

Ceredigion Association of Voluntary Organisations

Your local county voluntary council

8. Managing money

8.6 Annual accounts and audit



The format of the annual accounts is guided by The Statement of Recommended Practice issued by the Charity Commission in conjunction with the Accounting Standards Board. This is known as SORP 2005 and contains guidance on the presentation of accounts and represents good practice.

Charities must submit their accounts within 10 months of the end of the financial year.

Under £10,000

Charities with incomes under £10,000 have to prepare accounts, but do not have to submit them unless requested. If your income is below £10,000 you will need no external scrutiny.

Under £100,000

If your income is between £10,000 and £100,000 you will need an independent examination. Unincorporated charities with a gross income under £100,000 may choose to prepare a simpler form of accounts comprising of receipts and payments accompanied by a statement of assets and liabilities. This will be instead of using SoFA (Statement of Financial Activities) Accruals Accounts. If a charity does decide to represent its accounts using this simpler method, it must abide by the SORP regulations. There is no prescribed format for the receipts and payments account, but the

Charities Commission have produced practical guidance *CC16: Receipts and payments accounts pack*.

£100,000 - £250,000

Accounts must be prepared on the accruals basis in accordance with SORP 2005. See the Charity Commission guidance *CC17 – Accrual Accounts Pack*.

Over £250,000

Accounts must be audited by a registered auditor and a full annual report must be prepared. If the gross income is greater than £1million the Summary Information Return (SIR) must also be completed.

Preparing receipts and payments for your annual accounts

Receipts and payments accounts summarise cash movements only during the financial year. A statement listing assets and liabilities is also required (in place of a balance sheet required for accruals accounts).

You may need to complete up to three receipts and payment accounts, one each for:

- the unrestricted funds (all charities should have these)

- the restricted income funds (many charities have these)
- any endowment funds (some charities have these)

Receipts and payments accounts can be split into two categories:

Gross income includes:

- donations (including covenants, gift aid donations and related tax reclaims), grants, gifts, legacies and subscriptions;
- gross receipts from the sale of goods or services in furtherance of the charity's objectives;
- gross receipts from fundraising and other activities undertaken for generating funds;
- investment income (including interest, dividends, related tax reclaims & rents);
- transfers of expendable endowment to income funds, or expenditure of this endowment for income purposes.

Total expenditure includes:

- costs of generating funds including fund-raising and publicity costs, investment property costs and investment management fees;
- expenditure in furtherance of the objects of the charity including grants, donations, cost of activities (goods & services) provided and support costs;
- management and administration costs of the charity.

These categories may include any interest paid.

Please refer to the *CC16: Receipts and payments accounts pack* for what is not included in total expenditure and gross income.

All payments for similar purposes (e.g. wages) and receipts for similar purposes (e.g. donations) should be added together and not shown separately. Of course, significant items (e.g. a large grant) may be best shown separately for clarity.

Gifts in kind and intangible income are not included in receipts and payments accounts. However trustees may like to include a note in their annual report or in notes to the accounts.

What else accompanies the accounts?

The accounts of charities using receipts and payments accounts and having an examination by an independent examiner will consist of four related documents:

Three are prepared by the trustees:

- A trustees' Annual Report - This gives details about the charity's activities in the year.
- One or more receipts and payments accounts – These show the incoming and outgoing cash for the year for unrestricted, restricted and endowment funds.
- A statement of assets and liabilities - This lists the assets and liabilities at the end of the year.

One is prepared by the independent examiner:

- Independent Examiner's Report - This gives an external reviewer's comment on the accounts

Further information

Charity Commission for England & Wales

Tel: 0845 3000 218

www.charity-commission.gov.uk

HM Revenue and Customs

www.hmrc.gov.uk

For further information contact

Ceredigion Association of Voluntary Organisations

Bryndulais, 67 Bridge Street, Lampeter, Ceredigion, SA48 7AB

Registered Charity 1061364

Tel: 01570 423232

gen@cavo.org.uk

Fax: 01570 422427

www.cavo.org.uk



Tel: 0800 2888 329

www.wcva.org.uk

Produced by WCVA, County Voluntary Councils and Volunteer Centres.

Last Updated:01/12/2009