

## Charity Reporting and Accounting

The Charity Commission document [Charity reporting and accounting: the essentials November 2016 \(CC15d\)](#) explains in detail the reporting and accounting requirements for charities.

This paper is a summary of the information contained in document CC15d.

The Charity Commission sets out the main requirements for charities to:

- Produce a set of accounts
- Produce an annual report
- Submit an annual return to the Charity Commission

**Accounts preparation** – all charities must prepare accounts and make them available on request

**Trustees' annual reports preparation** – all registered charities must prepare a trustees' annual report and make it available on request

**Filing accounts and annual reports** - all charitable incorporated organisations (irrespective of income) and those registered charities with a gross income in the financial year exceeding £25,000 must file their accounts and an annual report with the commission.

**Annual return form** - all charitable incorporated organisations (irrespective of income) and all other registered charities whose gross income in the financial year exceeds £10,000 must complete and file an annual return with the commission.

### Types of charity accounts

A charity may prepare either receipts and payments accounts or accruals accounts. Which of these is needed will depend on the income of the charity and whether or not it has been set up as a charitable company.

#### Receipts and payments accounts

This is the simpler of the 2 methods of accounts preparation and may only be used where a non-company charity has a gross income of £250,000 or less during the financial year.

Receipts and payments accounts contain

- A statement summarising all money received and paid out by the charity in the financial year
- A statement giving details of its assets and liabilities at the end of the year.

Charitable companies are not allowed by company law to adopt this method.

## **Accruals**

Non-company charities with gross income of over £250,000 during the financial year, and all charitable companies must prepare accruals accounts that comply with the applicable Statement of Recommended Practice (SORP).

Accruals accounts contain:

- a balance sheet,
- a statement of financial activities
- Explanatory notes.

## **Audit or Independent Examination**

Charities with a gross income of more than £25,000 in their financial year are required to have their accounts independently examined or audited.

An independent examination is required when gross income is between £25,000 and £1 million.

An audit is needed where the gross income exceeds £1 million.

An audit will also be needed if total assets (before liabilities) exceed £3.26 million, and the charity's gross income is more than £250,000.

In addition to statutory thresholds, the governing document of any charity may contain specific provisions about the external scrutiny of the charity's accounts. In such cases the charity must follow the higher standard of scrutiny required by either the statutory framework or the governing document.

What is the difference between an independent examination and an audit?

Both an audit and an independent examination are an external review of a charity's accounts carried out by an independent person, but they are not the same thing.

What makes the difference is the statement or opinion that is provided in your accounts.

An independent examiner's statement talks about whether:

- you have kept proper accounting records
- your financial statements comply with accounting requirements and accord with the records.

An auditor actually has to give an opinion on whether the financial statements give:

- a 'true and fair view' of your financial state of affairs
- have been properly prepared in accordance with proper accounting practice and relevant law.

Auditors also report by exception on whether you have kept proper accounting records, made all the right disclosures and given them all the information they required.

An independent examination requires less work, and doesn't have to be done by a regulated body so tends to be cheaper.

## What goes into the annual report?

There are some basic contents of the annual report which are mandatory. Otherwise, what is required will depend on the size of the charity.

“The annual report is an important milestone in a charity’s life, a chance to take stock of how the year compared to the trustees’ plans and aspirations, a time to celebrate successes and achievements, and to reflect on difficulties and challenges. The annual report is an essential opportunity to highlight the main activities or significant activities undertaken in order to carry out the charity’s purposes for the public benefit and explain fundraising practice. The report’s audience is not just trustees and members, funders, donors and beneficiaries, but also the wider public who have an interest in what charities do and what they achieve.”

Charity reporting and accounting: the essentials November 2016 (CC15d)

Check the Charity Commission website for a detailed explanation of what should be included in an annual report.

This is a summary of the main items which must be included:

- Charity name, registration number and address
- Names of all trustees on the date the report was approved and those who were trustees in the year covered by the report
- Nature of the governing document and date if known
- The name of any person or body entitled to appoint 1 or more charity trustees
- Purposes of the charity and the main activities undertaken to achieve its charitable purposes for the public benefit
- Summary of the achievements of the charity during the year
- Reserves policy

## Annual return to the Charity Commission

You must submit your annual return within 10 months of the end of your financial year. You will need to prepare your annual report and accounts before completing your annual return and any annual reports and accounts which require uploading when completing your annual return will need to be in PDF format.

The thresholds for what is required when submitting your annual return are as follows:

### Charitable companies and unincorporated organisations

Income under £10,000

Report Income and Expenditure levels for the year

Income between £10,000 and £25,000

Report Income and Expenditure levels for the year  
Answer questions about your charity

Income over £25,000

Report Income and Expenditure levels for the year  
Answer questions about your charity  
Provide PDF copies of  
    Trustee annual report  
    Annual accounts  
    Independent Examiner's report

**Charitable Incorporated Organisations (CIOs)**

Report Income and Expenditure levels for the year  
Answer questions about your charity  
Provide PDF copies of  
    Trustee annual report  
    Annual accounts  
    Independent Examiner's report