understanding the charity
Eligibility for Independent Examination
Materiality summary
Points forward from last year*
Budget and performance summary*
Time ledger printout*

C1
C1.1
C2
C3
C4

D ANALYTICAL REVIEW AND OTHER SUBSTANTIVE WORK

Accounting policies, estimates and judgements

Analytical Review
Review of accounting records and transactions
Events after the balance sheet date
Related party transactions

D1
D2
D3
D4
D5

E GOODWILL/INTANGIBLES*

L CREDITORS & ACCRUALS*

Lead schedule*
List of creditor balances*
Accruals*
Hire purchase*

N/A

M LONG TERM LOANS*

Lead schedule*

N/A

N PROVISIONS*

Lead schedule*

N/A

O CAPITAL*

Capital, Funds/Reserves and statutory records*

N/A

P TAXATION*

Summary of tax debtors*
Tax reclaims / correspondence*

N/A

Q INCOME*

Incoming resources*
Dividends and interest received/receivable*
Rent received/receivable*

N/A

R EXPENDITURE*

Interest payable*
Subscriptions and donations*
Insurance cover and premiums*
Repairs and renewals*
Legal and professional*
Entertaining*
Sundry expenses*

N/A

S STATEMENT OF CASH MOVEMENT*

Lead schedule and explanations*

N/A

T SUBSEQUENT EVENTS*

Subsequent events - test objectives*

N/A

U VALUE ADDED TAX*

VAT account*
VAT turnover reconciliations*
VAT checklist*

N/A

| | | | |
|-------------------------------------|--|-----------------------------------|--|
| Lead schedule* | | Analysis of VAT account* | |
| F FIXED ASSETS* | | V ACCOUNTS WORKING PAPERS* | |
| Lead schedule* | | Bank account* | |
| Additions and disposals* | | Analysis of receipts* | |
| Depreciation - basic/calculation* | | Unrecorded receipts* | |
| Grants received/receivable* | | Analysis of payments* | |
| | | Unrecorded payments* | |
| G INVESTMENTS IN GROUPS* | | Cash account* | |
| Lead schedule* | | Analysis of receipts* | |
| | | Analysis of payments* | |
| H INVESTMENTS* | | Petty cash account* | |
| Lead schedule* | | Summary receipts/payments* | |
| | | Wages, PAYE etc., summary* | |
| I STOCK AND WIP* | | Creditors control account* | |
| Lead schedule* | | Debtors control account* | |
| | | | |
| J DEBTORS & PREPAYMENTS* | | W RECORDS RECEIVED* | |
| Lead schedule* | | Summary of items* | |
| List of debtor balances* | | | |
| Bad and doubtful debts* | | X PROCESSING* | |
| Prepayments* | | Year end trial balance* | |
| | | Journals* | |
| K BANK BALANCES & CASH* | | Nominal ledger printout* | |
| Lead schedule* | | Posting summary/data entry* | |
| Bank reconciliations* | | Opening trial balance* | |
| Bank certificates* | | | |

| | | | |
|--------------------------|--------------------|---------------|------------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 9/8/21 | Ref: B1 |
| Year end: 31-3-21 | Reviewed by: JNV | Date: 11/8/21 | |
| File number: H631 | | | |

Completion Memorandum

The purpose of this memorandum is to:

- (a) document the conclusions and the basis for the independent examination opinion, and so enable the issuing of the accounts for signature; and
 (b) document any matters arising between the issue of the accounts to the client for approval and completion of the independent examiner's report.
 These can be either free form notes, a reference to the relevant checklist or a combination of both.

CC32 Direction 3: Keep a record of the examination and the conclusions reached which is sufficient to allow a third party unconnected with the work to conclude that the examiner has followed the Directions.

1. Approval for issuing Accounts for Signature

I confirm that:

- We have obtained and documented, on a timely basis, sufficient appropriate evidence to be able to draw reasonable conclusions on which to base our opinion as independent examiner and to support our report to the trustees.
- Materiality was set at an appropriate final level.
- All threats to objectivity and independence have been properly addressed.
- Any differences of opinion amongst the engagement team have been resolved in accordance with the firm's procedures.
- Appropriate communication has been sent to those charged with governance.
- Written representations have been requested from management regarding their responsibility for the accounts and other matters as appropriate.
- All work that needs to be undertaken before the independent examiner's report is signed is specified below.

I authorise the issue of the accounts for approval.

Partner: S Williams Date: 11/8/21

2. Approval for Signing the Independent Examiner's report

I confirm that:

- The independent examination complies with professional standards and applicable legal and regulatory requirements.
- A sufficient and appropriate record for the basis of the independent examiner's report has been documented.
- There are no factors to indicate that the representations received from the trustees cannot be relied upon.
- The independent examiner's report issued is appropriate in the circumstances.
- An approved copy of the accounts will be placed on the working paper file.

I authorise the signing of the independent examiner's report.

Partner: S Williams Date: 11/8/21

3. File Completion

B1.1 Completed - YES/NO

4. Trustees annual report

B3 Completed - YES/NO

5. Format and Justification of Independent examiners report

B4 Completed - YES/NO

6. Review of Accounts

B5 Completed - YES/NO

7. Failure in accounting records

B6 Completed - YES/NO

N/A

8. Whistleblowing to the Charity Commission

B6.1 Completed - YES/NO

N/A

9. Unadjusted errors

B8 Completed - YES/NO

N/A

| | | | |
|--------------------------|------------------|---------------|--------------|
| Client Name: Happy Faces | Prepared by: JAD | Date: 9/8/21 | Ref: B1.1 |
| Year end: 31-3-21 | Reviewed by: JAD | Date: 11/8/21 | |
| File number: H631 | | | |

File Completion Checklist

This form deals with the various points that ought to be cleared before the opinion is signed. It should ensure that the working papers are complete, conclusions are documented and that the requirements under the legislation are met.

CC 32 Direction 3: Keep a record of the examination and the conclusions reached which is sufficient to allow a third party unconnected with the work to conclude that the examiner has followed the Directions (including Directions 1 and 2).

| | Yes/No | Initials |
|--|--------|----------|
| 1 Has the <i>Planning memorandum</i> (IE C1) been satisfactorily completed? | Yes | JAD |
| 2 Have any risks identified at the planning stage been appropriately considered and adequately minimised? | Yes | JAD |
| 3 Have the work programmes been fully completed? | Yes | JAD |
| 4 Have working papers been prepared giving details of the work undertaken and conclusions reached, including any areas of concern and matters of professional judgement? | Yes | JAD |
| 5 Have all final journals been recorded and processed to produce a closing trial balance agreeing with the accounts? Ensure that a copy of both the trial balance and the accounts is on file with detailed schedules supporting disclosures. | Yes | JAD |
| Has the analytical review been fully documented (IE D2)? (CC32 Direction 3) | | |
| 6 Have all queries and problems been properly cleared or carried forward to points for principal/highlights? | Yes | JAD |
| Have copies of all relevant information that was relied upon and/or considered in carrying out the examination (for example copies of the governing document, trustees' meeting minutes and a record of discussions with the charity's trustees and the charity's staff) been placed on file? (CC32 Direction 3) | | |
| 7 Does the file contain evidence of 'principal' review? | Yes | JAD |
| 8 Have all principal review points been cleared? | Yes | JAD |
| 9 Are the terms of engagement still appropriate and has the appointment been confirmed in a communication with the trustees? (CC32 Direction 3) | Yes | JAD |
| 10 Has the permanent file been updated for information obtained from the governing document, trustees' meeting minutes and discussions with the charity's trustees and staff? | Yes | JAD |
| 11 Have all matters of concern been resolved and documented with the trustees and charity staff, together with details of any subsequent verification procedures used? (CC32 Direction 3) | Yes | JAD |
| 12 Has the justification of opinion form (IE B4) been completed? | Yes | JAD |
| 13 Has a letter of representation been drafted confirming all relevant representations? | Yes | JAD |
| 14 Has a budget been set for next year? | N/A | |
| 15 Has the whistleblowing checklist (IE B6.1) been completed? | Yes | JAD |
| 16 Has the client complied with the firm's money laundering procedures? | Yes | JAD |
| 17 Has the examiner confirmed and documented that he has the qualifications and membership (where required) to carry out the examination (IE C1.1)? (CC32 Direction 3) | Yes | JAD |
| 18 Have schedules C1.1 (Acceptance procedures) and C3 (Eligibility for an independent examination) been fully completed? (CC32 Direction 3) | Yes | JAD |
| 19 Has a copy of the trustees' annual report been placed on file, where accruals accounts are prepared? (CC32 Direction 3) | Yes | JAD |
| 20 Have details been recorded on file of any matters identified as matters of material significance which the examiner must report to the Commission, or any relevant matters that the examiner chose to report to the Commission? (CC32 Direction 3) | Yes | JAD |

| | | | |
|---------------------------|----------------------------|----------------------|------------|
| Client Name: Happy Faces | Prepared by: <u>Joelle</u> | Date: <u>9/8/21</u> | Ref: B3 |
| Year end: 31- <u>3-21</u> | Reviewed by: <u>Joelle</u> | Date: <u>15/9/21</u> | |
| File number: H631 | | | |

Trustees' Annual Report

Objective: to obtain sufficient evidence that the trustees' annual report is consistent with the accounts.

CC32 Direction 12: Compare the trustees' annual report (or for a charitable company the combined trustees' and directors' report) with the accounts. Compare any narrative information or figures in the trustees' annual report with the accounts in order to identify any material inconsistency between the trustees' annual report and the accounts.

| | Covered by accountancy Y/N | Results satisfactory Y/N | Ref/comments | Initials and date |
|---|-------------------------------|--------------------------------|--------------|-------------------------|
| 1 Review of financial references in the trustees' report to ensure that they are consistent with the accounts, including: <ul style="list-style-type: none"> (a) review of charity's activities; (b) developments during the year; (c) trustees' details and transactions. | | Y | | |
| 2 Check that any figure for reserves quoted in the trustees' annual report is not materially inconsistent with the accounts. | | Y | | |
| 3 Note any implications for the examiner's report and for separate reporting to the Commission. | | N/A | | |
| 4 Complete a disclosure checklist covering the trustees' annual report (A7.1 section 2). | | N/A | | |
| 5 Other tests: | | N/A | | |
| | | | | |

| | | | |
|--------------------------|--------------------|--------------|------------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 9/8/21 | Ref: B4 |
| Year end: 31-3-21 | Reviewed by: JAD | Date: 1.1.21 | |
| File number: H631 | | | |

Format of Independent Examiners' Report, Including Justification of Opinion

The purpose of this form is to ensure that there is enough evidence to show that the independent examiner has considered the form of opinion to be given, and that the report gives the information required by the Charities Act. The independent examiner should comment on any problems and indicate how the opinion is affected.

CC32 Direction 13: Review the conclusions from the independent examination and prepare and sign the independent examiner's report. The content of the report must cover all the matters required by the 2008 Regulations. If the examiner has identified a matter of concern because one or more of the specific matters listed in the 2008 Regulations or in this Direction are present or remain unresolved then the examiner must bring it to the attention of trustees in their independent examiner's report.

Initials

- 1 Does the report clearly state the name of the charity and the financial year? Yes / No JAD
- 2 Does the report state that it is given in respect of an examination under s145 of the Charities Act 2011 and in accordance with the Directions given by the Commissioners under section 145(5)(b) of the Charities Act 2011? Yes / No JAD
- 3 Where the charity whose accounts are being examined is a company, does the report confirm that the accounts are not required to be audited under Part 16 of the Companies Act 2006? Yes / No NA
- 4 Are there any indications that:
 - (a) adequate accounting records have not been maintained; No / Yes JAD
 - (b) the accounts do not agree with the accounting records; No / Yes JAD
 - (c) the accounts do not comply with the regulations on form and content for accruals accounts; No / Yes JAD
 - (d) where the accounts do not comply with the SORP due, in the opinion of the trustees, to the 'true and fair' override, has this fact been noted in both the accounts and examiners report? No / Yes JAD
- 5 Is there any other matter which should be brought to attention to enable a reader to reach a proper understanding of the accounts? No / Yes JAD
- 6 Is there any material expenditure or action contrary to the governing documents of the charity? No / Yes JAD
- 7 Have you been unable to receive all information and explanations that you deem necessary? Yes / No JAD
- 8 If relying on the work of others in undertaking the independent examination, are you fully satisfied with their work and that the work has been fully documented? Yes / No JAD
- 9 Is there any evidence that accounts prepared on the accruals basis are materially inconsistent with the trustees' annual report? Yes / No JAD
- 10 Does the report give the independent examiner's name, address and any relevant professional qualifications or professional bodies of which he is a member? Yes / No NA
- 11 If the gross income of the charity exceeds the sum specified in section 145(1)(a) of the Charities Act 2011 (currently £250,000), does the report specify the basis on which he qualifies to act as independent examiner in accordance with that section? Yes / No NA
- 12 In the event of the independent examination being allowed by dispensation in place of an audit, does the report specify the date when the Commission dispensed with the requirement from an audit? Yes / No NA
- 13 Is the report signed by the examiner and dated? Yes / No JAD
- 14 Have you:
 - (a) reported matters of material significance direct to the Commission? (see Whistle blowing checklist on ChIE - B6.1) Yes / No NA
 - (b) exercised discretion and reported relevant matters direct to the Commission? Yes / No NA

| | | | |
|--------------------------|--------------------|---------------|------------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 9/8/21 | Ref: B5 |
| Year end: 31-3-21 | Reviewed by: Jodie | Date: 10/9/21 | |
| File number: H631 | | | |

Form and Contents of Accounts

Objective: to provide a reasonable basis on which to decide whether or not the accounts comply with the regulations as to the form and content of charity accounts.

CC32 Direction 10: Check the form and content of the accounts.

Carry out detailed procedures as the examiner considers necessary to provide a reasonable basis on which to conclude whether or not the accounts have been properly prepared. The examiner must:

- where receipts and payments accounts have been prepared, check that the charity can lawfully prepare such accounts, that all the accounting statements are present and that the funds of the charity are correctly identified; or
- where accruals accounts are prepared, check that they comply with the applicable Statement of Recommended Practice: Accounting and Reporting by Charities (SORP) and the applicable accounting standard; and
- if the charity is a company, check that the accounts also comply with the applicable company law requirements.

Further guidance is provided online

| | Covered by accountancy Y/N | Results satisfactory Y/N | Ref / comments | Initials and date |
|--|-------------------------------|--------------------------------|----------------|----------------------|
| 1 Consider the accounting and disclosure requirements of: | | | | JAD |
| (a) The Charities (Accounts and Reports) Regulations; | Y | Y | | JAD |
| (b) SORP - Accounting and Reporting by Charities; | Y | Y | | JAD |
| (c) Charity Reporting and Accounting: the essentials (CC15d) | Y | Y | | JAD |
| (d) Receipts & Payments Accounts Pack (CC16) | Y | Y | | JAD |
| 2 Complete the appropriate specialist disclosure checklists. | Y | Y | | JAD |
| 3 Where receipts and payments accounts have been prepared, check that the charity can lawfully prepare such accounts, that all the accounting statements are present and that the funds of the charity are correctly identified. | N/A | | | |
| 4 Where accruals accounts are prepared, check that they comply with the SORP and applicable accounting standard. | Y | Y | | JAD |
| 5 If the charity is a company, check that the accounts also comply with the applicable company law requirements. | N/A | | | |
| 6 Note any implications for the examiner's report and for separate reporting to the Commission | N/A | | | |
| 7 Other tests: | N/A | | | |

| | | | |
|--------------------------|--------------------|---------------|---------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 9/18/21 | Ref: B6 |
| Year end: 31-3-21 | Reviewed by: Jodie | Date: 11/8/21 | |
| File number: H631 | | | |

Failure in Adequate Accounting Records

Objective: to obtain and record sufficient evidence to provide a reasonable basis for the identification of any material failure to maintain such records.

CC32 Direction 5: Check that accounting records are kept to the required standard and in compliance with the relevant legislative requirements.

Review the accounting records maintained in accordance with section 130 of the Charities Act 2011, or, in the case of a charity that is a company, the accounting records maintained in accordance with section 386 of the Companies Act 2006, in order to provide a reasonable basis for the identification of any material failure to maintain such records and any material misstatement of transactions in those records.

| | Covered by accountancy Y/N | Results satisfactory Y/N | Ref/comments | Initials and date |
|---|----------------------------|--------------------------|---------------------------|-------------------|
| 1 Review accounting records to ensure that they: | | | | |
| (a) are complete and kept to the required standard; | Y | Y | | JAD |
| (b) are well organised; | Y | Y | | JAD |
| (c) are capable of ready retrieval and analysis; | Y | Y | | JAD |
| (d) are up to date at the time the accounts are prepared; | Y | Y | | JAD |
| (e) are readily available; and | Y | Y | | JAD |
| (f) ascertain the financial position at the period end and any selected date. | Y | Y | | JAD |
| 2 Ensure that the accounting records contain: | | | | |
| (a) details of all money received and expenditure paid with date and nature of transaction; | Y | Y | | JAD |
| (b) details of assets and liabilities (which could simply be files for unpaid invoices and amounts receivable for smaller charities) at the end of the reporting period; | Y | Y | | JAD |
| (c) a record of stocks and fixed assets held; and | Y | Y | | JAD |
| (d) if the charity has one or more branches which are administered separately but are part of the charity, the details of the income and expenditure and any assets and liabilities of each branch. | Y | Y | | JAD |
| 3 Ask the trustees: | | | | |
| (a) how they ensure the accounting records are complete; | Y | Y | Ray Herbert is connection | JAD |
| (b) if their approval has been obtained for any corrections made or records created during the examination; | | | | |
| (c) if they carried out a review of the charity's internal financial controls in the year reported. | | | | |
| 4 Charitable companies dealing in goods must maintain stock records as set out in section 386(4) of the Companies Act 2006. | N/A | | | |
| 5 Note any implications for the examiner's report and for separate reporting to the Commission. | N/A | | | |
| 6 Other tests: | N/A | | | |

| | | | |
|--------------------------|--------------------------|---------------|--------------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 9/8/21 | Ref: B6.1 |
| Year end: 31-3-21 | Reviewed by: [Signature] | Date: 11/8/21 | |
| File number: H631 | | | |

Whistleblowing - Reporting to the Charity Commissioners

Sections 156(2) of the Charities Act 2011 places a duty upon the independent examiners of both the non-company and company charities to make a report to the Charity Commission, where in the course of their examination, they identify a matter, which relates to the activities or affairs of the charity or of any connected institution or body, and which the examiner has reasonable cause to believe is likely to be of material significance for the purposes of the exercise by the Commission of its functions under section 156(3) of the Charities Act 2011.

Further guidance is available online.

Yes/No

The Charity Commission have identified the following nine matters of significant concern which are of material significance to the work of the Charity Commission and so give rise to a reporting duty.

1 Matters suggesting dishonesty or fraud involving a significant loss of, or a material risk to, charitable funds or assets.

- 1.1 False accounting, theft or misappropriation by any charity trustee.
- 1.2 Evidence of theft or misappropriation by any employee, volunteer, agent or third party not reported to the police authorities or the Commission.
- 1.3 Evidence giving rise to doubts about the honesty or integrity of any charity trustee (e.g., evidence that the person is disqualified from acting as a trustee under s178 Charities Act 2011).

2 Failure(s) of internal controls, including failure(s) in charity governance, that resulted in, or could give rise to, a material loss or misappropriation of charitable funds, or which leads to significant charitable funds being put at major risk.

- 2.1 Receipt by any charity trustee or connected person of any remuneration, benefits or other financial advantage without proper powers or consents.
- 2.2 Failure to hold trustee meetings or otherwise to properly control the charity's affairs.
- 2.3 Gross failure to keep accounting records, such that the auditor is unable to express an opinion on the accounts.
- 2.4 Evidence of indifference or recklessness on the part of the charity trustees.
- 2.5 Failure to take professional advice without due consideration.
- 2.6 Functions delegated to third parties are not monitored and controlled.

3 Matters leading to the knowledge or suspicion that the charity or charitable funds, including the charity's bank account(s) have been used for money laundering or such funds are the proceeds of serious organised crime or that the charity is a conduit for criminal activity.

- 3.1 Material applications of funds clearly outside the charity's objectives.
- 3.2 Deliberate or reckless investments or other actions contrary to the trusts of the charity.

4 Matters leading to the knowledge or suspicion that the charity, its trustees, employees or assets, have been involved in or used to support terrorism or proscribed organisations in the UK or outside of the UK, with the exception of matters related to a qualifying offence as defined by Section 3(7) of the Northern Ireland (Sentences) Act 1998.

5 Evidence suggesting that in the way the charity carries out its work relating to the care and welfare of beneficiaries, the charity's beneficiaries have been or were put at significant risk of abuse or mistreatment.

6 Single or recurring breach(es) of either a legislative requirement or of the charity's trusts leading to material charitable funds being misapplied.

- 6.1 Failure to obtain proper consent from the Charity Commission in respect of property transactions with connected persons, variation in the charity's activities or the charity's governing document, or similar breach of legislative requirements.

- 6.2 Attempts to evade direct or indirect tax.

7 Evidence suggesting a deliberate or significant breach of an order or direction made by a charity regulator under statutory powers including suspending a charity trustee, prohibiting a particular transaction or activity or granting consent on particular terms involving significant charitable assets or liabilities.

8 On making a modified audit opinion, emphasis of matter, material uncertainty related to going concern, or issuing of a qualified independent examiner's report identifying matters of concern to which attention is drawn, notification of the nature of the modification/qualification/emphasis of matter or concern with supporting reasons including notification of the action taken, if any, by the trustees subsequent to that audit opinion, emphasis of matter or material uncertainty identified /independent examiner's report.

N

N

N

N

N

N

N

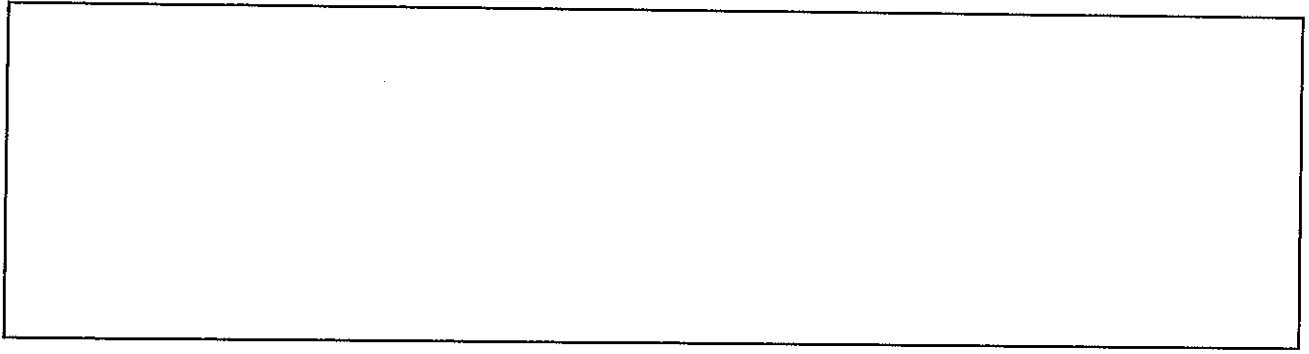
N

- 9 Evidence that significant conflicts of interest have not been managed appropriately by the trustees and/or related party transactions have not been fully disclosed in all the respects required by the applicable SORP, or applicable Regulations.



Give details if any 'yes' answers, and consider whether there is any evidence of reportable matters of material significance which ought to be reported to the Charity Commission.

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| | | | |
|--------------------------|--------------------|---------------|------------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 9/8/21 | Ref: C1 |
| Year end: 31-3-21 | Reviewed by: Jan | Date: 11/8/21 | |
| File number: H631 | | | |

Planning Memorandum

The purpose of this memorandum is to document fully the plan such that the independent examination can be performed in an effective manner and in accordance with the Charity Commission's Directions (CC32). In each section issues relevant to the planning should be recorded. These can be either free form notes, a reference to the relevant checklist or a combination of both.

1. Approval of planning

I confirm that:

- 1 The client is eligible for exemption from an audit.
- 2 The firm can act as reporting accountants, being sufficiently independent or appropriate safeguards implemented.
- 3 The terms set out in the current letter of engagement are still valid.
- 4 Sufficient understanding of the client has been obtained to enable an effective independent examination plan to be designed.
- 5 Materiality has been set at a appropriate level.
- 6 The work has been planned effectively in accordance with the Charity Commission's Directions, and the procedures tailored to the client's requirements, including additional procedures where appropriate.
- 7 The engagement team collectively has the appropriate capabilities, competence and time to perform the independent examination engagement in accordance with professional standards and regulatory and legal requirements, and to enable an independent examiner's report that is appropriate in the circumstances to be issued;
- 8 The staff assigned have been adequately briefed.

Partner:

S. Williams

Date: 11/8/21

2. Acceptance / continuance

C1.1 Completed ☒ YES ☐ NO

3. Scope of engagement

4. Understanding the charity

C2 Completed ☒ YES ☐ NO

5. Eligibility for Independent Examination

C3 Completed ☒ YES ☐ NO

6. Materiality

C4 Completed - YES/NO

7. Identified risks and engagement approach

8. Administration

| | | | |
|--------------------------|---------------------------|---------------------|--------------|
| Client Name: Happy Faces | Prepared by: <i>Jodie</i> | Date: <i>9/8/21</i> | Ref: C1.1 |
| Year end: <i>31-3-21</i> | Reviewed by: <i>J</i> | Date: <i>4/9/21</i> | |
| File number: H631 | | | |

Independent Examination Acceptance Procedures

The Charities Act 2011 section 145(1)(a) describes an Independent Examiner as 'an **independent person** who is reasonably believed by the charity trustees to have the **requisite ability** and **practical experience** to carry out a **competent examination** of the accounts'.

Direction 2 of CC32 requires that the examiner must not be influenced, or perceived to be influenced, by either close personal relationships with the trustees of the charity, being a major donor or having control or significant influence over a major funder to the charity, or through day to day involvement in the administration of the charity being examined. The examiner must ensure that there are no matters and no potential matters that would reasonably give rise to a perception of their independence that would affect their ability to carry out the examination in a wholly objective manner.

We recommend that the examiner's acceptance procedures are performed to the same standard as an audit engagement and this form therefore refers extensively to the FRC Ethical Standard.

This form assumes knowledge of the Charity Commission Independent Examination Guidelines (CC32) and the FRC Ethical Standard. Procedures must be completed annually for all clients to ensure that the standards have been complied with.

The current Ethical Standard can be found at:

[Croner-i Tax and Accounting Online - FRC Ethical Standard \(2019\)](#)

Note whether advantage being taken of the Provisions Available for Audits of Small Entities (ES Section 6).

YES / NO*

* Delete Enter

1 Undue dependence on a client

Paragraph 4.31

Do the total fees for this client/group of clients exceed:

- | | Yes | No |
|--|-------------------------------------|-------------------------------------|
| i) 10% of the annual fee income of the audit firm or the part of the firm by reference to which the engagement partner's profit share is calculated? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ii) 15% of the annual fee income of the audit firm or the part of the firm by reference to which the engagement partner's profit share is calculated? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| iii) Taking into account the firm's own policies (which may be tighter than those in the ES), has the firm identified that the audit engagement poses or could be seen to pose, a greater threat to the firms' independence, for example due to its prestige or other factors? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| iv) Has the firm followed its internal procedures to ensure that any threat is mitigated to an acceptable level? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| v) Have any fees for this client been set on a contingent fee basis? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

2 Loans to or from a client; guarantees; overdue fees

Paragraph 2.20

Paragraph 4.11

- | | | |
|--|--------------------------|-------------------------------------|
| a) Does the firm, covered persons or persons close associated with them, have any loans or guarantees to or from the client? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b) Are there any overdue fees for any services? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

3 Goods and services: gifts and hospitality

Paragraph 4.40

Have you, any covered persons or persons close associated with them, accepted any gifts or favours, including hospitality, from the charity, unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential?

Have you offered gifts, favours or hospitality to the audited entity or its management (unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential)?

4 Litigation

Paragraph 4.46

Is there any actual or threatened litigation between yourself and the client in relation to fees, work relating to the independent examination, or other work?

5 Family or other personal relationships

CC32 Direction 2, 2.9

Paragraph 2.59

Do you or any of your staff have any personal or family connections with the charity and its officers?

6 Ex-partners or senior employees

Paragraph 2.37

- a) Has any officer of the company been a partner or senior employee in the practice?
- b) Is the partner or any senior employee on the audit joining or involved in substantive negotiations with the client?
- c) Does the firm currently have any staff 'loaned' to the entity, or have any returned to the firm on completion of a loan assignment?

7 Mutual business interest

Paragraph 2.3

Do you or any of your partners or staff have any mutual business interests with the charity or with an trustee or employee of the charity?

✓

8 Beneficial interests and trusteeships

Paragraph 2.16

Does the firm, any partner, covered person, or persons closely associated with them, have any financial involvement in the company in respect of the following:

- a) Any beneficial interest in shares or other investments?
- b) Any beneficial interest in trusts?
- c) Any trustee investments, nominee shareholdings or 'bare trustee' shareholdings?
- d) Any trusteeships in a trust that holds shares in an audit client?

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| ✓ |

9 Associated firms

Are you or your staff associated with any other practice or organisation which has any dealings with the company?

✓

10 Long association

Paragraph 3.1

- a) Have partners or staff in senior positions had a long association with the entity?
- b) Have any long association safeguards applied been communicated to the client entity?

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11 Provision of other services, specialist valuations and advocacy by the firm or a network firm

See Section 5 of the Revised Ethical Standard (2019); and

CC32, Direction 2

- | | | |
|--|-------------------------------------|-------------------------------------|
| a) Are any services in relation to the management of the charity performed by the firm or a network firm? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b) Are any accounting services performed for the charity such as preparation of the statutory accounts from trial balance, bookkeeping or payroll services? <i>TB - accounts</i> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c) Do the accounts include any specialist valuations carried out by the firm or a network firm (including actuarial valuations and valuations of financial instruments required by FRS 102)? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d) Are any internal audit services provided by the firm or a network firm? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e) Are the firm or a network firm currently acting for the client as an advocate in any adversarial proceeding or situation such as a hearing before the Commissioners? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| f) Has the firm or a network firm been involved in the design, provision or implementation of any IT systems? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| g) Does the firm or a network firm provide advice on taxation matters or undertake tax compliance work for the client? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| h) Have any other services been provided to the client that may cause a threat to the firm's objectivity or independence? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

12 Adequate resources and proper performance

- | | | |
|--|--------------------------|-------------------------------------|
| (a) Are there any indications that the engagement team is not competent or does not have the necessary time and resources? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (b) Are there any indications that the firm or engagement team will not be able to demonstrate compliance with ethical requirements? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (c) Are there any aspects of the client, or other factors, that will adversely affect the firm's ability to perform the examination properly? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (d) Are there any issues concerning the integrity of the trustees, key management or those charged with governance of the entity? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (e) Where the accounts are prepared on an accruals basis in accordance with regulations, do you consider that the examiner does not have the required understanding of the charity SORP? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (f) Where gross income exceeds £250,000, the examiner is required by the Charities Act 2011 to be a member of one of the recognised accountancy bodies. Answer 'yes' where this is not the case. <i>NA</i> | <input type="checkbox"/> | <input type="checkbox"/> |
| (g) Do you consider that the examiner does not have relevant practical experience of charities? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (h) Do you have any concerns that the examiner is not sufficiently skilled to carry out the examination and, where required, does not have confirmed membership of a listed body? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

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13 Client Integrity

Are there indications that the client lacks integrity, including:

- (a) The identity and business reputation of the client's principal owners, key management, related parties and those charged with governance.
- (b) The nature of the client's operations, including its business practices.
- (c) Information concerning the attitude of the client's principal owners, key management and those charged with its governance towards such matters as aggressive interpretation of accounting standards/ internal control environment.
- (d) Whether the client is aggressively concerned with maintaining the firm's fees as low as possible.
- (e) Indications of an inappropriate limitation in the scope of work.
- (f) Indications that the client might be involved in money laundering or other criminal activities.
- (g) The reasons for the proposed appointment of the firm and non-reappointment of the previous firm.

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14 Other circumstances

Confirm that there are no other circumstances in the examiner's judgment that would reasonably lead to the perception that the examiner is not independent.
Answer 'yes' if there are such circumstances.

☐☒

15 Ineligibility

If applicable, have you informed the trustees that you are not eligible to carry out the independent examination

☐☒

Provide any details necessary relating to the above questions:

Safeguards

Where any of the above questions have been answered 'yes', specify what safeguards are proposed to maintain integrity and independence, and to ensure the availability of resources and the ability to perform the examination properly.

only preparation from T.A.

Conclusion

Having regard to any safeguards identified above, I am satisfied that appropriate procedures regarding the acceptance and continuance of this client relationship have been followed, and that the conclusions reached in this regard are appropriate and have been properly documented. In arriving at this conclusion I confirm that I have:

- a) obtained all relevant information from the firm (and where applicable network firms) to identify and evaluate circumstances and relationships that may create a threat to independence;
- b) evaluated information on identified breaches, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for this engagement;
- c) taken appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards; and
- d) documented the conclusion on independence and any relevant discussions within the firm that support this view.
- e) informed the client of all significant facts and matters that bear upon the firm's objectivity and independence.

Partner:

S. Wilson

Date:

1.18.21

Consultation (to be completed where appropriate)

In my opinion the steps proposed are sufficient to maintain independence and to ensure the availability of resources and the ability to perform the examination properly and in a wholly objective manner.

Second

Partner:

Date:

| | | | |
|--------------------------|--------------------|---------------|------------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 9/8/21 | Ref: C2 |
| Year end: 31-3-21 | Reviewed by: Jan | Date: 11/8/21 | |
| File number: H631 | | | |

Understanding the Charity

CC32 Direction 4: In order to plan the specific examination procedures appropriate to the circumstances, the examiner must obtain an understanding of the charity's constitution, the way the organisation is controlled and managed, whether action has been taken on any previous recommendations for improvement, the accounting records and systems, the charity's structure, funds, how fund balances changed in the year, and the charity's activities in the year and spending and the financial risks the charity faces.

General

- 1 Review the charity's governing document, particularly the charity's objects, powers and obligations. Ensure that the governing document does not specifically require an audit.
- 2 Discuss the following with the trustees and, where appropriate, the charity's staff:
 - (a) structure and organisation of the charity;
 - (b) how the charity seeks to achieve its objectives;
 - (c) developments during the year;
 - (d) funds managed and how fund balances changed in the year;
 - (e) events since the balance sheet date;
 - (f) special circumstances and problems affecting the charity;
 - (g) policies and procedures concerning risk;
 - (h) any major risks the charity is facing.
- 3 Review the minutes of trustees' meetings to identify major events, plans, decisions and changes to the trustee body.
- 4 Ascertain the accounting system, particularly the accounting records maintained and the procedures for recording financial transactions.
- 5 Consider the financial risks identified and, where accruals accounts prepared, consider whether the trustees have evidence that shows that the charity is a going concern.
- 6 Does the Covid-19 pandemic present any additional risks, whether fraud related or other, that have not been considered elsewhere.
- 7 Note any implications from the examiner's report and for separate reporting to the Commission.
- 8 Review whether any areas for improvement were advised to the trustees in the previous year's independent examiner's report (or audit report and management letter) and look to see if any action has been taken.
- 9 Ensure specific examination procedures are planned appropriate to the circumstances of the charity.

| Comments | Initials and date | Sch ref |
|----------|-------------------|---------|
| | JAD 9/8/21 | |
| | JAD 9/8/21 | |
| N/A | | |
| | JAD 9/8/21 | |
| | JAD 9/8/21 | |
| None | JAD 9/8/21 | |
| None | JAD 9/8/21 | |
| | JAD 9/8/21 | |
| Done | JAD 9/8/21 | |

10 Update the permanent file for the above.

| | | |
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|--------------------------|--------------------|----------------|------------|
| Client Name: Happy Faces | Prepared by: Jodie | Date: 01/08/21 | Ref: C3 |
| Year end: 31-3-21 | Reviewed by: Jm | Date: 01/08/21 | |
| File number: H631 | | | |

Eligibility for Independent Examination

Objective: to obtain and record sufficient evidence to enable us to form an opinion as to whether the charity is entitled to exemption from audit.

CC Direction 1: Check whether the charity is eligible to have an independent examination, or whether it is required to have an audit by charity or company law or for any other reason. If the trustees have chosen to prepare the accounts on a receipts and payments basis, the examiner must check that the charity is eligible for receipts and payments accounts.

Check that:

- (i) an examination is required under section 145(1) of the Charities Act 2011, and that section 144(1) (audit) of the Charities Act 2011 does not apply to the charity; and
- (ii) where the charity is a small company, that it is exempt from audit in accordance with section 477 of the Companies Act 2006, and
- (iii) where accounts are prepared on a receipts and payments basis under section 133 of the Charities Act 2011, that the charity trustees may properly elect to prepare accounts under this sub-section; and
- (iv) if the charity has subsidiaries that the group income is below the threshold for the preparation of group accounts set out in section 138 of the Charities Act 2011. The current threshold specified in The Charities Act 2011 (Group Accounts) Regulations 2015.

According to the information contained in the accounting records and discussions with client:

- 1 Checked the charity audit threshold applying to the accounts to be reviewed.
- 2 Confirmed that income and assets are below the audit threshold, or if applicable, obtained a copy of the letter from the Commission approving an audit dispensation. If applicable, recheck the threshold calculation during the examination.

For accounting periods ending on or after 31 March 2015, confirm that:

- (a) gross income is over £25,000 and not more than £1m; or
- (b) gross income does not exceed £250,000 if the aggregate value of total assets (before deduction of liabilities) exceeds £3.26m

NB. If gross income is less than £25,000, an Independent Examination is not required but the trustees can chose if they wish.

NB. If income is more than £250,000, the examiner must be a member of a listed body.

| Planning - Initials and date | Final - Initials and date | Ref/comments |
|------------------------------|---------------------------|--------------|
| JAD | JAD | |
| JAD | JAD | |
| JAD | JAD | |
| N/A | JAD | |

3 If the charity is using the receipts and payments basis:

(a) Confirm that the gross income is less than £250,000; and

(b) Confirm that it is not a charitable

(c) Confirm that there is no requirement to prepare accruals accounts in the charity's governing document or for any other reason.

(d) If applicable, informed the trustees that the charity is not eligible to prepare receipts and payments accounts.

4 Confirm that gross income includes total recorded income (before deduction of any costs or expenses) in all restricted and unrestricted funds, but not resources received as capital funds (e.g. receipts of loans, proceeds of sale of investments or fixed assets).

5 Checked an audit is not required for any other reason and confirmed that the charity is eligible for independent examination. If not eligible for independent examination, inform the trustees accordingly.

6 Confirm the charity's governing document does not specify any form of professional audit.

7 Confirm that there are no grant conditions which demand an audit by reviewing major grants.

8 If the charity has one or more subsidiaries confirmed that group accounts are not required by law.

9 If a charitable company, checked that the audit exemption statement has been made.

| | | |
|-----|------|--|
| JAD | JAD | |
| — | | |
| JAD | JAD | |
| JAD | JAD. | |
| JAD | JAD | |
| JAD | JAD. | |
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| JAD | JAD. | |

| | |
|--------------------------|------|
| Client Name: Happy Faces | Ref: |
| Year end: 31- 3-21 | D1 |
| File number: H631 | |

Accounting Policies, Estimates and Judgments

Objective: to consider whether accounting policies conform with fundamental accounting concepts, are consistently applied and are appropriate to the charity's activities. Also to consider the reasonableness of any significant estimates or judgments made in the accounts preparation.

CC32 Direction 8: Check the reasonableness of the significant estimates and judgments and accounting policies used in accounting for the types of fund held and in the preparation of the accounts.

When accounts are prepared under section 132 of the Charities Act 2011, or in the case of a charity which is a company, prepared under section 396 of the Companies Act 2006, review the accounting policies adopted and consider their consistency with the Statement of Recommended Practice: Accounting and Reporting by Charities and their appropriateness to the activities of the charity. The examiner must also consider and review any significant estimate or judgment that has been made in preparing the accounts. (Not applicable to Receipts and Payments Accounts.)

Further guidance is provided online

| | Covered by accountancy Y/N | Results satisfactory Y/N | Ref/comments | Initials and date |
|--|----------------------------------|--------------------------------|--------------|-------------------------|
| 1 Check with the trustees that the separate funds of the charity have been correctly accounted for and reported correctly in the accounts. | Y | | | JAD |
| 2 Check the reasonableness of any significant estimates or judgments that have been made in preparing the accounts. | Y | N/A | | JAD |
| 3 Consider whether the accounting policies comply with the accounting framework and applicable law. | Y | Y | | JAD |
| 4 If the receipts and payments basis is used, ensure that accounting policies are applied consistently (the other concepts below are not applicable in these circumstances). | Y | Y | | JAD |
| 5 Review the following, if material to the accounts, for reasonableness: | | | | |
| (a) the accounting policies follow those of the SORP and that any departure from SORP only arises because the alternative approach provides a more 'true and fair' view; | Y | Y | | JAD |
| (b) the accounting policies are appropriate to the activities of the charity; | Y | Y | | JAD |
| (c) transfers to or from restricted or designated fund accounts; | Y | Y | | JAD |
| (d) valuation of gifts in kind; | Y | Y | | JAD |
| (e) valuation of fixed asset investments where no market prices exist; | Y | Y | | JAD |
| (f) estimates resulting from transactions not being fully recorded in the accounting records; and | Y | Y | | JAD |
| (g) within the SOFA, the allocation of costs to activities. | Y | Y | | JAD |

10/10/2020

| | | | |

- 6 Check that the accounts were prepared on a going concern basis
- 7 Ensure that valuation methods for assets and liabilities comply with SORP.
- 8 Note any implications for the examiner's report and for separate reporting to the Commission.
- 9 Other tests:

| | | | |
|-----|-----|--|-----|
| Y | Y | | JAD |
| Y | N/A | | JAD |
| N/A | | | JAD |
| N/A | | | JAD |

Conclusion

Subject to the matters highlighted on the Completion Memorandum (B1)*, in my opinion, sufficient evidence has been obtained from the checks recorded overleaf to conclude that the accounting policies are reasonable and conform with the fundamental accounting concepts, are consistently applied and appropriate to the charity's activities, and that significant estimates or judgments are reasonable.

Preparer:

Date:

Reviewer:

S. W. Dean.

Date:

10 / 11 / 21

* Delete if not applicable

Alternative conclusion (ANY alternative conclusion MUST be referred to on the Completion Memorandum (B1) schedule).

Preparer:

Date:

Reviewer:

Date:

| | |
|--------------------------|------------|
| Client Name: Happy Faces | Ref: D2 |
| Year end: 31-3-21 | |
| File number: H631 | |

Analytical Review

Objective: to identify unusual items or disclosures in the accounts.

CC32 Direction 11: Identify items from the analytical review of the accounts that need to be followed up for further explanation or evidence.

The examiner must carefully consider if, during the course of their examination, items were found that were material to the accounts which need further explanation or supporting evidence. If the examiner is concerned that the charity's accounts could be materially misstated then the examiner must undertake sufficient additional work to be satisfied that any such item has been explained and correctly included in the accounts. The examiner must be alert to any related party transactions that require separate disclosure in the accounts. Where the examiner is not satisfied on any item then the examiner must refer to it in their independent examiner's report.

Further guidance is provided online

| | Covered by accountancy Y/N | Results satisfactory Y/N | Ref/comments | Initials and date |
|--|----------------------------------|--------------------------------|--------------|-------------------------|
| 1 Compare the accounts with: | | | | |
| (a) Enter file number | Y | Y | | JAD |
| (b) budgets and forecasts to identify unusual items, unexpected fluctuations or inconsistencies with other financial information. | N | NA | | JAD |
| 2 Consider whether: | | | | |
| (a) incoming resources are consistent with known fund-raising activities and the charity's objectives; | Y | Y | | JAD |
| (b) spending of charitable resources is consistent with payroll details, and the activities and objects of the charity; | Y | NA | | JAD |
| (c) liabilities and current assets are consistent with the scale and type of activities undertaken; | Y | Y | | JAD |
| (d) investment income is consistent with the nature of assets held; and | Y | Y | | JAD |
| (e) tangible fixed assets are consistent with the charity's scale and type of activities. | Y | Y | | JAD |
| (f) any income, expenditure or asset values have been affected by the Covid-19 pandemic and whether amounts are consistent with the auditor's understanding of the charity and its objectives. | X | Y | | JAD |
| Write appropriate notes. | | | | |
| 3 For any significant variances from previous years or from auditor's expectations, seek explanations from the charity's trustees and/or staff. | | | | |

4 Undertake appropriate additional procedures where explanations are not satisfactory. These could include:

- (a) physical inspection of tangible fixed assets;
- (b) verification of title to an asset;
- (c) review of independent documentary evidence to verify expenses, liabilities or confirm income receivable;
- (d) third party confirmations;

| | | | |
|----------|---|--|-----|
| N/A Y | Y | | JAD |
|----------|---|--|-----|

- (e) tracing post-year end receipts or payments to confirm debtors or creditors.
- 5 If the charity's accounts could be materially misstated then carry out sufficient additional checks to be satisfied that the item(s) has been satisfactorily explained and correctly included in the accounts.
- 6 Note any implications for the examiner's report and for separate reporting to the Commission.
- 7 Other tests:

| | | | |
|-----|---|-------|-----|
| Y | Y | Jodie | JAD |
| N/A | | | JAD |
| N/A | | | JAD |

Conclusion

Subject to the matters highlighted on the Completion Memorandum (B1)*, in my opinion, sufficient evidence has been obtained from the checks recorded overleaf to conclude that there are no unusual items or disclosures in the accounts which cannot be satisfactorily explained.

Preparer:

Date:

Reviewer:

Date:

S Williams

1.1.21

* Delete if not applicable

Alternative conclusion (ANY alternative conclusion MUST be referred to on the Completion Memorandum (B1) schedule).

| |
|--|
| |
|--|

Preparer:

Date:

Reviewer:

Date:

| | |
|--------------------------|------------|
| Client Name: Happy Faces | Ref: D3 |
| Year end: 31-3-21 | |
| File number: H631 | |

Review of Accounting Records and Transactions

Objective: to obtain and record sufficient evidence to form an opinion as to whether the charity's accounts are in accordance with the accounting records and that transactions are in accordance with the charity's objects.

CC Direction 6: Check that the accounts are consistent with the accounting records.

Compare the accounts of the charity with the charity's accounting records in sufficient detail to reasonably conclude that the accounts are not materially inconsistent with the accounting records.

Further guidance is available online

| | Covered by accountancy Y/N | Results satisfactory Y/N | Ref/comments | Initials and date |
|--|----------------------------------|--------------------------------|--------------|-------------------------|
| 1 (a) Check all current year items appearing in the accounts on the face of the Statement of Financial Activities, summary income and expenditure account or receipts and payments account to the trial balance. | Y | Y | | JAD |
| (b) Include a copy of the cross-referenced accounts and trial balance on file. | Y | Y | | JAD |
| 2 (a) Check all items from the trial balance to the nominal ledger. | Y | Y | | JAD |
| (b) If no nominal ledger is kept for a charity preparing a receipts and payments account, agree details to the cash records. | Y | Y | | JAD |
| 3 Check a sample of the figures in the nominal ledger or trial balance to the prime books and vice versa, including: | | | | |
| (a) accounting records, maintained by computer accounting packages; and | Y | Y | | JAD |
| (b) debtors and creditors in the nominal ledger to supporting list of balances. | Y | Y | | JAD |
| 4 Review a sample of bank reconciliations and control accounts for completeness of postings from books of prime entry. | Y | Y | | JAD |
| 5 Check items to the underlying records where: | | | | |
| (a) the make-up of items in the nominal ledger is unclear; or | N/A | Y | | JAD |
| (b) concerns arise which cannot be resolved; or | N/A | Y | | JAD |
| (c) the accounts are prepared directly from the basic records. | N/A | Y | | JAD |
| 6 Consider whether any transactions do not appear to comply with the objects of the charity. | N/A | Y | | JAD |
| 7 If applicable, confirm that the trustees have taken the necessary steps to ensure that restricted or endowed funds are correctly reported in the accounts. | Y | Y | | JAD |

8 Other tests (if required):

| | | | |
|-----|--|--|-----|
| N/A | | | JAD |
|-----|--|--|-----|

Conclusion

Subject to the matters highlighted on the Completion Memorandum (B1)*, in my opinion, sufficient evidence has been obtained from the checks recorded overleaf to conclude that the accounts are in agreement with the accounting records and transactions are in accordance with the trusts of the charity.

Preparer:

Date:

Reviewer:

Date:

S. W. H. A. R. O.

11/18/21

* Delete if not applicable

Alternative conclusion (ANY alternative conclusion MUST be referred to on the Completion Memorandum (B1) schedule).

| |
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| |
|--|

Preparer:

Date:

Reviewer:

Date: