

## *Background to the proposed change to the Constitution*

UK-TUG is a voluntary association whose purposes are charitable (educational and scientific). It cannot register as a charity, because its annual gross income at about £3000 is less than the minimum £5000 threshold. UK-TUG's constitution refers to independent examination of its accounts. Since 2007, there is no requirement for annual scrutiny of account for charities whose annual income is less than £10,000. Indeed, if an independent examiner has been appointed and finds that the income is less than this figure, they are required to refer back to the Trustees (a Charities Act term which effectively would mean the committee of UK-TUG) for confirmation that the examination should proceed. (See the Charity Commission document CC63(a) – Independent Examination of Charity Accounts 2007.)

Other changes to legislation have increased the scope of audit and independent examination where this is a statutory requirement. Consequently, the level of fees charged by professional accountants have risen significantly. A medium size firm of accountants in Leeds would charge fees in the region of £750–£1000 for independent examination of UK-TUG accounts, notwithstanding that this is a quarter of the gross income. Smaller firms of accountants (with two or three partners) commonly do not undertake independent examination or audit for voluntary associations or charities. This seems to be because practitioners are now expected to hold relevant certification, in addition to their primary accounting qualifications, before they can act on behalf of larger organisations, and so they are unwilling to act for smaller ones because of the problems arising from the need for professional indemnity insurance.

UK-TUG paid £215 last year in accountancy fees, and a similar provision has been made in the accounts for 2010–2011. However the wording of the report makes it clear that this was not technically an independent examination. It seems likely that a full independent examination by a professional accountant would cost significantly more than £215. As this is already more than 10% of the gross income last year, it seems prudent to ask whether UK-TUG wishes to continue to specify independent examination in its constitution. There is no statutory requirement for it to do so.

As a result, and bearing in mind the provision referred to at the end of the first paragraph, it seems necessary to either ask for specific authorisation to pay the going rate for a professional independent examination, or else to alter the Constitution so that this is not required in future. Independent examination by an unqualified person (such as a treasurer of a similar organisation who is competent to draw up accounts that meet the Charity Commission's Statement of Recommended Practice), would be a reasonable alternative if there was a suitable volunteer, but this is not always easy to arrange.