Accruals accounts

How to prepare accruals 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, *ARR04 Accruals accounts and the trustees' annual report*, is aimed at larger charities and those that are required to prepare accruals accounts.

You should read this guidance if you are a large charity and are required to prepare accruals accounts. Generally, this applies to charities with gross income of more than £250,000 or to charitable companies. You should also read this document if your governing document, a funder, or any other legislation requires your charity to prepare accruals accounts. It provides guidance on the legal format for accruals accounts and requirements for the trustees' annual report.

Section 2: About this guidance

What does this guidance cover?

This guidance provides a general outline of the new accounting and reporting requirements for accruals accounts, and the trustees' annual report including the requirement to report on the public benefit. The requirements within this guidance apply broadly to registered charities, with an annual **gross income** of more than £250,000. Additionally, if your charity is a **company,** regardless of its income, or the governing document, a funder or any other legislation requires it to prepare accruals accounts, you should also read this document.

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?

There are specific accounting standards that apply to charities preparing accruals accounts. This document does not provide detailed guidance on how to apply the Financial Reporting Standard applicable in the UK and Republic of Ireland (referred to as FRS102) to charity accounts. This is done within the **Charities Statement of Recommended Practice** (FRS102) (Charities SORP). The Charities SORP includes charity-specific requirements that are additional to those of FRS102 and has been prepared to be consistent with company and other relevant law and regulations. Refer to the Charities SORP microsite for further information.

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, or detail for charities that have elected to prepare receipts and payments accounts. This information is covered in other guidance documents that make up the suite of accounting and reporting guidance.

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**, are not covered in this guidance. 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. Charities that are in the process of registering, or awaiting 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.

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. **Please note these terms are not listed in alphabetical order but in the logical sequence in which a charity will encounter them.**

Financial year (period): your financial year or period will normally be 12 months long but, in certain circumstances, it can be shorter or longer. For **unincorporated charities**, it can vary but cannot be more than 18 months. Different rules apply for charities that are companies. 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: means any charity other than a special case charity or an investment fund.

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 to mean the gross recorded income from all sources including special trusts. For accruals accounts this is the income from all sources in the reporting period, including the conversion of **endowment** to income, but excluding: gifts of endowment, net investment gains/ (losses), all revaluation gains/(losses) on retained assets not due to impairment, actuarial gains/(losses) and such other gains(losses) that are excluded by accounting standards from the calculation of net income.

Independent examiner: this is an independent person with the requisite 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. Charity trustees should take steps to ensure that a competent examination takes place and they will therefore consider carefully the suitability and eligibility of a prospective independent examiner.

Trustees' annual report: should be produced by the charity trustees and, along with your accounts, tells people:

- 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: Content and principles to be used when preparing accruals accounts

Accruals accounts must be prepared by a charity that fulfils at least one of the following criteria:

- Has a gross income of more that £250,000 in the relevant financial year
- The charity's **governing document** requires accruals accounts
- Another **enactment** says the charity must prepare accruals accounts (for example, the Companies Act)
- A decision has been made by trustees to prepare accruals accounts

The flowchart at Figure 1 on page 14 should assist you in identifying whether your charity is required to prepare accruals accounts.

3.1 What are the legal requirements for accruals accounts?

If you are a general charity and you fall under one of the categories above, you must prepare accruals accounts in accordance with UK Generally Accepted Accounting Principles (GAAP), and the methods and principles of the Charities Statement of Recommended Practice FRS102 (Charities SORP (FRS102).

It is important therefore that whoever is responsible for preparing your charity accounts familiarises themselves with the requirements within the Charities SORP and any changes or updates relating to it. Charity trustees may wish to consider using professional accountants when preparing accruals accounts if the charity does not have the skills in-house.

Accruals accounts must include:

A **trustees' annual report** - giving details about the charity's activities for the public benefit in the year (see section 4 of this guidance)

A **statement of the financial activities** (often referred to as the **SoFA**) provides an analysis of a charity's income, expenditure, gains and losses, and transfer between funds in the reporting period

A **balance sheet** is a statement of the assets, liabilities and funds of the charity at the end of its reporting period (financial year)

Notes to the accounts that explain the accounting policies adopted, provide more detail of how income and expenditure is made up, and provide extra information about particular assets and liabilities, or about particular funds or transactions. Additional information must be provided in the notes to the accounts where the statement of financial activities and the balance sheet are insufficient on their own to provide a true and fair view.

An **external scrutiny report** from either an independent examiner or auditor, depending on the charity's income (see section 5 of this guidance).

Additionally, the following may be required:

A **statement of cash flows**, if appropriate, depending on your charity's income

For charities that are companies, an **income and expenditure account** included either within the SoFA, or as a separate summary income and expenditure account in addition to the SoFA where necessary to meet the reporting requirements of company law (see section 3.7).

If your charity is a Further or Higher Education institution or a registered Housing Association you are considered a special case charity and different accounting frameworks apply. Please see section 3.8 of this guidance for more information.

3.2 The Charities Statement of Recommended Practice

All general charities that are required to prepare accruals accounts must prepare them in accordance with The Charities Statement of Recommended Practice (FRS102). The Charities SORP has been developed primarily to assist those involved in preparing charity accounts to deal with charity specific accounting issues, and sets out how charities are expected to apply accounting standards to their particular activities and transactions. This includes information on how charities should present and disclose their activities and funds within their accounts. The aim of the SORP is to:

- improve the quality of financial reporting by charities

- enhance the relevance, comparability and understanding of the information presented in charity accounts
- explain and clarify the interpretation of accounting standards when applied to charities.

The SORP also includes charity-specific requirements additional to those of FRS102. In particular, requirements relating to the trustees' annual report, fund accounting, the format of the statement of financial activities and additional disclosure aimed at providing a high level of accountability and transparency to donors, funders, financial supporters and other stakeholders.

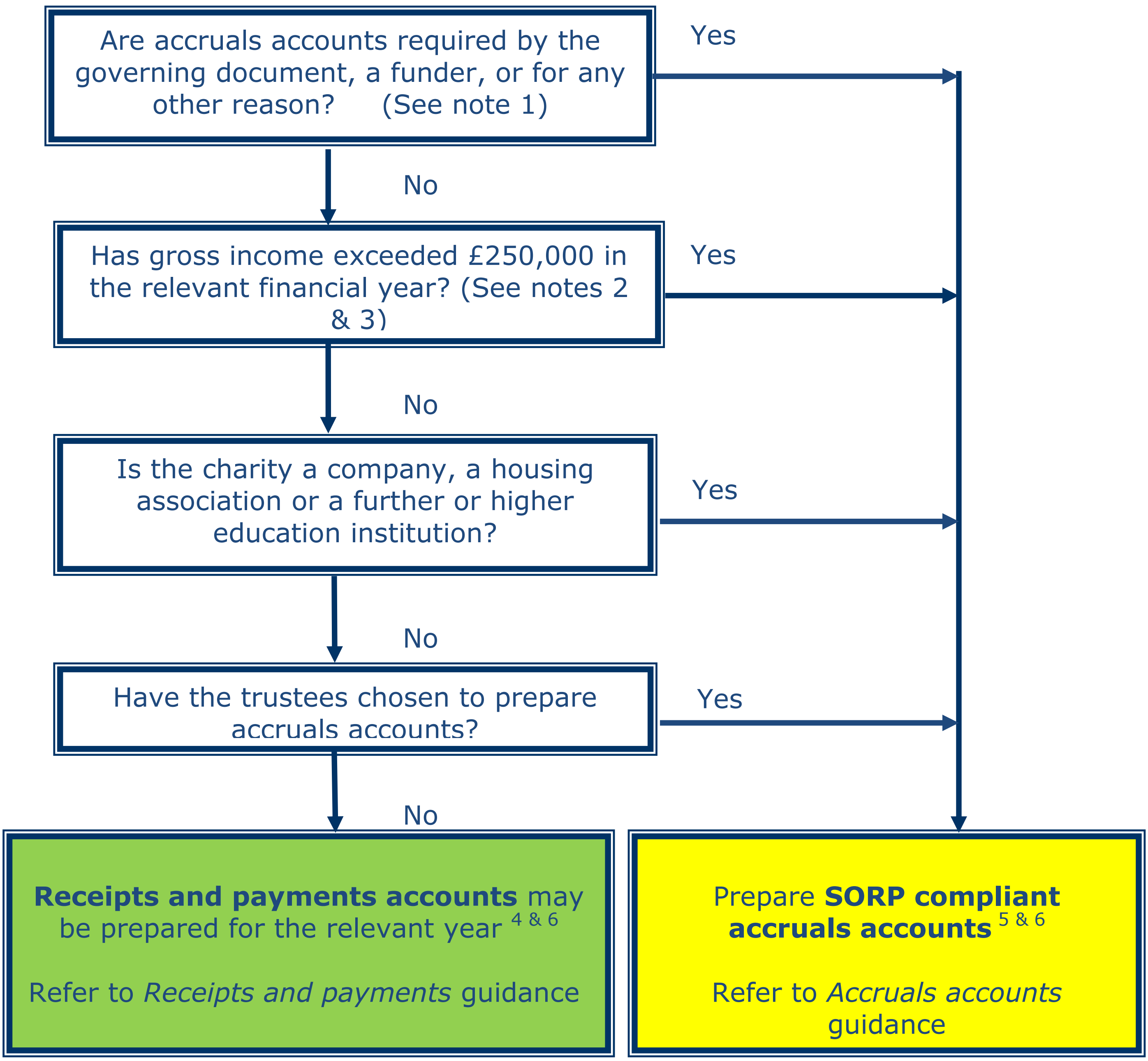
This document will only provide a general outline and the key requirements for accruals accounts summarised above, because further, more detailed, information can be found in the Charities SORP.

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)

Copies can be downloaded at www.charitiessorp.org

Hard copies may be purchased from CIPFA. Contact 020 7543 5100 or visit: www.cipfa.org

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.

3.3 Should my charity prepare accruals accounts?

Some charities, although not required to, may decide to prepare accruals accounts, in order to show a clearer picture of their charity and its financial position. However, because accruals accounts must follow the Charities SORP and, if independently examined, should be examined by a qualified independent examiner, charity trustees should consider the implications of deciding to prepare fully accrued accounts if they are not otherwise required. You may consider preparing accruals accounts where, for example:

- Donors or funder require accruals accounts to be prepared as a condition of their funding
- 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 the charity 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.

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. Under accruals accounts the rent for the year would reflect the actual expense relating to that year as £12,000.

- 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 receipts and payments account. Under accruals accounts these transactions are not reflected in the SoFA as they do not represent resources moving into or out of the charity.
- Changes in the value of assets, such as investments, buildings, and **debtors**, are not included in receipts and payments accounts. Accruals accounts will reflect 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 they are not prepared in accordance with **Accounting standards**. Accruals accounts must be prepared in accordance with **Accounting standards** and the applicable **SORP.** These frameworks specify how transactions and other events are to be recognised, measured, presented and disclosed in financial statements.

3.4 Changes to the Charities SORP

From 1 January 2016, the joint SORP issuing bodies will update the Charities SORP (FRS 102) which was issued in July 2014. The changes to the SORP (FRS102) will be made by way of an Update Bulletin. This Bulletin will be available to download for free from the Charities SORP microsite. The update was required due to changes in the UK and Ireland financial reporting standards.

In addition to this, the Charities SORP Financial Reporting Standard for Smaller Entities (FRSSE) no longer applies from 1 January 2016, as the

FRSSE standard was withdrawn from this date. This means that all charities **must use the Charities SORP (FRS 102)** for reporting periods beginning **on or after 1 January 2016** although only larger charities are required to prepare a Statement of Cash Flows.

Please note, the Charities SORP FRS102, first edition, will not include reference to the new accounting and reporting regulations in Northern Ireland. However registered charities must comply with their new accounting and reporting requirements for their first full financial period beginning on or after 1 January 2016, or their date of registration with the Commission, if later. It is anticipated that the Charities SORP FRS102 will be updated at some stage in the future to include new legislative requirements in the UK and Ireland.

3.5 Preparing accounts under the Charities SORP FRS102 for the first time

3.5.1 Comparatives figures for prior year

To allow comparisons to be made, any figures in the statement of financial activities or balance sheet must include the corresponding amount for the previous financial year or period.

Where there is no figure to be shown in the statement of account, but there was a corresponding amount in the previous year, then the previous year's figures must still be shown.

Some charities may be required to prepare their accounts under the Charities SORP for the first time under the new regulations. This means they will not have comparative figures, in the format of the SORP, from the previous year's accounts. For this first year of preparing the accounts they must include comparable figures from the relevant year's accounts, as far as practicable, on a like for like basis.

3.5.2 Help sheets

Three help sheets have been published on the Charities SORP microsite to give preparers of charity accounts further information about changes introduced by the Charities SORP FRS102. You can also download the 'FRC Staff Education Note 13' which sets out the transitional procedures for first time users of FRS102.

3.6 Example accounts

To assist charities preparing accounts and reports in line with the recommendations of the Charities SORP the Charity Commission for England and Wales and OSCR have produced a number of example reports and accounts that may help with designing the layout and format of these documents. The documents can be found on the Charities SORP microsite.

3.7 Charities established under company law

Charities that are also companies must comply with the reporting requirements of company law and prepare accruals accounts in accordance with the Charities SORP. However, charitable companies must adapt the presentation and headings used in their accounts for the special nature of the charity and its activities.

To minimise the administrative burden for charitable companies reporting under two legal frameworks, the SORP explains how the following requirements of company law and charity law can be met by companies when applying the SORP:

- preparation of a combined trustees' annual report and directors' report – to include all the information required by the SORP, charity law and company law

- preparation of a combined SoFA and income and expenditure account - adapted to meet the requirements of charity and company law

- preparation of a combined consolidated SoFA and income and expenditure account, where **group accounts** are required - if the consolidated SoFA can be adapted to meet the requirements for an income and expenditure account.

For further guidance on how charitable companies can meet their legal requirements when reporting on under charity and company law, please see the Charities SORP FRS102.

3.8 Special case charities

The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 set out the accounting and reporting requirements for all registered charities. Where a separate SORP exists for a particular class of charities, the regulations allow those charities to prepare their accounts in accordance with the relevant SORP.

The 2015 regulations define 'special case charity' to include:

- Further Education institutions (those that fall under Article 2(2) of the Further Education (Northern Ireland) Order 1997)
- Higher Education institutions (those that fall under Article 30(3) of the Education and Libraries (Northern Ireland) Order 1993)
- Registered Housing Associations (registered under Article 14 of the Housing (Northern Ireland) Order 1992).

The relevant SORPs for special case charities are defined as:

- The Statement of Recommended Practice: Accounting for further and higher education (issued by the Further and Higher Education Board) or
- The Statement of Recommended Practice for registered social housing providers (issued by the National Housing Association).

If you are a special case charity the regulations permit you to prepare your charity accounts under a different accounting framework, however please note that all other accounting and reporting requirements apply. This includes the requirement to complete and submit an annual monitoring return, prepare a trustees' annual report and report on the public benefit, and have your charity accounts independently examined or audited.

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. The Charities SORP requires that all charities provide the following information in their trustees’ annual report:

- reference and administrative details - including your charity’s name, Northern Ireland charity (NIC) number, address and the names of each of the trustees

- structure, governance and management – including how it recruits trustees

- exemptions from disclosure

- objectives and activities – including a summary description of the purposes of the charity

- achievements and performance - including a summary of :
  - 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

- financial review including any debts and details of your reserves policy (if applicable)

- funds held as custodian trustee on behalf of others.

The report must specify the financial year to which it relates and include 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.

Trustees may present the contents of their report in any order under any heading they choose provided the information required by the SORP and charity law is included. You can put more detail in 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 chairman's report, an environmental report or an impact assessment.

You can find further, more detailed guidance in the Charities SORP. Please note that whilst the SORP has been developed to be consistent with charity law, company law and other relevant legislation, it has not yet been updated to reflect the new accounting and reporting regulations applicable in Northern Ireland. It is important therefore that charities complying with the Charities SORP are also aware of their obligations under Northern Ireland charity law, in particular their new legal requirement to report on the public benefit within the trustees' annual report.

4.2 Requirements for larger charities

All charities preparing accruals accounts must include the requirements set out in section 4.1 of this guidance. If, however, you are a large charity, a greater degree of public accountability and stewardship in reporting is required. Large charities, defined as those with gross annual income of more than £500,000, must prepare a full trustees' annual report expanded to include further detail. The Charities SORP sets out the guidelines larger charities must follow when producing a full report to include:

- Strategies and success criteria in achieving its aims
- Social investment policy (if applicable)
- Grant-making policy (if applicable)
- Identify the contribution of volunteers
- Review fundraising performance (if applicable)
- Investment performance (if applicable)
- More detailed financial review
- Explain risks faced and plans to manage them
- Set out future plans
- More governance information including setting of senior staff pay (key management personnel).

4.3 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. It is likely that reporting on the public benefit will be addressed, naturally, throughout the body of the report, for example in the 'activities and objectives' and 'achievements and performance' sections.

4.4 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.

4.5 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 at annual reporting stage.

4.6 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. Alternatively, examples can be found on the Charities SORP website.

Section 5: External scrutiny

5.1 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 2 on the following page.

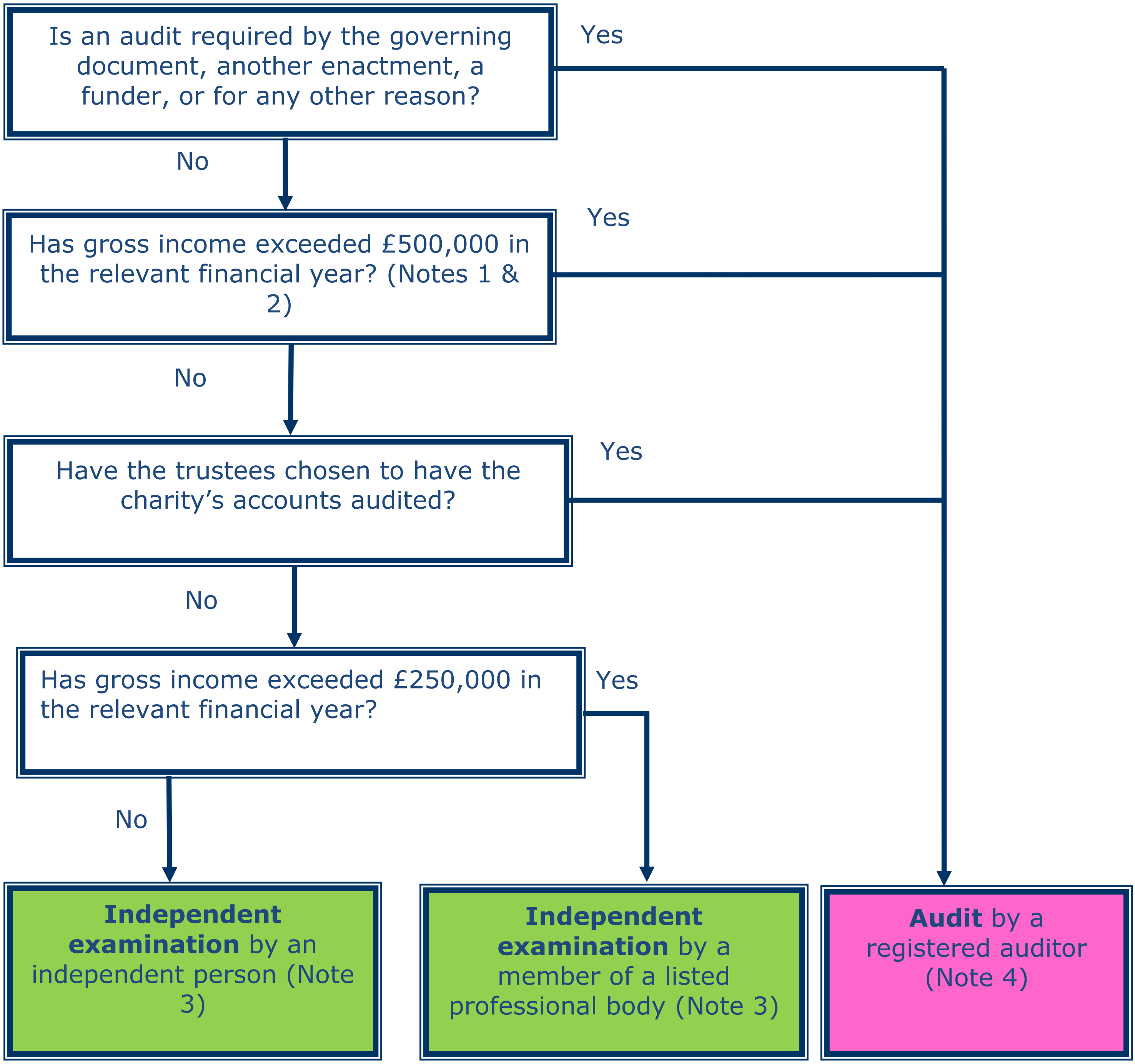
Figure 2: Determining level of scrutiny required

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 5.2 for the full list of professional bodies.

The answers to the questions in Figure 3 overleaf will determine the type of external scrutiny under charity law your charity accounts should have. Please note these rules do not apply to grant aided schools.

Figure 3: 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 5.2 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).

5.2 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 6 of this guidance.

5.3 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.

5.3.1 Audit report for accruals accounts

Where a charity has prepared accruals accounts and requires an audit, the audit must be carried out by a **registered auditor**. An audit opinion for accruals accounts must state whether, in the auditor's opinion, the accounts comply with the 'true and fair' view requirements.

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 accruals accounts must:

- State whether in the auditor's opinion:
  - the statement of accounts complies with regulations 8, 9 or 10 as applicable, dealing with accruals accounts and
  - gives a 'true and fair view' of the financial affairs of the charity at the end of the financial year, and of the incoming resources and their application in that financial year.

- 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
  - there is a material difference between the accounts and the annual report prepared by the trustees
  - Information to which the auditor is entitled has been withheld.

5.3.2 Audit requirements for charitable companies

If you are a company charity you must comply with the requirements of both company law and charity law. The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015, revokes the savings in the Companies Act 2006 for small charitable companies in Northern Ireland.

This means requirement under The Companies (Northern Ireland) Order 1986, relating to the audit of charitable companies, no longer applies.

Section 6: Appointment, rights and duties of the independent examiner and external auditor

6.1 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 i.e. 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.

6.2 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.

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.

6.3 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.

6.4 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, which are summarised below. These are used as examples only to assist independent examiners and auditors; however 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 7: 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.

7.1 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 accounts submitted to the Commission. Accounts and reports submitted to the Commission will automatically display on the public *register of charities*.

7.2 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 and reporting by Charities: Statement of Recommended Practice (SORP)	This means 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) issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator on 16 July 2014, also known as the Charities SORP. It provides a comprehensive framework that enables charities to adopt a consistent interpretation of UK financial reporting standards (FRS) as well as account for those transactions that arise when undertaking charitable activities. The Charities SORP applies to all general charities that prepare accounts on an accruals basis.
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).
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.

Term	Definition
Annual monitoring return	Also referred to as the annual return, the annual monitoring return is the online form that registered charities must submit on an annual basis reporting on their activities during the year. The information required is streamlined according to level of gross annual income. The questions in the annual monitoring return are specified in the Charity Commission for Northern Ireland Annual Return Regulations for the relevant period.
Assets	Assets provide a future benefit to a charity. Assets include land, buildings, equipment, furniture, investments, trading stock, debtors, cash, deposit accounts, etc. They are property, goods, money, investments, rights to receive money in the future and logos, names, data and other intellectual property belonging to the charity.
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)

Term	Definition
	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.
Close relatives	Close relatives are children, parents, grandchildren, grandparents, brothers or sisters, and any spouse of these.
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 and will have a company number in addition to a charity number. It will usually have memorandum and articles of association as its governing document and it has its own legal identity. It 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.
Company law	Throughout this guidance, references to company law are to the Companies Act 2006. The full content of the Companies Act can be found at www.legislation.gov.uk
Connected person	A connected person in relation to a charity means any persons falling into the following categories:

Term	Definition
	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 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).
Debtors	Debtors are persons or organisations that owe money to the charity, normally for supplies of goods or services but also for loans made and legacies.
Enactment	An Act, Order or other piece of legislation.
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.
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

Term	Definition
	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.
Fundraising costs	Fundraising costs include: • cost of generating voluntary receipts (see above) and • fundraising trading payments comprising the costs of trading to raise funds including payments to buy goods for resale and any other payments associated with a trading activity.
Governing document	A charity's governing document is any document which sets out the charity's purposes and, usually, how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, conveyance, Will, Royal Charter, scheme of the Commission or other formal document.
Gross income	For accruals accounts this is the income from all sources in the reporting period, including the conversion of endowment to income, but excluding: gifts of endowment, net investment gains/(losses), all revaluation gains/(losses) on retained assets not due to impairment, actuarial gains/(losses) and such other gains(losses) that are excluded by accounting standards from the calculation of net income.
Group accounts	Group accounts, also known as consolidated accounts, combine the activities, funds, assets and liabilities of the reporting parent charity with those of the subsidiaries it controls. They present the financial performance and financial position of the accounting group as though it were a single economic entity. The responsibility to prepare group accounts lies with the reporting 'parent' charity which controls or exercises dominant influence over one or more charitable or non-charitable subsidiaries. Group accounts must be prepared in accordance with legal requirements and UK accounting standards.
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

Term	Definition
	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.
Liability	Liability is an obligation to pay for something. Liabilities include, but are not limited to, loans, creditors, and bank overdrafts.
Materiality	Materiality is used to describe the importance of including a description or the amount of an item in accounts. An item is material if its inclusion in, or exclusion from, the accounts would be likely to change a user's view of the charity's activities or of its assets or liabilities. Normally the larger the item the more material it is likely to be. Some items will always be material due to their nature, for example payment of expenses to trustees.
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.
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 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.

Term	Definition
Special case charities	These charities are permitted to use alternative SORPs when preparing accruals accounts and are defined in the accounting and reporting regulations. Broadly, a special case charity is any charity which is: a) a registered housing association b) an institution of further or higher education.
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.
Statements of Recommended Practice (SORPs)	Statements of Recommended Practice (SORPs) supplement accounting standards and other legal and regulatory requirements in the light of the special factors prevailing or transactions undertaken in a particular sector and their application is relevant to the 'true and fair' view required of charity accounts. For general charities this is the Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 (Charities SORP FRS102).
Statement of Financial Activities (SoFA)	The SoFA is a single accounting statement that shows all incoming and outgoing resources by activities and by fund. It shows where the resources come from, what they are spend on, and different types of fund as well as a year on year comparison.
Statutory audit	An audit carried out in accordance with Part 16 of the Companies Act 2006 by a person eligible to act as a statutory auditor under Part 42 of the Companies Act 2006.
Trustees' annual report	Should be produced by the charity trustees and, along with the charity accounts, tells people: • about the charity's work • where its money comes from • how the charity money has been spent. Smaller charities can prepare a simplified trustees' annual report while larger charities must provide more detail. The content requirements are prescribed by the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015,

Term	Definition
	and the Charities SORP. All charities must explain how the activities undertaken during the year have furthered the charity's purposes for the public benefit.
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.
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

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 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:

Charity Commission for Northern Ireland
257 Lough Road
Lurgan
Craigavon
BT66 6NQ

www.charitycommissionni.org.uk

Email: admin@charitycommissionni.org.uk
Tel: 028 3832 0220
Fax: 028 3832 5943
Textphone: 028 3834 7639

Follow us on Twitter @CharityCommNI

This document is available in large print or other formats on request