The Charity Commission for Northern Ireland

Receipts and payments accounts for smaller charities

How to prepare receipts and payments accounts and the trustees' annual report

The Charity Commission for Northern Ireland

The Charity Commission for Northern Ireland is the regulator of charities in Northern Ireland, a non-departmental public body sponsored by the Department for Social Development.

Our vision

To deliver in partnership with other key stakeholders in the charitable sector "a dynamic and well governed charities sector in which the public has confidence, underpinned by the Commission's effective delivery of its regulatory role."

Further information about our aims and activities is available on our website www.charitycommissionni.org.uk

Equality

The Charity Commission for Northern Ireland is committed to equality and diversity in all that we do.

Accessibility

The Commission's website has been designed to **W3C standards** of accessibility and includes a number of features to enhance accessibility for a wide range of individuals. These include colour contrast and resize options. Materials may be made available in alternative formats on request. If you have any accessibility requirements please contact us.

Online or in print

If you are viewing this document online, you will be able to navigate your way around by clicking on links either within the contents page or text.

We have produced a glossary that provides further information, definitions and descriptions of some key terms. The words in **bold green type** indicate words that are found in the glossary towards the end of this document. If you are reading the document online you can click on the word and it will link you to the definition in the glossary. The words in *pink italics* indicate other guidance or databases.

Please check our website www.charitycommissionni.org.uk to make sure you're using the latest versions of forms and guidance.

Contents

Section 1: Overview

All charities must be aware of their legal requirements when preparing a charity's financial statements, the trustees' annual report and having these documents reviewed or audited. The Charity Commission for Northern Ireland (the Commission) has developed a suite of guidance to help charities understand their legal requirements under the **Charities Act (Northern Ireland) 2008** and the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. For help understanding which guidance documents apply to your charity you should read *ARR01 Charity reporting and accounting: guidance summary*.

All charity trustees should begin by reading *ARR02. Charity reporting and accounting: the essentials.* It is important that charity trustees read this guidance first as it provides information on the new accounting and reporting framework in place for registered charities from 1 January 2016, and an overview of The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015.

The full list of accounting and reporting guidance includes:

ARR01. Charity reporting and accounting: guidance summary
ARR02. Charity reporting and accounting: the essentials
ARR03. Receipts and payments accounts and the trustees' annual report
ARR04. Accruals accounts and the trustees' annual report
ARR05. How to complete the annual monitoring return
ARR06. Charity reporting: Interim arrangements and the annual monitoring return
PBR1 Public benefit requirement guidance – public benefit reporting

This document *ARR03 Receipts and payments accounts and the trustees' annual report* is aimed at smaller charities.

You should read this guidance if you are a small, unincorporated charity and you qualify to prepare receipts and payments accounts. Generally, this applies to charities with gross income of £250,000 or less. It provides detailed guidance on the new legal requirements, suggested formats for receipts and payments accounts, and requirements for the trustees' annual report.

Section 2: About this guidance

What does this guidance cover?

This guidance covers the detailed requirements and suggested formats for registered charities in relation to producing a set of receipts and payments accounts and a trustees' annual report, including the requirement to report on the public benefit. The requirements within this guidance apply broadly to **unincorporated charities** that are registered with the Commission and have an annual income of £250,000 or less.

Please note that these requirements will apply for your first full financial period beginning on or after 1 January 2016, **or** your date of registration with the Commission, if later. If you are in any doubt, the guidance below will assist you in identifying which requirements apply to you.

If you are a registered charity you must ensure your charity accounts and reports comply with the new accounting and reporting regulations. These apply to your **first full** financial year beginning on or after:

- 1 January 2016; **or**
- The date of registration with the Commission if later than 1 January 2016.

What does this guidance not cover?

This guidance does not provide a full overview of the accounting and reporting framework based on The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. It also does not cover the accounting and reporting requirements for charities that must prepare **accruals accounts.** This information is covered in other guidance documents, available on the Commission's website, which make up the suite of accounting and reporting guidance.

This guidance does not cover the accounting and reporting requirements for investment funds, organisations classified as **section 167 charities**, and charities that have been linked by the Commission, for example **special trusts**. The reporting framework that applies to these types of charities will be set out at a later stage.

What will be published?

All charity accounts and reports will be published on the charity's entry on the online *register of charities*. The *register* will also display some information provided through the annual monitoring return. Further information on what will be published is included in the Commission's *ARR05 How to complete the Annual monitoring return* guidance. For information on the Commission's approach to publishing decisions refer to the *Publishing our decisions* policy.

What are legal requirements and best practice?

In this guidance, where we use the word '**must**' we are referring to a specific legal or regulatory requirement. We use the word '**should**' for what we regard as good practice, but where there is no specific legal requirement.

Charity trustees should follow the good practice guidance unless there is good reason not to do so. For example, registered charities **must** apply the full accounting and reporting regulations to their accounts and reports prepared for the first full financial year beginning on or after 1 January 2016, **or** their date of registration with the Commission, if later. Charities in the process of registering, or yet to be called forward for registration, **should** apply the full accounting and reporting regulations to the preparation of their accounts and reports. This will help them to be prepared for their annual reporting obligations following registration and is considered best practice.

Charity legislation

References in this document to 'the Charities Act' are to the **Charities Act (Northern Ireland) 2008**.

References in this document to 'the accounting and reporting regulations' are to The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015.

References in this guidance to the 'annual return regulations' are to The Charities (Annual Return) Regulations (Northern Ireland) 2015, prescribed by the Charity Commission for Northern Ireland.

Key terms

The following are some key terms you may find useful when reading this guidance. These, and other terms, are also listed in a glossary at the end of this guidance. Please familiarise yourself with each of the terms below. Even if you are a small charity you may, at some time in the future, for example due to an increase in income, be required to prepare accruals accounts. **Please note these terms are not listed in alphabetical order but in the logical sequence in which a charity will encounter them.**

Unincorporated charity: An unincorporated charity is one which is not a company or corporate body. Unincorporated charities may be a trust or association and have a trust deed, constitution, or will as its governing document. Unlike a **charitable company**, unincorporated charities do not have their own separate legal identity. Charity trustees of unincorporated charities are liable for what the charity does. You may need to take legal advice if you are uncertain of your liabilities.

Financial year (period): A charity's financial year or period is usually set out in its governing document. This will normally be 12 months but, in certain circumstances, it can be shorter or longer. This time period can vary but cannot be more than 18 months. Different rules apply for charities that are companies. Additionally, charities that are grant aided schools must not have a financial period of more than 15 months.

Receipts and payments accounts: this is a simplified method of cash accounting which summarises the money received, in cash and via the bank, and paid out during the financial year, along with a statement of assets and liabilities. Charities that are companies cannot prepare their accounts on a receipts and payments basis under company law.

Accruals accounts: refers to accounts prepared on a 'true and fair' basis in accordance with accounting standards and the SORP (Statement of Recommended Practice). In contrast to receipts and payments accounts, where income and expenditure is accounted for only when the money is received or paid out, accruals accounts record the income of a particular activity when there is entitlement or certainty about income, and expenses, when the liability is incurred. This is not necessarily the same date on which money is received or paid out.

Statements of Recommended Practice (SORPs): A statement of recommended practice (SORP) is a set of recommendations about accounting practices and the reporting of financial information. A SORP is usually drawn up by a regulatory body or sector to reflect the type of transactions and conditions which exist in that sector. A SORP supplements regular accounting standards and other legal and regulatory requirements.

Applicable SORP: under charity law, general charities must apply The Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 (Charities SORP FRS102). Special case charities must apply, as relevant, either the Statement of Recommended Practice: Accounting for Further and Higher Education or the Housing SORP 2014: Statement of Recommended Practice for registered social housing providers.

Charities SORP: 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)' (effective 1 January 2015) issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator on 16 July 2014. The Charities SORP is the format which must be used by general charities when preparing accruals accounts.

General charity: is any charity that is not a special case charity or an investment fund. Special case charities are further or higher education institutions or housing associations.

Relevant financial year: is the financial year for which the charity accounts or group accounts are prepared.

Previous financial year: refers to the financial year immediately preceding the current one.

Gross income: the Charities Act defines gross income as the gross recorded income from all sources, including special trusts. For accounts prepared on a receipts and payments basis gross income is simply the total receipts recorded in the statement from all sources, excluding the receipt of any endowment, loans and proceeds from the sale of investments or fixed assets.

Independent examiner: this is an independent person with the required level of ability and practical experience to carry out a competent examination of a charity's accounts. An independent examination is a simpler form of scrutiny than an audit but it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that the accounts of the charity have been reviewed by an independent person.

Trustees' annual report: is a report produced each year by the **charity trustees** along with the charity's accounts. The Trustees' annual report tells the public:

- about your charity's work
- where your money comes from
- how you have spent your money in the past year.

Smaller charities can prepare a simplified trustees' annual report while larger charities must provide more detail. All charities must explain how the activities undertaken during the year have furthered the charity's purposes for the public benefit. Further information on what must be contained within the trustees' annual report can be found in Section 4 of this guidance.

Section 3: Introduction to receipts and payments accounts

3.1 What are the legal requirements for receipts and payments accounts?

Receipts and payments accounts are created using a simple form of accounting that summarises all monies received and paid via the bank and in cash, by the charity, during its financial year.

Charities that prepare receipts and payments accounts must include **four** related documents in their accounts and reports. These are:

1. a **trustees' annual report** - giving details about how activities undertaken during the year have furthered the charity's purposes for the public benefit (see section 4 of this guidance).
2. a **receipts and payments account** - this should provide an analysis of the incoming and outgoing cash for the year (see section 5 of this guidance)
3. a **statement of assets and liabilities** – this should outline the charity's main assets and liabilities at the end of the year, including the cash balances at the year-end (see section 5 of this guidance).
4. an **external scrutiny report** – from an independent examiner or auditor (see section 6 of this guidance).

The main differences between receipts and payments and accruals accounts are detailed below.

- In receipts and payments accounts no adjustments are made for the timing of the income or payments to bring them into line with the activities which they relate to.

  For example, a charity has an agreement with their landlord to pay £12,000 rent per annum, by paying £3,000 per quarter in advance. Under receipts and payments accounts, the rent expense is only recorded when a physical payment is made. If the charity makes a payment just before the end of the financial year, because they have paid in advance, the £3,000 must be included in the current year accounts, not the following year accounts that it actually relates to. The rent expense shown in the receipts and payments accounts for that year will be £15,000.

- The purchase or sale of assets for cash would be included in receipts and payments accounts although these items should form a separate category from other items in the accounts as they do not represent resources moving into or out of the charity. Liabilities and assets owned by the charity should be shown separately on the statement of assets and liabilities. See Section 5 for further information.

- Changes in the value of assets, such as **investments**, buildings, and **debtors**, are not included in receipts and payments accounts. This means that receipts and payments accounts will not contain any amounts for depreciation, gifts in kind, bad debts or gains and losses on sales of investments or fixed assets.

Receipts and payments accounts are not expected to show a 'true and fair view' of the charity's financial activities and state of affairs, as is required with accruals accounts. **Accounting standards**, which are primarily concerned with the presentation of a 'true and fair view', do not apply to receipts and payments accounts. However, receipts and payments accounts must give sufficient detail to enable a reader to gain an appreciation of the transactions of the charity and of any surplus or deficit.

This means:

- receipts and payments accounts should be prepared in a consistent way from year to year and

- if valuations are provided in the statement of assets and liabilities, they should be relevant, reliable and understandable.

3.2 Can my charity prepare receipts and payments accounts?

Normally, a charity's gross income, and the nature of the organisation, will determine the type of accounts the charity must prepare. If your charity is not a company and has an annual gross income of £250,000 or less, then it can usually prepare receipts and payments accounts. This is the case unless there is a requirement to prepare accruals accounts as a result of:

- requirements within the governing document of the charity

- any enactment that says the organisation must prepare accruals accounts (for example, the Companies Act)

- a decision made by trustees to prepare accruals accounts.

There are some occasions where, although the law allows receipts and payments accounts to be prepared, it may be preferable to prepare accruals accounts. This is usually because accruals accounts can provide a clearer picture of the charity's activities and financial affairs than receipts and payments accounts. The following are examples of such occasions.

- Donors require accruals accounts to be prepared as a condition of their grant.

- Trustees need to explain more about the use of their resources than simply through cash movements, for example, when

    - a charity has significant non-cash assets, or fixed assets which the trustees would like to value and depreciate in the accounts or
    - a charity has received significant non-cash donations (gifts in kind or valuable gifts of services).

- The charity, despite having an income under the threshold, is growing in size or complexity, for example, the charity has begun to use a trading subsidiary or is involved in joint operations with other charities.

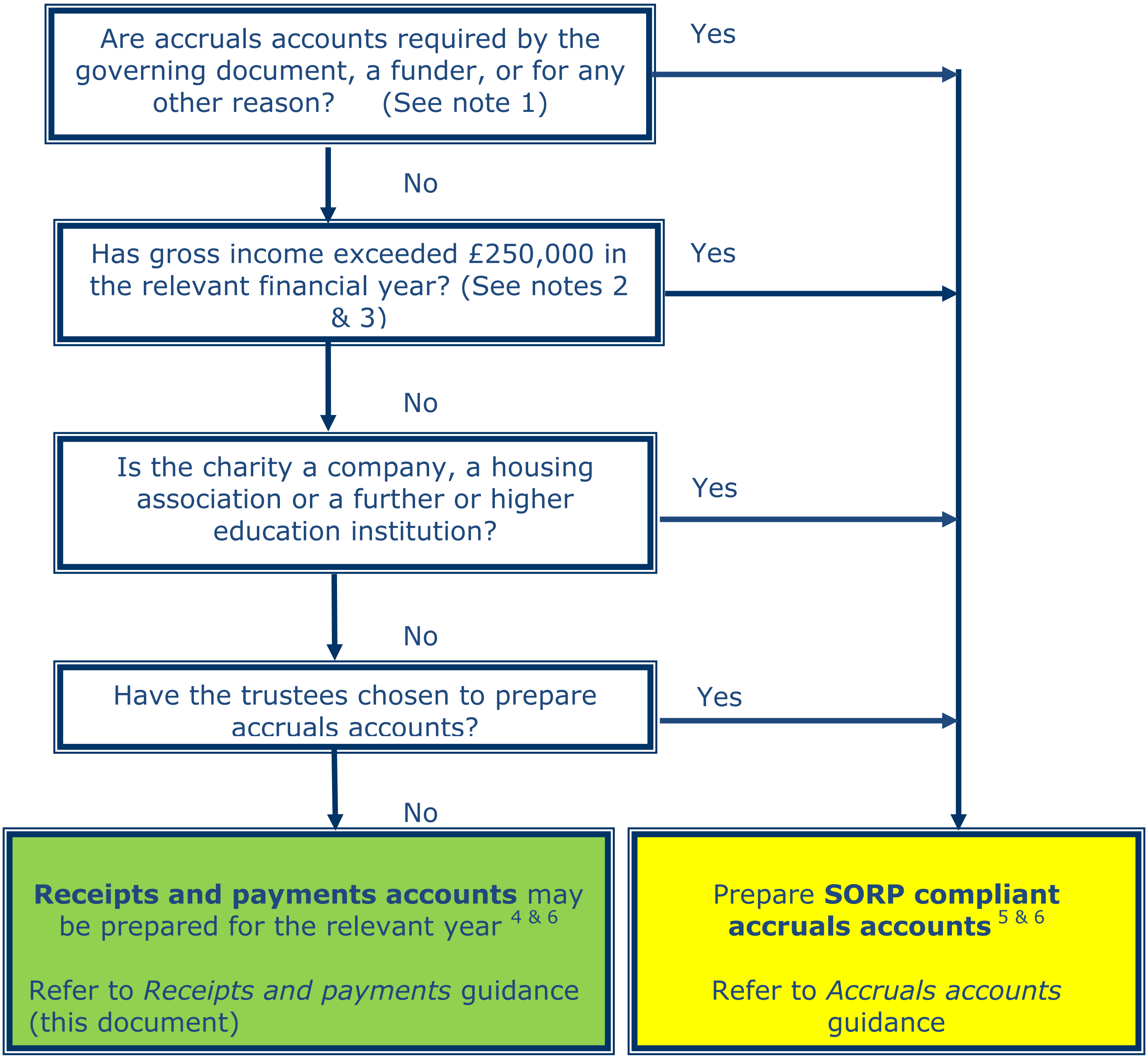
- The charity has significant receipts or payments arising from asset and investment sales and purchase, and the trustees consider that the preparation of accruals accounts would explain these transactions more clearly.

- The charity carries out its activities mainly by making programme related investments by way of equity or loan, rather than by making grants to beneficiaries, and the trustees consider that the preparation of accruals accounts would explain these transactions more clearly.

Unincorporated charities that are not yet registered with the Commission, or that are preparing accounts for a financial year that begins before 1 January 2016, must still keep proper accounting records and prepare a receipts and payments or an income and expenditure account under the Charities Act (Northern Ireland) 1964.

Charities that are not permitted to prepare receipts and payments accounts must prepare accruals accounts in accordance with the relevant SORP. The flowchart at Figure 1 on the following page sets out the considerations when determining which type of accounts you must prepare.

Figure 1 – Preparing accounts



Notes

1. These rules do not apply to grant aided schools under regulation 5(3) of the Charities (Accounts and reports) Regulations Northern Ireland 2015
2. Charities must be registered with the Commission for the form and content regulations to apply
3. Charities must apply this test for the relevant financial year. This must begin on or after 1 January 2016 or date of registration with the Commission if later
4. Under section 64 (3) of the Charities Act (Northern Ireland) 2008
5. Under regulation 8,9 or 10 of The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015
6. Charities should also be aware that, depending on their particular circumstances, the accounts they prepare may also need to comply with other legislative requirements.

Section 4: The trustees' annual report

All registered charities must prepare a trustees' annual report for their first full accounting period after 1 January 2016, **or** their date of registration with the Commission, if later. The purpose of the trustees' annual report is to ensure that the charity is publicly accountable to its stakeholders.

The trustees' annual report, also known as the annual report, is an important milestone in a charity's life, a chance to take stock, to celebrate successes and achievements, and to reflect on difficulties and challenges. It is also an opportunity to highlight the main activities undertaken by the charity to carry out its purposes for the public benefit. Along with accounts, the trustees' annual report tells people about the charity's work, where its money has come from and how it has been spent. The report should enable a reader to have a better understanding of what the numbers presented in the accounts mean for the charity and its beneficiaries.

A charity's financial accounts alone do not provide all the information a reader would need to gain a full picture of the charity. For example, the charity accounts cannot easily explain:

- what the charity has done – its outputs
- what the charity has achieved – its outcomes
- what difference the charity has made – its impact and benefits.

Information on the structure, governance or management arrangements of the charity should be addressed by the trustees' annual report.

4.1 What must be in the trustees' annual report?

The level of detail required in the trustees' annual report depends on the size of your charity. Smaller charities that prepare receipts and payments accounts can prepare a simplified trustees' annual report and larger charities must provide more detail in the report in accordance with the requirements of the Charities SORP. At a minimum, the trustees' annual report must specify the **financial year** it relates to and include:

- the charity's name, Northern Ireland charity (NIC) number, address and the names of each of the trustees
- the charity's structure and details of how it is managed, including how it recruits trustees

- a summary description of the purposes of the charity
- a summary of the charity's:
    - activities and objectives in the year
    - achievements and performance, including reporting on its public benefit
- a statement as to whether the charity trustees have complied with the duty to have regard to the Commission's *Public benefit requirement* statutory guidance
- a financial review including any debts and details of your reserves policy (if applicable)
- identification of any fund of the charity that was materially in deficit at the end of the year and give particulars of the steps taken by the charity trustees to eliminate that deficit
- the signature of one or more of the charity trustees, who have been authorised to approve the report on behalf of the trustees, and the date the report was signed.

The trustees' annual report should also include details of any funds held as a custodian trustee.

You can put more detail into your trustees' annual report if you think this will be useful to those most likely to read and use the report, for example, funders, donors, financial supporters, service users and other beneficiaries. Examples of other relevant material include a chairperson's report, an environmental report or an impact assessment.

4.2 How do we report on the charity's public benefit?

To be a charity an organisation must have exclusively charitable purposes. One component of what makes a purpose charitable is that it is for the public benefit. This is known as the public benefit requirement.

All registered charities must report annually on how they have continued to meet the public benefit requirement and confirm that they have had due regard to public benefit guidance produced by the Commission. This is known as public benefit reporting and is done by including key information on the charity within the trustees' annual report.

Public benefit is at the heart of what makes an organisation a charity. By reporting on public benefit, trustees identify that their charity is effectively doing what it was set up to do and is making a positive difference to its beneficiaries. This should not be difficult for trustees of well governed charities to demonstrate. The Commission has produced draft guidance *PBR1. Public benefit requirement guidance – public benefit reporting* which includes a checklist, to help your charity understand how it can meet the public benefit reporting requirement. Charity trustees **must** refer to the Commission's statutory guidance *Public benefit requirement* when preparing the trustees' annual report. The nature of the public benefit, and the activities planned to achieve it, may be different for each of the charity's purposes and therefore each must be reported on in the trustees' annual report. It is not necessary for a report on public benefit to be dealt with as a separate section of a trustees' annual report, you may structure your report any way you wish and public benefit will likely be addressed, naturally, throughout the body of the report, for example in the 'activities and objectives' and 'achievements and performance' sections.

4.3 Who is responsible for preparing the trustees' annual report?

The charity's trustees are ultimately responsible for the preparation of the trustees' annual report. Although trustees may seek assistance from the charity's staff or advisors in drafting the report, the trustees must approve the final text of the report. One or more of the trustees must sign and date the report on behalf of the trustees upon their approval of the report.

4.4 Trustee anonymity

Under certain circumstances the Commission may grant a request for trustee anonymity. Anyone granted anonymity at the registration stage has permission to withhold these details from the annual report. However, the Commission must be informed of any change in circumstances whereby the original threat to life or safety no longer exists. The Commission may also re-assess the granting of anonymity and any change of circumstances as part of the annual monitoring return.

4.5 Help to prepare the trustees' annual report

To help you understand how you might prepare a trustees' annual report, including how you can report on the public benefit, example accounts and reports are available in the *Annual reporting* section of the Commission's website.

Section 5: What must be in the receipts and payments accounts?

While there are no statutory requirements for the format of receipts and payments accounts, charities should consider how best they can report what readers of accounts might want to know.

5.1 The receipts and payments account records and summarises cash movements only

Receipts and payments accounts are statements that summarise the movement of cash into and out of the charity during the financial year. In this context, 'cash' includes cash equivalents such as money held in a bank or building society account.

The accounts should not report all individual receipts and payments, as would be recorded in a cash book, but should summarise similar items. For example, all voluntary donations received should be added together and shown as one entry and all payments for one activity or cost category can be shown as one entry. Significant items such as a large grant may, for clarity, be shown separately in the accounts or explained in a note to the accounts.

The accounts should clearly identify three main types of transactions which help the readers of the accounts to see how the charity has received income, paid out money and made transfers. These are detailed below.

- **Receipts** - income received to support the charity's activities.
- **Payments** – money paid out by the charity in undertaking its activities.
- **Transfers** - transfers to and from assets and investments, and from one type of fund to another, for example, from an **unrestricted fund** to a **restricted fund** in order to meet a deficit on a project.

You should show receipts or payments received from the sale or purchase of assets and/or investments on a separate row. Receipts and payments from the disposal or purchase of assets and investments do not increase or decrease the assets of the charity, rather, they convert them from one form to another. Receipts from the sale of fixed assets and/or investments should not be included in the gross income calculation for threshold purposes.

5.1.1 Accounting for separate funds

Trustees should be able to account separately for each restricted, **endowment** and unrestricted fund that they manage. You can identify these funds by reviewing the definitions below.

- **Restricted income funds** are funds that the trustees can only spend on particular purposes, as set out by a donor or in an appeal document, that are narrower than the charity's purposes.
- **Unrestricted funds** are funds that the trustees are able to spend for any of the charity's purposes.
- **Endowment fund,** in simple terms, is a gift of property or money given to a charity as a restricted fund. Trust law requires a charity to invest the assets of an endowment, or to retain them for the charity's use in furtherance of its charitable purposes, rather than apply or spend them as income. The income generated from **endowment funds** held for investment, are then used to further the purposes of the charity. Information on endowment funds and the rules which apply when preparing the accounts of an endowment fund which consists of investments are available in the next section.

While you must be able to account separately for each fund you manage, a separate bank account is not required for each, provided that the trustees can identify the receipts and payments of each fund and the related assets and liabilities. When preparing year-end accounts, trustees may either prepare a separate receipts and payment account for each fund they manage or combine all types of fund in a single statement showing each type of fund in a separate column.

The *pro forma receipts and payments accounts* adopt an approach that allows trustees to prepare a single statement covering all categories of funds. An example of this is provided at Figure 2 on page 23.

5.1.2 Endowment funds

There are two forms of endowment, permanent and expendable, each of which is explained below:

- **Permanent endowment** is a type of endowment fund where the trustees cannot spend the capital. These funds are normally held indefinitely.

- **Expendable endowment** is a type of endowment fund where the trustees can, under certain conditions, spend the capital as if it were income.

Where a charity has an endowment fund which consists of investments then the following rules apply when preparing the accounts.

- Receipts generated by endowment fund assets (for example, dividends, interest or rent) should not appear, in the endowment funds column but in the unrestricted funds column, or restricted funds column, if the receipt can only be applied for a restricted purpose.
- Receipts from the disposal of investments, or payments to acquire new investments, should be included within the endowment column.
- Payments made for managing the fund can be taken from the capital of the investments in the fund. However, the **investment management costs** must not be paid from the endowment capital if the governing document of the endowment says they cannot or there are insufficient capital funds available in the endowment to meet such costs.

In these cases investment management costs may need to be charged against unrestricted funds.

5.1.3 Classification by activity or nature

Receipts and payments can be classified in two ways, by 'nature' or 'activity:

Classification by nature – 'natural' classification: This is where receipts and payments are categorised according to the nature of the income or expense. Examples include, but are not limited to:

- payments shown as rent, travel and subsistence, salaries and wages, telephone or electricity
- receipts classified as donations, trading income, rental income or proceeds from activities such as jumble sales.

Classification by activity – activity classification: This is where receipts and payments are classified by the activity for which they were received or spent. An activity is a project, programme of work, or action that furthers one or more of a charity's purposes, or is undertaken to raise funds for the charity. Receipts are described according to the activity that produced the income for the charity.

Payments are described by the costs incurred in pursuit of a defined purpose, for example, provision of services to the elderly or counselling.

It is achieved by adding together all the costs, For example:

- for payments this means adding together all the costs of **generating funds**, **charitable activities** and governance. For example, salaries, rent, or travel, relating to that specific activity.
- for receipts this means adding together all the income from generated funds and **receipts from charitable activities**.

In most cases, it will be clear which activity generated the income or expenditure. Examples include, but are not limited to the following:

- a charity running a care home could use the description 'residential care fees' within 'income from charitable activities' and 'residential care costs' under 'expenditure on charitable activities'
- a charity selling donated goods through a shop could use the description 'shops' under 'income from other trading activities' and 'expenditure on raising funds'
- an arts charity providing a mix of paid for and free services could use the description 'admission fees for galleries and exhibitions' within 'income from charitable activities' and 'operation of art gallery and touring exhibitions to schools and community' under 'expenditure on charitable activities'
- an endowed grant-making charity, mainly making grants to advance education, could classify this income under 'investment income' and 'grants to education and research institutions, student bursaries and other grants' under 'expenditure on charitable activities'.

The receipts and payments accounts at Figure 2 provide an example of activity classification. For further details on activity and natural classification for the receipts and payments accounts please see the introductory notes that accompany the *pro forma receipts and payments accounts* on the Commission's website.

You can prepare your charity's accounts using either method of classification. Classifying receipts and payments by their nature is likely to be more straightforward for charities when preparing their accounts. However, classifying receipts and payments by activity should help readers of the accounts understand how the charity's expenditure fulfils its objectives.

5.1.4 Apportionment

Sometimes payments are made, or receipts received, for more than one activity, for example, stationery that is purchased and used for both fundraising and charitable purposes. Equally, payments may be made, or receipts received, for more than one fund, for example, a payment is partly for routine property maintenance and partly for an improvement funded by a restricted grant.

In such cases, the payment should be 'apportioned' on a reasonable basis and charged to the activities or funds to which that payment relates. That is, a proportion of the payment is allocated to each activity or fund based on a reasonable estimate of how it is shared out.

If payments are analysed using an 'activity' classification then it is likely that payments will often require apportionment. For example, an administrator role incorporates acting as both a fundraiser and an advice centre staff member and is paid a salary of £18,000 per annum. In this example, an estimate should be made of a reasonable cost to be charged to each activity. If the administrator shares time equally between the two roles, then it would be reasonable to share the costs equally between the two activities, £9,000 to fundraising and £9,000 to charitable activities.

Where a single payment or receipt relates to different funds, for example, restricted and unrestricted, this must also be apportioned reasonably between the respective funds in the charity accounts.

Figure 2: Example receipts and payments accounts

Statement of Receipts and Payments – Year Ended 31 March 2015

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	**Total 2015 £**	Total 2014 £
Receipts					
Voluntary Receipts					
Donations & Gift Aid	629	-	10,000	**10,629**	398
Grants	1,000	1,500	-	**2,500**	1,000
Legacy	150	-	-	**150**	-
Fundraising	1,231	-	-	**1,231**	1,802
Bank Interest	147	-	-	**147**	231
From Charitable Activities					
Membership Fees	10,763	-	-	**10,763**	9,904
Summer Outing	1,478	-	-	**1,478**	1,577
	15,398	1,500	10,000	**26,898**	14,912
Payments					
Cost of Fundraising	389	-	-	**389**	207
Cost of Charitable Activities	14,457	-	-	**14,457**	13,942
Grants & Donations	100	-	-	**100**	100
Governance Costs	260	-	-	**260**	177
Asset and investment purchase					
Purchase of Equipment	639	1,171	-	**1,810**	401
Total Payments	15,845	1,171	-	**17,016**	14,827
Surplus/(Deficit) for the year	(447)	329	10,000	**9,882**	85
Transfers between funds	(171)	171	-	-	-
Cash funds 31.3.14	4,192	-	-	**4,192**	4,107
Surplus/(Deficit) this year end	3,574	500	10,000	**14,074**	4,192
Reconciliation 31.3.15					
Cash at Bank & In Hand	3,574	500	10,000	**14,074**	4,192

5.2 The statement of assets and liabilities

The charity's accounts must include a statement of assets and liabilities in addition to the receipts and payments account. This should outline the charity's main assets and liabilities at the end of the year, including the cash balances at the year-end.

The statement of assets and liabilities is in place of a balance sheet, which is required for accruals accounts, and should provide sufficient detail to give a broad understanding of the type of assets controlled by the trustees and any material **liabilities** that need to be met from the funds.

There is no need to list all individual assets, such as each chair and table or each individual holding for listed investments, rather, similar assets can be grouped together. However, the list should be sufficient to identify the main categories of asset held by the charity, for example, office furniture. If assets belong to a restricted or endowment fund you should note this on the statement also.

A description of assets held may be sufficient unless an amount or value is needed to provide a meaningful understanding of the asset. For example, in the case of cash and other monetary assets, such as building society deposits, the cash value would be given.

Trustees should take a reasonable approach to a valuation. Possible approaches would be using the assets' cost or insurance value or, for listed shares, the market value. Professional valuations are not required, but if one is available, perhaps as a result of an insurance survey, then this may be used.

The Commission's supporting guidance, examples and templates give further details on how you might present a statement of assets and liabilities in your charity's accounts. The *pro forma receipts and payments accounts* template provides spaces to give details of each class of assets and liabilities held.

5.2.1 Gifts of assets and services

Gifts of assets and services are not included in receipts and payments accounts. Gifted assets should, however, be included in the statement of assets and liabilities. There is no requirement to value volunteers' time, though trustees may refer to the contribution made by volunteers in the trustees' annual report or in a note to the accounts.

5.2.2 Notes to the accounts

Notes to the accounts are not required as part of receipts and payments accounts, however, if notes would help the reader to have a better understanding of the accounts, they should be added. Examples of notes that may be included are:

- information about significant non-monetary resources, for example, donated goods and services
- a brief note on transactions with **related parties** and trustees
- details of any remuneration or expenses paid to a trustee or related party
- details of the movement of particular restricted funds which may be useful to donors who stipulated how money was to be spent.

Alternatively, these matters may be included in the trustees' annual report if separate notes to the accounts are not prepared.

5.3 Help preparing receipts and payments accounts

In addition to this document, the Commission has produced supporting guidance which is available on our website to help you prepare receipts and payments accounts. This includes the following.

- *Pro forma receipts and payments accounts* template for charities that do not wish to design their own accounts. It can also be used as a checklist for the accounts you have designed yourself.
- *Examples of receipts and payments accounts* including real examples of good practice receipts and payments accounts.

Section 6: External scrutiny

6.1 Types of external scrutiny

To maintain public confidence in the work of charities, charity law requires **all** registered charities to have external scrutiny of their accounts. This applies to registered charities for full accounting periods that begin on or after 1 January 2016, **or** their date of registration with the Commission, if later. The aim of external scrutiny is to give stakeholders confidence in the words and figures presented in the accounts and to confirm that they have been prepared in accordance with the relevant regulations.

There are two main types of external scrutiny to which charities accounts are subject:

- independent examination
- audit.

Precisely what type of scrutiny your charity accounts will need usually depends on your charity's gross annual income. Under charity law an **independent examination** is needed for all registered charities that have a gross income up to £500,000 in the relevant financial year. For charities with gross income exceeding £500,000 in the relevant financial year a statutory **audit** is required.

In addition to the statutory thresholds, you must be aware that your charity's governing document may contain specific provisions about the external scrutiny of accounts. For example, the governing document may state that the charity accounts must be audited however the gross annual income of the charity is less than £500,000. In such cases, you must follow the higher standard of scrutiny required by either the statutory framework or the governing document.

When determining whether your charity's accounts require an independent examination or audit you must ensure you comply with:

- charity law
- any other relevant legislation, for example, the Companies Act
- the charity's governing document.

The external scrutiny requirements under charity law have been summarised at Figure 3 on the following page.

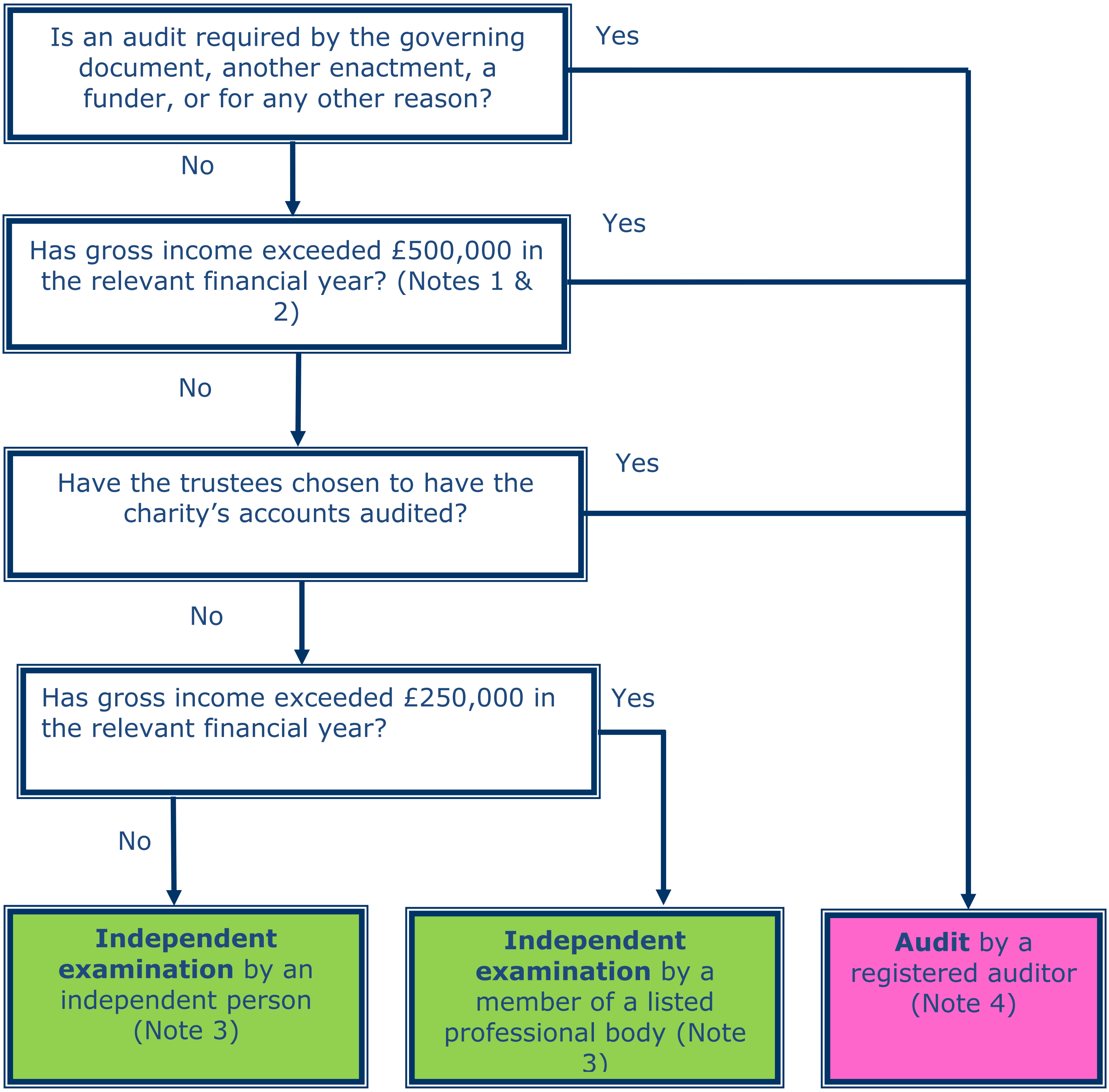
Figure 3: Determining level of scrutiny required

Gross annual income	Independent examination by an independent person	Independent examination by a qualified person*	Full statutory audit
£250,000 or less	√		
£250,001 up to £500,000		√	
£500,001 or more			√

*A qualified person is a member of one of the professional bodies listed in the Charities Act. See section 6.2 for the full list of professional bodies.

The answers to the questions in Figure 4 overleaf will determine the type of external scrutiny under charity law your charity accounts should have.

Figure 4: External scrutiny requirements



Notes:

1. These rules do not apply to grant aided schools under regulation 5(3) of the Charities (Accounts and Reports) Regulations NI 2015.
2. External scrutiny rules for 'parent' charities apply to the gross annual income of the group see *ARR02 Charity accounting and reporting: essentials guidance*.
3. Details about the two types of independent examination are given in section 6.2 of this guidance.
4. A registered auditor is someone who is eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006 (c46).

6.2 Independent examination

Provided a charity is not required by law, or its governing document, to have an audit then trustees may choose a simpler form of external scrutiny called independent examination.

An independent examination is a form of external scrutiny of the accounts which is less rigorous than an audit and offers an assurance that nothing has been found that needs to be brought to the attention of readers of the accounts. It does not offer the positive expression of a professional opinion based on an audit. Although independent examination is a simpler form of scrutiny than an audit, it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that the accounts of the charity have been reviewed by an independent person.

Trustees of registered charities may opt for an independent examination provided the charity's gross income does not exceed the statutory threshold of £500,000.

There are two main types of independent examination your charity may have depending on the size of your charity.

1. For charities with a gross annual income of £250,000 or less: Independent examination by an independent person

2. For charities with a gross annual income falling between £250,001 and £500,000: Independent examination by an **independent examiner** who is a **member of one of the professional bodies** listed in section 65 of the Charities Act:

    - Association of Charity Independent Examiners
    - Institute of Chartered Accountants in England and Wales
    - Institute of Chartered Accountants of Scotland
    - Institute of Chartered Accountants in Ireland
    - Association of Chartered Certified Accountants
    - Association of Authorised Public Accountants
    - Association of Accounting Technicians
    - Association of International Accountants
    - Chartered Institute of Management Accountants
    - Institute of Chartered Secretaries and Administrators
    - Chartered Institute of Public Finance and Accountancy
    - Institute of Financial Accountants
    - The Certified Public Accountants Association.

Please note the Commission is consulting on Directions for independent examiners. These Directions will set out the procedural basis that must be followed when carrying out any independent examination of charity accounts. Once determined, the Commission will produce full guidance on Directions for independent examiners.

Further information on the appointment, rights and duties of independent examiners can be found in section 7 of this guidance.

6.3 Audit

If your charity's gross annual income is more than £500,000, your charity accounts must have a statutory audit by a **registered auditor.**

An audit provides reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity error. This is achieved by the expression of a professional opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Many charity governing documents use the word audit and this may be intended to cover a range of different types of external scrutiny from full audit by a registered auditor to an independent check by someone who does not have to be an accountant. Trustees will need to interpret the precise wording of their governing document. For instance, 'audit by a bank manager' would not normally mean a full statutory audit. On the other hand 'audit by a qualified accountant' suggests that a statutory audit by a registered auditor is required, even if the charity is small and not required to have an audit by legislation. The Commission recommends that trustees keep a record of how they interpret the charity's governing document and, if in doubt, consult the Commission regarding their interpretation. If the term audit is used in a charity's governing document in isolation, the charity must have its accounts audited by a registered auditor.

In addition, many funding bodies require the charities they fund to have their accounts 'audited'. Charities whose gross income means they could carry out an independent examination under the accounting and reporting regulations may wish to discuss with their funding bodies what is meant by the term 'audit', and whether or not external scrutiny by an independent examiner as required under the accounting and reporting regulations would be sufficient.

Further information on the appointment, rights and duties of auditors can be found in section 7 of this guidance.

6.3.1 Audit report for receipts and payments accounts

Some smaller charities that prepare receipts and payments accounts may be required to have a statutory audit if required by their governing document or another enactment. The accounting and reporting regulations therefore lay out the content requirements for an audit report for receipts and payments accounts as well as for accruals accounts.

Where a charity has prepared receipts and payments accounts and an audit is required, the audit must be carried out by a registered auditor. An audit report on receipts and payments accounts will not comment on whether the accounts provide a 'true and fair' view of the financial affairs of the charity. However, the audit report will say whether or not the statement of account properly presents the receipts and payments of the charity.

The auditor must prepare a report on the accounts for the charity trustees that:

- states the name and address of the auditor and name of the charity
- is signed by the auditor or someone authorised to sign on behalf of the company or partnership
- specifies that it is a report in respect of an audit carried out under section 65(2) or 65(3)(b) of the Charities Act
- states the date of the report and specifies the financial year or period of the accounts to which the report relates.

The audit report must contain the grounds for forming any opinions. In preparing the audit report the auditor must carry out such investigations as are necessary to enable an audit opinion to be formed.

Specific requirements, depending on how the accounts have been prepared, are set out below.

An audit report prepared for receipts and payments accounts must:

- State whether in the auditor's opinion:
    - the accounts and statement properly present:
        - the receipts and payments accounts for the charity for the relevant financial year
        - its assets and liabilities at the end of that year

    - the accounts and statement adequately distinguish any material special trust or other fund of the charity other than an **unrestricted fund**.

- Contain a statement where the auditor has formed an opinion with regard to the following, that:
    - proper accounting records have not been kept
    - the accounts do not agree with the records
    - that information to which the auditor is entitled has been withheld.

Section 7: Appointment, rights and duties of the independent examiner and external auditor

7.1 Appointing someone to carry out the external scrutiny

In appointing an independent person, examiner or auditor, charity trustees should consider the degree of complexity of the charity's accounts and structure, in addition to the statutory requirements. The more complex the organisation and its accounts, the higher the level of qualification or experience required of the independent examiner or auditor. The trustees must ensure that the person appointed:

- is independent of the management and administration of the charity
- is eligible under the accounting and reporting regulations to act as an independent examiner or auditor
- is eligible under their professional body's rules and the accounting and reporting regulations to act as an independent examiner or auditor (if applicable).

The independent person, examiner or auditor must have no **connection** with the charity trustees that might inhibit their ability to carry out an impartial examination ie they must be independent of the charity whose accounts are being reviewed. Independence means that the examiner is not influenced, or perceived to be, by either close personal relationships with the trustees of the charity or by a day to day involvement in the administration of the charity being examined. Further information on what might constitute a connection is available in the key terms section at the start of this guidance and in the glossary.

An examiner cannot independently review their own work and so the person who is the charity's book-keeper cannot be the charity's examiner. However, this does not mean an examiner cannot be a member or supporter of the charity. Where a potential independent examiner is a member of the charity, for example a member of a church congregation or a member of a Parent Teacher Association (PTA) who are not also trustees, they may act as examiner provided:

- they have not been involved in the day to day decision making or administration of the charity, for example by serving on a committee

or sub-committee convened by the charity, and are not connected with the charity trustees
- the trustees are satisfied that they have the necessary ability, experience and qualifications required.

The right to take part or attend as a member in an annual general meeting (AGM) would not preclude the examiner from conducting an independent examination. However, active participation in the administration of the charity would, for example, through tabling resolutions at an AGM.

7.2 What skills are required to carry out the external scrutiny?

The appointment of an independent person or examiner is made by the trustees who must reasonably believe that the person selected has the requisite ability, practical experience and, if applicable, qualifications, to carry out a competent examination of the accounts.

An independent examiner must be competent for the task and familiar with accounting methods, but they need not be a practising accountant. However, where charity law requires the independent examiner to be a member of a professional body, for example to examine the accounts of a charity with an income of more than £250,000, then this must be adhered to (see section 6.2).

If your charity must have a statutory audit by law, the accounts must be audited by a **registered auditor**. In undertaking an audit, a registered auditor must comply with the UK and Ireland Auditing Standards issued by the Financial Reporting Council (FRC). These Standards set out the basic principles and essential procedures with which external auditors in the United Kingdom and the Republic of Ireland are required to comply. 'Practice Note 11: The Audit of Charities in the United Kingdom' has been issued by the FRC to assist auditors in applying auditing standards in the charity sector. Auditors are recommended to refer to the FRC website for more information.

7.3 Access to information for independent examiners and auditors

Under regulation 26 of the accounting and reporting regulations, independent examiners and auditors have the right of access to any books, documents or other records that relate to the charity which they consider necessary to carry out their work.

During the course of an examination it is very likely that the examiner will need to ask some questions, or clarify matters that arise, and past or present trustees, officers or employees of the charity are required by law to assist. The examiner is entitled to seek information and explanations on any matter that is considered by him/her to be necessary for the purposes of carrying out the examination.

7.4 Duty of independent examiners and auditors to report matters to the Commission

Under the Charities Act, independent examiners and auditors **must** report to the Commission any matter they become aware of regarding a charity, or any connected organisation, which they believe is likely to be of 'material significance' to the Commission in carrying out its functions. If they believe the matter may not be of material significance, but may still be relevant to the Commission carrying out its functions, they **may** still report the matter.

Please note that the Commission, along with the Charity Commission for England and Wales (CCEW) and the Office of the Scottish Regulator (OSCR), intends to hold a joint UK wide consultation in relation to the proposed policy for matters of material significance later in 2016. At that time we will seek your views on what should constitute 'matters of material significance' that all Independent Examiners and auditors should report. CCEW and OSCR currently have an agreed, shared list of matters of material significance that applies to independent examiners and auditors in Scotland, England and Wales. These are summarised below and are only examples provided to assist independent examiners and auditors, they should not be seen as exhaustive:

- matters suggesting dishonesty and fraud involving a significant loss of, or a major risk to, charitable funds or assets
- failure(s) of internal controls, including failure(s) in charity governance, that resulted in significant loss or misappropriation of charitable funds, or which leads to significant charitable funds being put at major risk
- matters leading to the knowledge or suspicion that the charity or charitable funds 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
- matters leading to the belief 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

- evidence suggesting that, in the way the charity carries out its work relating to care and welfare of beneficiaries, the charity beneficiaries have been or were put at significant risk of abuse or mistreatment
- significant or recurring breach(es) of either a legislative requirement or of the charity's trusts
- 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
- the notification on ceasing to hold office or resigning from office, of those matters reported to the charity's trustees.

Section 8: Annual reporting to the Commission

To keep the *register of charities* up to date, and enable the Commission to monitor and regulate charities effectively, all registered charities must provide certain information on an annual basis. All registered charities must prepare and submit:

- an annual monitoring return under section 70 of the Charities Act
- the charity's accounts
- a trustees' annual report
- an independent examiner's report or audit report.

You must submit your charity's annual monitoring return, accounts and reports within 10 months of the relevant financial year end.

If you do not submit this information on time your charity's entry on the public *register of charities* will be marked as non compliant with charity law. This may also result in the Commission opening a compliance investigation into your charity.

8.1 How do I file this information with the Commission?

You must file annual reporting information using an online process, which is accessed through *Online Services* on the Commission's website www.charitycommissionni.org.uk

The Commission's guidance *ARR05 How to complete the annual monitoring return* includes screenshots of the online process to help you complete the form.

When you were registered as a charity by the Commission you received an email with your password for *Online Services*. This password is unique to your organisation. It is important that you keep your password secure at all times, as you would a PIN number. Log onto *Online Services* using your NIC Northern Ireland charity number and this password.

You must take care to ensure you attach the correct documents when submitting your accounts and reports. This information will be automatically uploaded to the public *register of charities*.

Charities must NOT include copies of charity bank account statements in place of, or attached to, the receipts and payments accounts submitted to the Commission. Accounts and reports submitted to the Commission will automatically display on the public *register of charities*.

8.2 Who is responsible for annual reporting?

The charity trustees are responsible for ensuring the charity meets its annual reporting requirements. Even if the trustees do not prepare the accounts and the trustees' annual report, all trustees, not just the treasurer, are responsible for both their content and accuracy. The trustees should formally approve the report and accounts at one of their meetings, and ensure the completion of the annual monitoring return is delegated in a timely manner.

Appendix 1: Glossary

Term	Definition
Accounting standards	Accounting standards are authoritative standards for financial reporting and are the primary source of generally accepted accounting principles (GAAP). Accounting standards specify how transactions and other events are to be recognised, measured, presented and disclosed in financial statements in a way that reflects economic reality and hence provides a 'true and fair' view.
Accruals accounts	Refers to accounts prepared on a 'true and fair' basis in accordance with accounting standards and the methods and principles of the applicable Statement of Recommended Practice (SORP). In contrast to receipts and payments accounts, where income and expenditure is accounted for only when the money is received or paid out, accruals accounts record the income of a particular activity when there is entitlement or certainty about income, and expenses, when the liability is incurred. This is not necessarily the same date on which money is received or paid out. Accruals accounts prepared in accordance with the Charities SORP must contain a balance sheet showing the charity's financial position at the end of the year, a statement of financial activities (SoFA), a cashflow statement (if applicable) and explanatory notes to the accounts. The SoFA should show all incoming resources, and resources expended during the year (and, for company charities only, an income and expenditure account, except where the SoFA incorporates the income and expenditure account).
Activities for generating funds	Activities for generating funds include receipts from: • fundraising events, for example jumble sales, fireworks displays and concerts • trading activities to generate funds, for example the sale of Christmas cards and other merchandise • sponsorships and social lotteries that are not pure donations • shop sales from selling donated and bought-in goods • services other than those provided to beneficiaries • letting and licensing arrangements of property held primarily for functional use by the charity but

Term	Definition
	temporarily surplus to requirements.
Audit	An audit is an examination of an organisation's accounts carried out by someone eligible to act as an auditor under Part 42 of the Companies Act 2006. In conducting an audit of financial statements, the overall objectives are to: 1. obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and 2. report on the financial statements and communicate, as required by ISAs (UK and Ireland), the auditor's findings.
Audit report	An audit report is required to contain a clear expression of professional opinion on the financial statements taken as a whole. To form an opinion on the financial statements the auditor concludes as to whether: • sufficient appropriate audit evidence has been obtained • uncorrected misstatements are material, individually or in aggregate • the financial statements are prepared, in all material respects, in accordance with the requirements of the relevant financial reporting framework, including the requirements of applicable law. An auditor in preparing their report is required to comply with all International Auditing Standards (UK and Ireland) and Ethical standards. The opinion on accruals accounts will state whether the accounts give a 'true and fair' view of the financial affairs of the organisation. A 'true and fair' view cannot be given on receipts and payments accounts and the auditor's opinion will state whether the statement of accounts properly present the receipts and payments and its statement of assets and liabilities.
Charitable company	This is a charity which is formed and registered under the Companies Act 2006, or any companies that were already established under previous legislation. Charitable companies are registered with Companies House. A charitable company will usually have memorandum and articles of association as its governing document and it has its own legal identity. It

Term	Definition
	must be established for exclusively charitable objects.
Charities Act (Northern Ireland) 2008	The Charities Act (Northern Ireland) 2008 is the main piece of legislation establishing the Charity Commission for Northern Ireland and setting out its functions and powers. References to 'the Charities Act' are to the Charities Act (Northern Ireland) 2008, as amended. The full content of the 2008 Charities Act can be found at www.legislation.gov.uk Not all of the sections of the Charities Act are in force yet. Details of the sections that are in force are available on the Commission's website www.charitycommissionni.org.uk
Charity trustees	These are the people who are legally responsible for the control and management of the administration of a charity. In the charity's governing document they may be called trustees, managing trustees, committee members, governors or directors or they may be referred to by some other title. Some people are disqualified by law from acting as charity trustees. These disqualifications are set out in the Charities Act and broadly include but are not limited to anyone who: • has been convicted of an offence involving deception or dishonesty, unless the conviction is a spent conviction under the Rehabilitation of Offenders (NI) Order 1978 • is an undischarged bankrupt or has made an arrangement with creditors • has previously been removed as a trustee by the Commission or by the Courts • is subject to disqualification under company legislation.
Company law	Throughout this guidance, references to company law are to the Companies Act 2006. The full content of the 2006 Act can be found at www.legislation.gov.uk
Connected persons	A connected person in relation to a charity means any persons falling into the following categories: a) a child, parent, grandchild, grandparent, brother, sister of any trustee b) the spouse or civil partner of any person falling within category (a) c) any person carrying on business in partnership with

Term	Definition
	anyone falling within category (a) or (b) d) an institution which is controlled: i. by the charity trustee or any person falling within categories (a)-(c), or ii. by two or more such persons taken together, or e) a body corporate in which: i. the charity trustee or any connected person falling within any of categories (a)-(c) has a substantial interest or ii. two or more such persons, when taken together, have a substantial interest. A person(s) is thought to 'control' an institution where they have power to influence decision making within that institution (category d above). 'Substantial interest' in a body corporate is considered where the person or institution in question holds more than one-fifth of the equity share capital or voting power (category e above).
Costs of charitable activities	Costs of charitable activities are all the payments made in undertaking a charity's work to deliver its charitable purposes for the public benefit and include: • grants to individual beneficiaries for charitable purposes and/or paid to charitable and other institutions • payments for goods/services provided to beneficiaries • payments for charitable activities, for example, the provision of advice.
Costs of generating voluntary receipts	Costs of generating voluntary receipts include payments made by a charity to raise donations, grants and legacies and similar voluntary receipts. These include the costs of: • producing advertising, marketing and direct mail materials for the purpose of fundraising • any remuneration payable to a fundraising agent • publicity which supports fundraising but not costs used in an educational manner to advance the charity's purposes. This category does not include the costs of trading activities.
Debtors	Debtors are persons or organisations that owe money to the charity, normally for supplies of goods or services but also

Term	Definition
	for loans made and legacies.
Financial year	A charity's financial year or period is usually set out in its governing document. This will normally be 12 months but, in certain circumstances, it can be shorter or longer. This time period can vary but cannot be more than 18 months. Different rules apply for charities that are companies. Additionally, charities that are grant aided schools must not have a financial period of more than 15 months.
Funds - Endowment funds	In simple terms, an endowment fund is a gift of property or money given to a charity as a restricted fund. Trust law requires a charity to invest the assets of an endowment, or to retain them for the charity's use in furtherance of its charitable purposes, rather than apply or spend them as income. The income generated from endowment funds held for investment, are then used to further the purposes of the charity.
Funds – Permanent endowment	Permanent endowment is a type of endowment fund where the trustees do not have the power to spend the capital. It must be held permanently to produce an income.
Funds – Expendable endowment	Expendable endowment is a type of endowment fund where the trustees have the option, under certain conditions, to spend the capital as if it were income of the charity.
Funds – Restricted income	Restricted income are those funds that the trustees are obliged to spend only on particular purposes set out by the donor or in an appeal document and these particular purposes are narrower than the charity's purposes.
Funds – Unrestricted funds	Unrestricted funds are those funds that the trustees are able to spend for any of the charity's charitable purposes.
Gross income	Section 180 of the Charities Act 2008 defines gross income to mean the gross recorded income from all sources including special trusts. For accounts prepared on a receipts and payments basis, gross income is generally the total receipts recorded in the statement of accounts excluding endowments, loans and proceeds from sale of investments or fixed assets. For charities using these pro forma accounts, their gross income is the total receipts shown in section A1 of the pro forma accounts.

Term	Definition
Independent Examination	An independent examination is a simpler form of scrutiny than an audit but it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that the accounts of the charity have been reviewed by an independent person. There are two main types of independent examination a charity may have depending on the size of the charity: independent examination by an independent person or independent examination by a person who is a member of one of the professional bodies listed in section 65(5) of the Charities Act.
Investments	Investments are assets that are held to generate a return by way of income, capital growth or both. Investments may include government gilts, shares, bonds and deposit accounts when held as an investment.
Investment management costs	Investment management costs include the costs of: • portfolio management • obtaining investment advice • administration of the investments • costs of licensing intellectual property and • rent collection, property repairs and maintenance charges.
Liability	Liability is an obligation to pay for something. Liabilities include, but are not limited to, loans, creditors, and bank overdrafts.
Receipts from charitable activities	Receipts from charitable activities consist of receipts from trading within the charity's purposes. Examples of this type of trading receipt include fees received in a playgroup, fees for advice or counselling services and the sale of religious booklets by a religious charity. Sometimes grants received (for example from local authorities) are more like trading receipts (for example where there is a service level agreement). When this is the case, it is acceptable for grants to be included here instead of as voluntary receipts.
Registered Auditor	A registered auditor is one registered with a recognised supervisory body in accordance with Part 42 of the Companies Act 2006 (c46). An audit required by Part 8 of the Charities Act, is the scrutiny of accounts by a registered auditor who, as an audit professional, will apply auditing standards applicable in the UK and Ireland, issued by the

Term	Definition
	Financial Reporting Council (FRC).
Related parties	Related parties are those parties with whom the charity has a relationship that might inhibit it from objectively pursuing its own separate interests. This will include charity trustees, those connected with a charity trustee by, for example, a close family relationship, and any other party that can exert significant influence over the operations of the charity.
Section 167 charities	These are organisations which are not charities under the law of Northern Ireland but which operate for charitable purposes in or from Northern Ireland.
Special trust	A special trust means funds or property held and administered on its own separate trusts by or on behalf of a main charity for any special purposes of that charity. It follows that the purposes of a special trust must be narrower than those of the main charity.
Unincorporated charities	An unincorporated charity is one which is not a company or corporate body. Unincorporated charities may be a trust or association and have a trust deed, constitution, or will as its governing document. Unlike a charitable company, unincorporated charities do not have their own separate legal identity. Charity trustees of unincorporated charities are liable for what the charity does. You may need to take legal advice if you are uncertain of your liabilities.
Voluntary receipts	Voluntary receipts include: • gifts, donations and appeals including legacies and bequests • grants which provide core funding or are of a general nature, provided by government and charitable foundations • membership subscriptions and sponsorships which are, in substance, donations and • tax reclaims on Gift Aid donations.
W3C Standards	W3C accessibility standards consist of a set of guidelines for making content accessible especially to those web users who have a disability. This standard is recognised internationally.

Useful contacts

Association of Charity Independent Examiners (ACIE)	The Gatehouse White Cross South Road Lancaster LA1 4XQ **Telephone:** 01524 34892 **Website:** www.acie.org.uk
Charity Commission for England and Wales (CCEW)	PO BOX 1227 Liverpool L69 3UG **Telephone:** 0845 300 0218 **Website:** www.charitycommission.gov.uk
Companies House	Companies House Northern Ireland Second Floor, The Linenhall 32 - 38 Linenhall Street Belfast, BT2 8BG **Telephone:** 0303 1234 500 **Website:** www.gov.uk/government/organisations/companies-house
Department for Social Development (DSD) Voluntary and Community Unit	Lighthouse Building 1 Cromac Place Gasworks Business Park Ormeau Road Belfast, BT7 2JB **Telephone:** 028 9082 9416 **Website:** www.dsdni.gov.uk

HM Revenue and Customs (HMRC)	HM Revenue & Customs Charities Correspondence S0708 PO Box 205 Bootle L69 9AZ **Telephone:** 0300 123 1073 **Website:** www.hmrc.gov.uk/charities
Northern Ireland Council for Voluntary Action (NICVA)	61 Duncairn Gardens Belfast BT15 2GB **Telephone:** 028 9087 7777 **Website:** www.nicva.org
Office of the Scottish Charity Regulator (OSCR)	OSCR 2nd Floor Quadrant House Dundee **Telephone:** 01382 220446 **Website:** www.oscr.org.uk
The Charity Tribunal	Tribunals Hearing Centre 2nd Floor, Royal Courts of Justice Chichester Street Belfast BT1 3JF **Telephone:** 0300 200 7812 **Website:** www.courtsni.gov.uk/en-GB/Tribunals/CharityTribunal
The Law Society of Northern Ireland	96 Victoria Street Belfast BT1 3GN **Telephone:** 028 9023 1614 **Website:** www.lawsoc-ni.org.uk

Useful links and guidance

ARR01. Charity reporting and accounting: guidance summary

ARR02. Charity reporting and accounting: the essentials

ARR03. Receipts and Payments accounts and the trustees' annual report

ARR04. Accruals accounts and the trustees' annual report

ARR05. How to complete the annual monitoring return

ARR06. Charity reporting: Interim arrangements and the annual monitoring return

PBR1 Public benefit requirement guidance – public benefit reporting

CCNI EG046 Making payments to trustees

CCNI EG043 Equality guidance for charities

CCNI EG024 Running your charity

Receipts and payments toolkit

The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015

Department for Business Innovation & Skills - publishes a number of helpful leaflets explaining the requirements of company law.

HM Treasury - HM Treasury guidance on the Proceeds of Crime Act 2002 and associated Money Laundering Regulations

If you are dissatisfied with our service

The Commission is committed to delivering a quality service at all times. However, we know that sometimes things can go wrong. If you are dissatisfied with the service you have received, we would like to hear from you, and have a procedure that you can use. You will find further information on these processes in our guidance, *Making a complaint about our services*, which is on our website www.charitycommissionni.org.uk

Freedom of information and data protection

Data Protection

Any information you give us will be held securely and in accordance with the rules on data protection. Your personal details will be treated as private and confidential and safeguarded, and will not be disclosed to anyone not connected to the Charity Commission for Northern Ireland unless you have agreed to its release, or in certain circumstances where:

- we are legally obliged to do so
- it is necessary for the proper discharge of our statutory functions
- it is necessary to disclose this information in compliance with our function as regulator of charities where it is in the public interest to do so.

We will ensure that any disclosure made for this purpose is proportionate, considers your right to privacy and is dealt with fairly and lawfully in accordance with the Data Protection Principles of the Data Protection Act. The Data Protection Act 1998 regulates the use of "personal data", which is essentially any information, whether kept in computer or paper files, about identifiable individuals. As a "data controller" under the Act, the Charity Commission for Northern Ireland must comply with its requirements.

Freedom of Information

The Freedom of Information Act 2000 gives members of the public the right to know about and request information that we hold. This includes information received from third parties.

If information is requested under the Freedom of Information Act we will release it, unless there are relevant exemptions. We may choose to consult with you first if this relates to your consultation or application. If you think that information you are providing may be exempt from release if requested, please let us know.

Charities must NOT include copies of charity bank account statements in place of, or attached to, the receipts and payments accounts submitted to the Commission. Accounts and reports submitted to the Commission will automatically display on the public *register of charities*.

Further information on our activities is available from:

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Craigavon
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