

Guide for Independent Inspection of Year-End Accounts

By Lloyd Harris, Compliance Officer, December 2023

This guide is for local parties and groups whose income / expenditure is £250,000 or under.

Independent inspection of your accounts is a constitutional requirement (not a legal prerequisite), whereas accounts over this threshold require a professional audit by law.

The independent inspection of Liberal Democrat accounts is different to an audit. You do not need to be a qualified accountant. Nor is it forensic-level analysis in order to spot errors to the nearest pence.

The examiner should be independent from the control of the finances - so not a person on your Executive, an election agent etc. or close family.

Accounts need to be emailed to the Compliance Team at HQ by the deadline of 15th March after approval from your executive committee.

There are different rules for England, Scotland and Wales as to when the inspection needs to be completed by:

- **England** – deadline for inspection is 31st March - the report is for the executive committee initially and then for the members to note at the AGM later.
- **Scotland & Wales** - deadline for inspection is at the AGM, usually in Oct/Nov. The report is for the members. However we recommend it be done before 15th March. This avoids a further set of amended accounts needing to be sent to Compliance after the deadline where errors have been found.

Understanding the purpose of an independent inspection, requires looking at the statement that the inspector puts their name and signature to.

If you can't satisfy that the accounts are correct, as per the declaration, then you cannot sign them off. It is fine to ask for amendments however.

The declaration and what it means

I have examined the Income and Expenditure and Balance Sheet for the year ending 31st December 2023 together with the underlying accounting records and confirm that the accounts are in accordance therewith.¹

I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that the accounting records were not kept as required; the accounts are in accordance with the accounting records;² the accounts comply with the requirements of the Political Parties, Elections and Referendums Act 2000.³

1. Agreeing that the annual accounts match the bookkeeping.

There may be adjustments to the bookkeeping, however the records are the basis of the accounts. i.e. they are not figures based on approximations but taken from actual financial records.

2. Confirming there are no significant errors.

In accountancy terms, '*material matters*' is dependent on how active the local party or organisation is.

E.g. For a small local party with an income of £1000 and £500 in expenses, an error of £50 makes a significant difference.

However, with a larger local party who has £100,000 in income and an expenditure of £150,000, a discrepancy of £50 would be a relatively minor mistake. An error of £1000 on the other hand, would be noticeable.

As the inspector, you will need to determine what level of error would '*make a material difference to the understanding of the accounts*'.

3. Affirming the accounts comply with the PPERA Act 2000.

You should ensure that the chair and treasurer are correctly listed and that any changes in those posts have been recorded (AGM minutes are useful here).

It is important to check that all donations/gifts/loans of £500 and above have been reported on Lighthouse. If you don't have Lighthouse access then the treasurer should download a report from Lighthouse and send you details of all loans, loan repayments and donations reported in the year.

Note – donations and loans from one part of the Lib Dems to another are classified as internal transfers rather than donations or loans. Council groups are not included in this definition so any money from them would be recorded as a donation or loan on Lighthouse.

If you have any questions please email compliance@libdems.org.uk