

Charity accounting requirements



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At the end of each financial year the trustees of a charity have a legal responsibility to produce a set of accounts setting out the financial situation of your organisation. The format of the documentation, and the rules about what you have to do with the accounts, and whether you need them audited depends upon the legal structure of your organisation and the level of your income and assets.

The information below is taken from the Charity Commission guidance (CC15d) and is correct as of January 2023. It provides an overview of the main requirements for charities which apply for financial years (accounting

periods) beginning on or after 1 November 2016.

Working out what requirements apply to your charity

There are different requirements for different sizes and types of charity. To understand what applies to your charity, you need to check:

- whether or not your charity is also a company (registered with Companies House and the commission) or charitable incorporated organisation solely registered with the commission
- your charity's income for the current financial year
- the value of your charity's assets
- whether or not your charity is of a size that is required to be registered as a charity with the commission

You should then ensure that the charity's trustees understand:

- what type of accounts must be prepared
- what information is needed in the trustees' annual report (annual report)
- whether the accounts need an independent examination or audit
- what information must be sent to the commission

If you do have to send your charity's annual report and accounts to the commission, you must do so within 10 months of the end of your charity's financial year. In the interests of transparency the commission encourages you to do so much sooner than this in order to give an up-to-date and current picture of your charity to those interested in your charity's work.

Accounts, annual reports and annual returns: preparation and filing requirements

Accounts preparation: all charities (whether registered with the commission or not) must prepare accounts and make them available on request.

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

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

Annual return form: all charitable incorporated organisations irrespective of their gross income in the financial year and all other registered charities whose gross income in the financial year exceeds £10,000 must complete

and file an annual return with the commission. Registered charities with a gross income of less than £10,000 in the financial year are asked to complete the annual return for certain items.

Each registered charity receives an annual return form from the commission shortly after its financial year end. In all cases the annual return should be completed online.

The annual return form helps the commission to make sure that the details of every charity on the register of charities are as complete and accurate as possible. The annual return gives the commission basic financial details, and details of contacts, trustees, activities and of the charity's classification.

Additional filing requirements for charitable companies: a charitable company must prepare a directors' report and accounts under the Companies Acts and must file these with Companies House. The requirements for the annual report are the same as those for other charities and companies normally produce a directors' report that is expanded to contain all the information required to be included in the annual report.

Types of charity accounts

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

Receipts and payments accounts

This is the simpler of the two methods of accounts preparation and may only be used where a non-company charity has a gross income of £250,000 or less during the financial year. Receipts and payments accounts contain a statement summarising all money received and paid out by the charity in the financial year, and a statement giving details of its assets and liabilities at the end of the year. Charitable companies are not allowed by company law to adopt this method.

Accruals

Non-company charities with gross income of over £250,000 during the financial year, and all charitable companies must prepare accruals accounts that comply with the applicable Statement of Recommended Practice (SORP). The SORP to follow will depend upon the charity's financial year. Accruals accounts contain a balance sheet, a statement of financial activities and explanatory notes. These accounts are required in accountancy terms to show a 'true and fair view'.

Audit or independent examination?

Except for certain NHS charities and where the charity's governing document requires some form of external scrutiny, only charities with a gross income of more than £25,000 in their financial year are required to have their accounts independently examined or audited.

The type of scrutiny required depends on the income and assets of the charity. Broadly speaking, an independent examination is needed if gross income is between £25,000 and £1 million and an audit is needed where the gross income exceeds £1 million. An audit will also be needed if total assets (before liabilities) exceed £3.26 million, and the charity's gross income is more than £250,000.

Advice about reporting requirements is available to voluntary organisations through the network of local voluntary councils (CVCs).

Other information

The Charity Commission have further detailed guidance that will help explain your obligations – [Charity reporting and accounting: the essentials \(CC15d\)](#)