

Scottish Charity
Accounts

An Updated Guide to
the 2006 Regulations

OSCr

Office of the Scottish **Charity Regulator**



**OSCR is grateful to the following people
for their support and assistance
in updating this guidance:**

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Scottish Charity Accounts – An updated guide to the 2006 Regulations

We have written this guidance to help Scottish charities prepare their accounts and ensure that they are properly scrutinised, as required by law.

It is aimed at **all charity trustees** and anyone preparing accounts for a Scottish charity.

The type of accounts that your charity should prepare and the kind of external scrutiny that is required depends on several factors, which we explain in this guidance.

Please read this guidance **before** you begin to prepare your charity's accounts in order to be clear about what your charity needs to do.

How to use this guidance

The guidance is split into three parts.

- » **Part 1: The Overview**
- » **Part 2: Receipts and Payments Accounts**
- » **Part 3: Fully Accrued Accounts**

You need **only** read the parts that apply to your charity depending on the type of accounts you have to prepare.

All charities should read Part 1 that will explain which of the subsequent Parts (2 or 3) applies to your charity.

Content of Parts 1, 2 and 3

Part 1: The Overview

Part 1 gives an overview of the law regarding charities' accounts and essential information relevant to all charities. This includes:

- » The requirements for accounting records
- » How to set your financial year
- » Appointing an external scrutineer and their rights and duties
- » Reporting to OSCR

Sources of information and support for all charities are provided at section 11 and a glossary that explains any technical terms used in the guidance can be found at section 12.

Part 1 also contains information and flow charts that allow you to determine which type of accounts should be prepared (section 2) and which type of external scrutiny should be used (section 3). Once you have determined which form of accounts is required, you will know whether Part 2 or 3 is relevant.

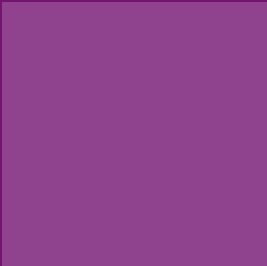
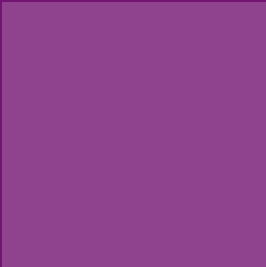
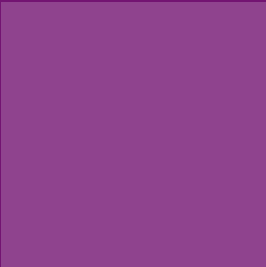
Part 2: Receipts and Payments Accounts

Part 2 provides detailed guidance on preparing compliant receipts and payments accounts and covers the relevant external scrutiny options. It includes a simple example set of accounts including an independent examiner's report.

Part 3: Fully Accrued Accounts

Part 3 outlines the requirements for accounts prepared on an accruals basis, covers the relevant external scrutiny options and directs readers to where examples of accrued accounts can be found. It includes an example of an independent examiner's report. This Part will be relevant for all charitable companies as well as certain non-company charities that fulfil certain criteria.

Part 1: The Overview



Part 1: The Overview

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Section 1 Introduction

1.1 Introduction

Anyone who has given time or money to a charity will have an interest in seeing its resources used properly. A charity’s accounts are a means of communicating considerable information about the charity in a relatively concise way. A well prepared and informative set of accounts will give members, funders, donors and anyone else with an interest in the charity a good picture of the activities of the charity and how well it is using its resources.

The purpose of this updated publication is to provide detailed guidance on the accounts provisions in the law and regulations covering charities, including the changes introduced by two recent amendments to regulations. The format and independent scrutiny of charity accounts is regulated by the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act), and the Charities Accounts (Scotland) Regulations 2006 (the Regulations). The 2006 Accounts Regulations have been amended by the Charities Accounts (Scotland) Amendment Regulations 2007 and the Charities Accounts (Scotland) Amendment Regulations 2010.

Copies of the 2005 Act and the Regulations and information on how to obtain printed versions are available on the OSCR website at www.oscr.org.uk

1.2 Who is this guidance for?

This guidance has been produced by the Office of the Scottish Charity Regulator (OSCR) and is principally for the attention of the people who prepare and scrutinise charity accounts:

- » charity treasurers
- » charity trustees (i.e. the group of people who have management and control of the charity and who may be called committee members, directors or trustees, etc.)
- » charity staff, e.g. chief executives and finance officers
- » independent examiners
- » auditors
- » professional advisors
- » support agency staff.

But it should also be of interest to:

- » funding bodies and financial supporters
- » umbrella bodies and intermediary organisations providing guidance and training to their members
- » others with an interest in charity accounts such as beneficiaries and members.

While the 2005 Act and the Regulations apply to all charities, this guidance has been written principally with smaller charities in mind as they make up the vast majority of Scottish charities and may not have access to the same level of professional advice and support as larger charities.

Some charities will also have to prepare accounts in line with other legislation and regulations, for example charitable companies, registered social landlords or further and higher education institutions. For these organisations this guidance will need to be read alongside the other legislation or regulations that are specific to their organisation.

1.3 Scope of the Regulations

Section 44 of the 2005 Act and the original Regulations came into force for accounting periods starting on or after 1 April 2006. Some minor changes were introduced by the Charities Accounts (Scotland) Amendment Regulations 2007 and more recently, the Charities Accounts (Scotland) Amendment Regulations 2010 which came into force on 1 April 2011. The most significant changes made by the 2010 Amendment Regulations only affect financial years starting on or after 1 April 2011.

Charitable companies will need to prepare accounts that comply with the Regulations as well as the requirements of company law. Some changes have been introduced by the Companies Act 2006 that are relevant to Scottish charitable companies. For accounting periods commencing on or after 1 April 2008, charitable companies will no longer be exempt from the audit requirements applicable to all companies. They can qualify for audit exemption in the same way as any other company. Charitable companies will also be subject to the provisions of the Regulations in respect of external scrutiny of the accounts.

Section 2 Preparing accounts

2.1 The types of accounts that can be prepared

Charities must prepare accounts in one of two ways depending on several factors. These are briefly:

- » receipts and payments

Receipts and payments accounts are a simple form of accounting that consist of a summary of all monies received and paid via the bank and in cash by the charity during its financial year, along with a statement of balances.

- » fully accrued

Fully accrued accounts allocate the costs or income of a particular activity according to when the liability is incurred or when there is entitlement or certainty about income. This is not necessarily the date on which money is received or paid out.

Fully accrued accounts must be prepared in accordance with the methods and principles of the Accounting and Reporting by Charities: Statement of Recommended Practice (the 2005 Charities SORP).

2.2 Which type of accounts should we prepare?

Normally a charity’s gross income for a given financial year will determine the type of accounts to be prepared for that particular year. However, if:

- » the charity’s constitution says it should prepare fully accrued accounts, or
- » the charity trustees have taken a decision to prepare fully accrued accounts, or

- » any enactment says that the organisation should prepare fully accrued accounts (e.g. the provisions of the Companies Act 2006 mean that charitable companies must prepare fully accrued accounts)

then fully accrued accounts must be prepared even if the charity’s gross income would otherwise allow accounts to be produced on the receipts and payments basis.

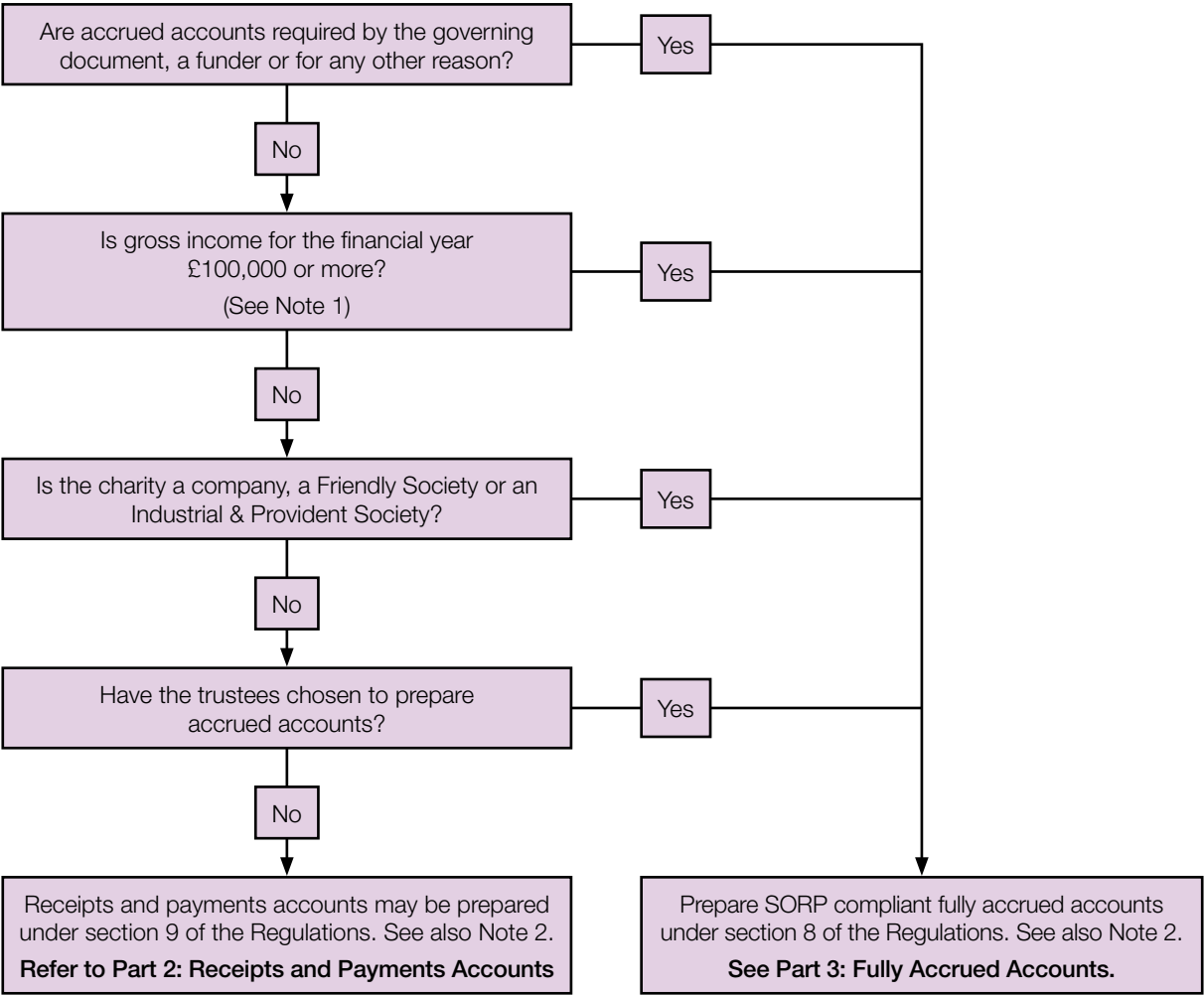
Fully accrued accounts must follow the 2005 Charities SORP and, if independently examined, be examined by a qualified independent examiner (see section 3.5 in Part 3: Fully Accrued Accounts). Charity trustees should fully consider the implications of deciding to prepare fully accrued accounts if they are not otherwise required.

Apart from the statutory requirement, any constitutional or third party reference to accounts providing a true and fair view of the financial affairs of the charity would require the preparation of fully accrued accounts.

See Figure 1 overleaf called ‘Preparing Accounts’ to determine the type of accounts that must be prepared. The changes introduced by the 2010 Amendment Regulations mean that the rules are different depending on the period for which accounts are being prepared. This means that the person preparing the accounts must be clear about the financial year for which accounts are being prepared in order to understand the correct rules.

Once the charity has established the type of accounts required for the financial period they can read, Parts 2 and 3 of this guidance, receipts and payments accounts and fully accrued accounts, for more detailed information on the requirements specific to the type of accounts being prepared.

Figure 1 – Preparing Accounts



Notes:

- 1. £250,000 for financial years commencing on or after 1 April 2011.
- 2. Charities should also be aware that, depending on their particular circumstances, the accounts they prepare may also need to comply with other legislative requirements (e.g. the Companies Act if they are a charitable company).

Section 3 The external scrutiny of charity accounts

3.1 Background

Accounts must be independently scrutinised. The aim of external scrutiny is to give readers a degree of confidence in the words and figures presented in the accounts and to confirm that they have been prepared in accordance with the Regulations.

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

- » independent examination
- » audit.

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 rather than the positive expression of a professional opinion based on an audit.

Historically, the term 'audit' has been used loosely to describe any independent scrutiny of accounts. However, under the Regulations if the term 'audit' is used in a charity's constitution or governing document the charity must have its accounts audited by a registered auditor or a person appointed by the Accounts Commission for Scotland or by the Auditor General for Scotland (responsible principally for public bodies).

Audit

An audit provides reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In undertaking an audit, a registered auditor must comply with the UK Auditing Practices Board's ethical standards for auditors and International Standards on Auditing (UK and Ireland).

Many charity constitutions or governing documents use the term 'audit' when describing the type of external scrutiny to which the accounts should be subject. The charity trustees of charities not required to have an audit under the Regulations or any enactment may consider that the benefits of having an audit are outweighed by the costs. Charity trustees of such charities may wish to review their constitution and:

- » retain the term audit because they decide that the accounts should continue to be audited, or
- » amend the constitution (where they have the power to do so) to reflect the charity trustees' or members' intentions regarding external scrutiny.

Any change to the constitution must be carried out in accordance with the terms of the constitution and with consideration of any professional advice received. Notification of the change to the constitution must also be sent to OSCR within three months of the change being made.

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 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 Regulations would be sufficient.

Further information on the changes that require OSCR’s consent, or need to be notified to OSCR, can be found on OSCR’s website page ‘Making Changes to your Charity’ available at www.oscr.org.uk

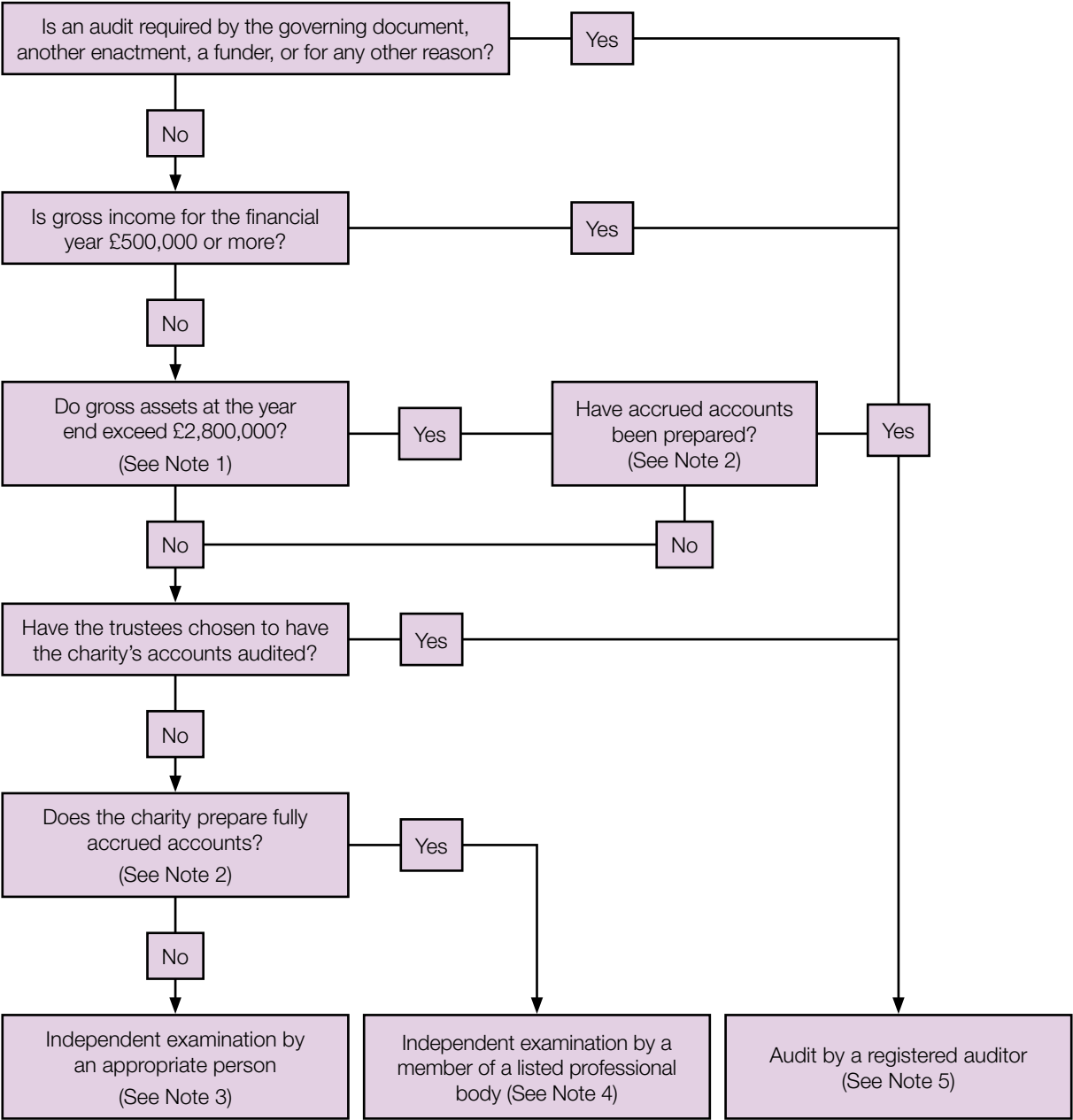
3.2 External scrutiny and type of accounts prepared

The type of external scrutiny appropriate for a particular charity will be determined by:

- » any reference to audit in the constitution or governing document of the charity
- » whether the charity is a company
- » the charity’s gross income and the value of assets held (before deduction of liabilities) for the accounting period
- » a decision of the charity trustees to carry out an audit.

The answers to the questions in Figure 2 overleaf will determine the type of external scrutiny under charity law to which accounts should be subject. The charity should then read Part 2: Receipts and Payments Accounts or Part 3: Fully Accrued Accounts for more detailed guidance on external scrutiny appropriate to the type of accounts prepared.

Figure 2 – External Scrutiny Requirements



Notes:

1. £3,260,000 for financial years commencing on or after 1 April 2011.
2. Company charities must always prepare fully accrued accounts.
3. Independent examination by someone who the trustees reasonably believe to have the requisite ability and practical experience to carry out a competent examination of the accounts. Refer to Part 2: Receipts and Payments Accounts.
4. Refer to Part 3: Fully Accrued Accounts.
5. Audit under the 2005 Act. Larger company charities may also require audit under the Companies Act 2006.

Section 4 Appointment, rights and duties of the external scrutineer

4.1 Appointing someone to carry out the external scrutiny

In appointing an independent examiner or auditor, charity trustees should consider the degree of complexity of the charity's accounts and structure. The more complex the organisation and its accounts, the higher the level of qualification or experience required of the independent examiner or auditor.

In deciding who to appoint as an independent examiner or auditor, charity trustees should consider the type of accounts the charity prepares and ensure the independent examiner or auditor:

- » is independent of the management and administration of the charity
- » is eligible under the Regulations to act as an independent examiner or auditor
- » is eligible under their professional body's rules and regulations to act as an independent examiner or auditor
- » has experience of accounts to the same level and degree of complexity.

The independent examiner or auditor should have no connection with the charity trustees that might inhibit their ability to carry out an impartial examination. Whether a connection exists will depend on the circumstances of a particular charity, but the following people will normally be considered to have a connection:

- » the charity trustees or anyone else who is closely involved in the administration of the charity
- » a major donor or major beneficiary of the charity
- » a close relative, spouse, partner, business partner or employee of any of the people mentioned above.

4.2 Access to information for independent examiners and auditors

Under section 13 of the 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. They may also require information from past or present charity trustees or employees of the charity.

4.3 Duty of independent examiners and auditors to report matters to OSCR

Under the 2005 Act, independent examiners and auditors **must** report to OSCR any matter they become aware of regarding a charity, or any connected organisation, which they believe is likely to be of material significance to OSCR in carrying out its functions. If they believe the matter may not be of material significance but may still be relevant to OSCR carrying out its functions, they **may** still report the matter.

Examples of what will be of material significance to OSCR carrying out its functions and what will be relevant are given below. They are provided for illustrative purposes only to assist independent examiners and auditors. They should not be seen as exhaustive.

Areas of material significance to OSCR will be matters central to the integrity of the charity and will include:

- » dishonesty or misuse of funds by a charity trustee or senior management such as:
 - evidence of false accounting, theft or misappropriation of assets by a charity trustee or the charity’s senior management
 - evidence of any significant theft or misappropriation by any charity employee (other than senior management), volunteer, agent or third party and the matter has not been reported to the police
 - evidence of significant misapplication of charitable funds
 - evidence that a charity trustee is disqualified from acting as such
 - evidence that a charity trustee, employee, or agent knowingly or recklessly provided false or misleading information to OSCR
 - evidence giving rise to doubts as to the honesty or integrity of any charity trustee.
- » a serious breach of a legislative requirement such as:
 - a serious breach of the 2005 Act particularly (but not exclusively) with regard to sections 44, 66 and 67 relating to accounts, trustee duties and trustee remuneration
 - activities not in pursuit of charitable purposes
 - auditor or independent examiner not being provided with the records or explanations they require

- a significant discrepancy between the annual or monitoring return submitted to OSCR and the accounts which is not immediately corrected.

Matters that may not be of material significance but may still be relevant to OSCR carrying out its functions are likely to indicate significant risks to charitable funds and their proper application, and would include:

- » serious deficiencies in the management and control of charitable funds such as:
 - evidence that the charity trustees have failed to exercise proper control of the charity’s assets, affairs and activities
 - evidence of recklessness by the charity trustees giving rise to a significant risk to charitable funds
 - uncertainty as to who are the charity trustees.
- » a significant breach of a legislative requirement such as:
 - a significant breach of law or regulation, not specific to charity legislation, that could prevent the charity from undertaking a significant part of its activities
 - a significant breach of section 81 of the 2005 Act or the Charities and Benevolent Fundraising (Scotland) Regulations 2009.
- » dishonesty or misuse of funds that does not involve a charity trustee or senior management such as:
 - evidence of any significant theft or misappropriation by any charity employee (other than senior management), volunteer, agent or third party and the matter has been reported to the police

- knowingly making significantly inaccurate or misleading claims in relation to the charity or its activities in publicity or fundraising materials.

In addition, auditors (but not independent examiners) must send to OSCR a copy of any report they have sent to the charity trustees containing circumstances that they feel should be brought to the attention of the charity trustees connected with the auditor ceasing to hold that office.

Section 5 Accounting records

Section 44 of the 2005 Act requires charities to keep proper accounting records. Section 4 of the Regulations specifies that the accounting records must be sufficiently detailed to show and explain the transactions of the charity. In particular they must be able to:

- » show, day by day, the money received and spent by the charity
- » record the assets and liabilities of the charity
- » disclose the financial position of the charity at any time
- » produce a statement of account in line with the Regulations.

Section 44 of the 2005 Act also specifies that charities must keep accounting records for **at least six years** from the end of the financial year in which they are made. However, charity trustees should be aware that the length of time they need to keep records may also be governed by other legislation or by agreements with funding bodies.

The records kept by charities will vary depending on circumstances and may be manual or computerised. Examples of records that a charity should keep are:

- » a cash book recording day to day income and expenditure
- » bank statements which are reconciled regularly (e.g. monthly) with cash book records
- » vouchers, invoices, receipts and other supporting evidence of income and expenditure.

Examples of other records that a charity may keep are:

- » a general ledger with supporting purchase and sales ledgers, recording day to day income and expenditure but also any sales or purchases that have not yet been paid
- » computer spreadsheets
- » commercial accounting software with supporting data.

Section 6 The charity’s financial year

6.1 Establishing the financial year

The date of the financial year end, or accounting reference date, is an important part of the information about a charity that is contained in the Scottish Charity Register (‘the Register’). It is the date to which accounts are prepared by the charity.

Charities entered in the Register after 1 April 2006 that are not companies or charities established in countries other than Scotland can decide their accounting reference date. This date must not be less than six months or more than 18 months after the date the charity was entered in the Register.

Charitable companies entered in the Register and incorporated on or after 1 April 2006 can choose an accounting reference date not less than six months or more than 18 months after the date the charity was incorporated.

Charities established on or after 1 April 2006 in countries other than Scotland and entered in the Register on or after 1 April 2006 can choose an accounting reference date not less than six months or more than 18 months after the date the charity was established.

Charitable companies must make sure that the establishment of their financial year also complies with the Companies Act.

6.2 Changing the financial year

The charity trustees may specify a new accounting reference date for either:

- » the current financial year, or
- » the financial year immediately before the current financial year

as long as the financial year is no longer than 18 months and a charity does not have three or more financial years exceeding 12 months in any five-year period.

A notice of the change must be given to OSCR within three months of the date of the decision to change the accounting reference date.

Charitable companies must make sure that any change to their financial year complies with the Companies Act and that Companies House is notified of any change.

Further information on the changes that need to be notified to OSCR can be found in the ‘Making Changes to Your Charity’ page available on OSCR’s website at www.oscr.org.uk

6.3 Removal from the Scottish Charity Register

Where a charity is removed from the Register, its financial year will begin on the day after its previous full financial year end and end on the date of its removal from the Register.

Section 7 Reporting to OSCR

7.1 Reporting to OSCR

To keep the Register up to date and allow OSCR to monitor and regulate charities operating in Scotland, OSCR requires every charity on the Register to provide it with certain information. It does this by issuing annual and monitoring returns. Sections 22, 28 and 29 of the 2005 Act give OSCR the powers to make inquiries about and obtain information from charities.

7.2 Annual and Monitoring Returns

Every year, charities will be issued with an Annual Return. This will already have details of the Register entry information including the accounting reference date of the charity. Within the Annual Return charities need to state their annual gross income.

Charities which have declared a gross income of £25,000 or above in the preceding year will also receive a Supplementary Monitoring Return. This will require additional information about other areas which may include:

- » annual accounts
- » fundraising activities
- » transactions with trustees
- » dealings with connected trading companies.

The Monitoring Return for charities with an income of £100,000 or above will ask for slightly more information. This threshold will increase to £250,000 for the Monitoring Return sent to a charity for an accounting period starting on or after 1 April 2011.

Every charity must file the Annual Return, supplementary Monitoring Return (if appropriate) and annual accounts with OSCR within **nine months** of the charity's financial year end. **The accounts must be submitted at the same time as the Annual Return.**

The Annual Return, statement of balances or balance sheet, trustees' annual report and external scrutiny report submitted to OSCR must be signed with original signatures (not photocopies) and dated.

7.3 Processing of the Annual Return, Monitoring Return and accounts

The information collected from the Annual and Monitoring Returns will help OSCR maintain a regulatory system in which the public can have confidence and in which charities can grow and flourish. It will also provide statistics on the sector that will be useful to policy makers and the sector itself.

If any information is missing the forms will be reissued, partially completed with the data provided, and a covering letter will highlight the omissions. If the forms are complete but no accounts received, a letter will be sent requesting timely submission of the accounts.

The OSCR monitoring process involves a review of the accounts to ensure that the following key components are present:

- » the Trustees' Annual Report
- » report of the independent examiner or auditor
- » statement of receipts and payments, or a statement of financial activities
- » statement of balances or balance sheet

- » signatures and dates on both the accounts and reports
- » the Scottish charity number.

Where the accounts do not contain a compliant:

- » statement of receipts and payments (receipts and payments accounts) or statement of financial activities (fully accrued accounts)
- » statement of balances (receipts and payments accounts) or balance sheet (fully accrued accounts)
- » report of an independent examiner or audit, as appropriate

the accounts will be failed.

In addition, where a charity has previously received three letters from OSCR in consecutive years, highlighting deficiencies with the accounts and a problem is identified in OSCR’s accounts review, the accounts will be failed.

Where a set of accounts has been failed, the charity must then re-submit a set of revised accounts within 60 days or within nine months of its financial year end, whichever is later.

Once all the information required is complete, the Annual Return entry on the Charity Register will be updated with a date to reflect that the information has been checked.

The information provided on the Monitoring Return will be assessed against a number of triggers. Where a trigger is activated, OSCR monitoring staff will undertake a more detailed review of the accounts in order to, wherever possible, resolve the issue. If, following the accounts review, the matter remains unanswered or additional points have been identified, a request for further information will be issued. Any unresolved matters remaining at the end of this

process will be assessed and may be directed to the Compliance and Investigations team for follow up.

OSCR has an Inquiry and Intervention Policy which sets out clearly how inquiries arising out of internal and external referrals and external complaints are undertaken.

Further information on OSCR’s monitoring process and Inquiry and Intervention Policy can be obtained from OSCR’s website at www.oscr.org.uk

7.4 Amalgamation, winding up and removal from the Scottish Charity Register

Charities proposing to amalgamate or wind up need to apply for OSCR’s consent to take this action. Once consent is given and the amalgamation or winding up put into effect, a final set of accounts made up to the date of amalgamation or winding up must be produced and submitted to OSCR. These accounts must be prepared and subjected to external scrutiny as required by the Regulations.

7.5 Removal from the Register – protection of charitable assets

Charities can be removed from the Register either at their own request or by OSCR. Section 19 of the 2005 Act makes provision for the protection of charitable assets of organisations that continue to operate after being removed from the Register.

An organisation removed from the Register continues to be under a duty to use the assets it had at the date of its removal from the Register, and any income from these assets, for the charitable purposes for which they

were acquired. OSCR's powers of inquiry and intervention continue with respect to these assets even though the organisation is no longer a Scottish charity.

OSCR will require a statement of account made up to the date of removal from the Register and thereafter the charity will be required to submit an annual statement of account for these assets, and any income from them, for as long as they are held by the former charity. The annual statement of account for these assets must comply with the 2005 Act and Regulations.

OSCR has published separate guidance on the monitoring of charitable assets under section 19 of the 2005 Act which is available on OSCR's website at www.oscr.org.uk

Section 8 Consolidated accounts

8.1 Consolidated accounts

Some charities are part of a group structure with one or more subsidiaries. Producing consolidated accounts for the whole group provides an accurate picture of the charity and all its undertakings.

Parent charities with subsidiaries that have a combined gross income of at least £500,000 after deducting consolidation adjustments in any financial year must prepare consolidated accounts using the methods and principles of the 2005 Charities SORP. These must be submitted annually to OSCR.

The parent and subsidiary charities must still produce their own accounts as required by the Regulations. These must be submitted annually to OSCR.

8.2 Consolidated Trustees' Annual Report

Where a parent charity produces consolidated accounts, it may also prepare a consolidated trustees' annual report for the charity and its subsidiary charities.

The information contained in the consolidated trustees' annual report must follow the Regulations for the type of consolidated accounts produced (i.e receipts and payments or accruals).

A subsidiary charity which has been included in a consolidated trustees' annual report need not prepare a separate trustees' annual report as long as its own statement of account states:

- » that a consolidated Trustees' Annual Report has been prepared, and
- » where copies of the consolidated Trustees' Annual Report can be obtained.

Section 9 Connected charities

Some charities are connected by having common or related purposes, or by having a common controlling body or administration, e.g. a group of trustees that meet quarterly to consider a number of trusts at the same time. These charities have the option of preparing a single set of accounts to send to OSCR instead of preparing individual accounts.

The individual charity with the highest gross income will determine the type of accounts to prepare and the type of external scrutiny required.

Section 10 Charities registered elsewhere in the UK

A key principle of the 2005 Act is that all charitable activities in Scotland should be regulated by OSCR. Therefore charities registered in other jurisdictions, e.g. England and Wales, but which carry out activities in Scotland, are also required to register with OSCR.

Where there is no separate Scottish entity registered, such charities can prepare and submit to OSCR a set of accounts that covers all their UK activities. However, OSCR would expect to see some narrative in the trustees' annual report referring to activities in Scotland.

For further information on whether or not a charity registered in England and Wales should also register with OSCR see the OSCR publication 'Seeking charitable status for cross border charities' available from the OSCR website at www.oscr.org.uk. There is also guidance on the website that explains how cross border charities are regulated by OSCR.

Section 11 Sources of information, guidance and support

11.1 Sources of information and advice

Office of the Scottish Charity Regulator (OSCR)

OSCR is the Regulator for charities in Scotland and provides information and guidance on charity law and regulation in Scotland. Contact: OSCR, Quadrant House, 9 Riverside Drive, Dundee DD1 4NY or 01382 220446 or visit www.oscr.org.uk

The Charity Commission for England and Wales

The Charity Commission is the Regulator for charities in England and Wales and provides information and advice on matters affecting charities in England and Wales. Contact: Charity Commission Direct on 0845 300 0218 or www.charity-commission.gov.uk

Companies House

The Registrar of Companies in Scotland offers a wide range of services and guidance booklets. Contact: Companies House, 4th floor, Edinburgh Quay 2, Fountainbridge, Edinburgh EH3 9FF or 0870 33 33 636 or www.companieshouse.org.uk

Scottish Council of Voluntary Organisations (SCVO)

SCVO is the national body representing the voluntary sector and provides advice, information, support and assistance to charities. Contact: SCVO, Mansfield Traquair Centre, 15 Mansfield Place, Edinburgh EH3 6BB or the information service on 0800 169 0022 or www.scvo.org.uk

Third Sector Interface

Your local CVS or Volunteer Centre which offer support to voluntary organisations. Contact: 01324 692025 or visit www.voluntaryactionsotland.org.uk

11.2 Publications

Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (second edition – May 2008)

Copies can be downloaded from the OSCR website at www.oscr.org.uk or the Charity Commission website at www.charity-commission.gov.uk. Hard copies may be purchased from CCH on 0870 777 2906

Charity Accounts – A Practical Guide to the Charities SORP

By Andrew Pianca & Greyham Dawes, 4th edition. From Jordans Publishing Ltd. ISBN 978 1 84661 154 4. Contact: www.jordanpublishing.co.uk

Charity Finance Yearbook 2011

From Charity Finance Magazine. ISBN 0 9521604 0 7. Contact: www.civilsociety.co.uk

Practical Guide to Financial Management for Charities and Voluntary Organisations

By Kate Sayer, 3rd edition, 2007, Directory of Social Change. ISBN 978 1 903991. Contact: www.dsc.org.uk or 08450 77 77 07

Practice Note 11 – The Audit of Charities in the United Kingdom

produced by the Auditing Practices Board. Contact www.frc.org.uk/apb/

The Charity Treasurer's Handbook

By Gareth Morgan, 3rd edition. 2010, Directory of Social Change. ISBN 978 1 903991 50 2. Contact: www.dsc.org.uk or 08450 77 77 07

11.3 Professional bodies and statutory auditors

Professional body	Contact
The Institute of Chartered Accountants of Scotland	www.icas.org.uk
The Institute of Chartered Accountants in England and Wales	www.icaew.co.uk
The Institute of Chartered Accountants in Ireland	www.icaireland.ie
The Association of Chartered Certified Accountants	www.accaglobal.com
The Association of Authorised Public Accountants	www.accaglobal.com/aapa/aapa
The Association of Accounting Technicians	www.aat.org.uk
The Association of International Accountants	www.aia.org.uk
The Chartered Institute of Management Accountants	www.cimaglobal.com
The Institute of Chartered Secretaries and Administrators	www.icsa.org.uk
The Chartered Institute of Public Finance and Accountancy	www.cipfa.org.uk
The Association of Charity Independent Examiners	www.acie.org.uk
The Accounts Commission for Scotland	www.audit-scotland.gov.uk
The Auditor General for Scotland	www.audit-scotland.gov.uk

Section 12 Glossary of terms

Accounting and Reporting by Charities: Statement of Recommended Practice (SORP)

In May 2008, OSCR and the Charity Commission for England and Wales issued the second edition of Accounting and Reporting by Charities: Statement of Recommended Practice (the 2005 Charities SORP) with the aim of improving the quality of financial reporting by charities. The second edition reflects changes in charity law and company law since the document was originally published in 2005.

Assets

Assets 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 in terms of section 1212 of the Companies Act 2006. Where the audit is being carried out on accrued accounts it will be carried out following the International Standards on Auditing. The opinion on fully accrued 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 auditors' opinion will state whether the statement of accounts properly presents the receipts and payments and its statement of balances.

Close relative

Close relatives are children, parents, grandchildren, grandparents, brothers or sisters, and any spouse of these.

Consolidation adjustments

Consolidation adjustments are adjustments to remove inter-group transactions and balances between the parent charity and its subsidiaries so that the consolidated accounts accurately reflect the results and financial position of the whole group.

Connected organisation

An organisation is connected to a charity if it is controlled by the charity (either directly or through nominees) or it is a corporate body in which the charity has a substantial interest.

Connected person

A connected person is a person connected to a charity trustee by virtue of being:

- » a close relative
- » a spouse, civil partner or person with whom the charity trustee is living in an equivalent relationship
- » any institution, corporate body or Scottish partnership where the charity trustee, or person connected to the trustee, has a controlling or substantial interest.

Constitution

A constitution is:

- » In relation to a charity or other body established under the Companies Act, means its memorandum and articles of association.
- » In relation to a charity or other body which is a body of trustees, means the trust deed.
- » In relation to a SCIO means the document laid out in section 50 of the 2005 Act.
- » In relation to a charity or other body established by enactment, means the enactment which establishes and states its purpose.
- » In relation to charity or other body, established by a Royal charter or warrant, means the Royal charter or warrant.
- » In the case of any other charity or body, means the instrument which establishes it and states its purposes.

The constitution may be in the form of one document, or several documents.

Contingent liabilities

Contingent liabilities are liabilities that may arise from past events but whether they will, or how much they may be, cannot be established until a future event occurs.

Designated fund

A designated fund is that part of the charity's unrestricted funds that the charity trustees have decided to earmark, or designate, for a particular purpose.

Donated facilities and services

Donated facilities and services are gifts to the charity of facilities, services of volunteers or beneficial loan arrangements.

Enactment

An enactment includes Acts of both the Scottish and Westminster Parliaments and any subordinate legislation. Examples would be the Companies Act 2006, or the Charities and Trustee Investment (Scotland) Act 2005.

Endowment funds

An endowment is a fund consisting of property, including cash which is held for the benefit of the charity. The objective is to provide the charity with an income from the fund.

There are two forms of endowment fund:

- » a **permanent endowment fund** is one that consists of property (which may be heritable or moveable) that has been gifted to the charity with specific conditions attached and where the capital cannot be spent in any circumstances.
- » an **expendable endowment fund** is one that consists of property (which may be heritable or moveable) that has been gifted to the charity with specific conditions attached and which cannot be spent except in those circumstances specified in the terms of the endowment document.

Normally, the governing document of the charity or the directions of the donor of the endowment will specify how the income from the endowment can be used and therefore whether the income should be included in the accounts as restricted or unrestricted.

External scrutineer

A person that carries out an independent examination or audit.

Financial year

An accounting period of a charity that can be no more than 18 months. The first financial year of a charity cannot be less than six months.

Fully accrued accounts

Fully accrued accounts allocate the costs or income of a particular activity according to when the liability is incurred or when there is entitlement or certainty about income. This is not necessarily the date on which money is received or paid out.

Governing document

See constitution.

Gross income

A charity’s gross income is the total incoming resources of the charity in all restricted and unrestricted funds but excluding the receipt of any donated asset in a permanent or expendable endowment fund.

Any income that has been collected specifically for, and passed onto, a third party (e.g. that part of a membership fee that is passed onto a parent body, or a collection held for another charity) should be excluded. However, the transferred amount should be recorded by way of a note to the accounts.

Independent examination

Independent examination is a less onerous form of external scrutiny than an audit and is available, under the Regulations, for charities with a gross income under £500,000, where the gross assets are less than £2,800,000 (£3,260,000 for financial years starting on or after 1 April 2011). It is not available where the constitution of the charity or another enactment requires the accounts to be audited. An independent examiner reviews the accounting records kept by the charity and compares them with the accounts prepared from those records. The examiner then writes a report which provides the information required by the Regulations and provides an assurance of whether or not anything has been found that needs to be brought to the attention of readers of the accounts.

Liability/Liabilities

A liability is an obligation to transfer to another body at some future time, some economic benefit, which is usually but not always, a sum of money.

Receipts and payments accounts

Receipts and payments accounts are a simple form of accounting that consist of a summary of all monies received and paid via the bank and in cash by the charity during its financial year, along with a statement of balances.

Registered auditor

A registered auditor is someone eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Reserves

General reserves are unrestricted funds held by a charity and are freely available to spend on any of the charity’s purposes. This would exclude endowment and restricted funds and fixed assets.

Restricted funds

Restricted funds are funds that can only be used for the particular purposes specified by the donor. For example, if a local authority provides a grant to a local charity to refurbish the community hall, the grant is a restricted fund that can only be used for the purpose for which it was given, in this case refurbishing the hall. Another example would be if a charity carries out an appeal for a particular purpose (e.g. to purchase a minibus). The money raised by the appeal would be a restricted fund and should only be used for the purpose of the appeal.

Income from assets held in a restricted fund (e.g. interest) will be subject to the same restriction as the original fund unless the terms of the original restriction say otherwise.

Unrestricted funds

Unrestricted funds are funds that the charity trustees are able to use for any of the charity’s purposes. Donations that are not given for a specific purpose would be an unrestricted fund (e.g. membership fees). Income from these funds is also unrestricted and can be used for any of the charity’s purposes at the discretion of the charity trustees.

Charity trustees may decide to earmark part of a charity’s unrestricted funds for a particular purpose, e.g. major repair works. These sums are designated for that purpose and should be accounted for as part of the charity’s unrestricted funds.

Part 2: Receipts and Payments Accounts

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Section 1 Introduction

1.1 Introduction

This is Part 2 of the guidance on the preparation of receipts and payments accounts along with the relevant external scrutiny options and should be read in conjunction with Part 1 of this publication, The Overview.

Appendix 1 to this Part has an example set of receipts and payments accounts including the relevant Independent Examiner’s report. A number of other example sets of accounts are available on the OSCR website at www.oscr.org.uk

1.2 What are 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, along with a statement of balances.

The main differences between receipts and payments and fully accrued accounts are that:

- » in receipts and payments accounts no adjustments are made for the timing of the income or payments to bring them in line with the activities to which they relate. So for example, if a charity pays its rent in advance just before the end of the financial year, the payment will be recorded in the accounts of the year it was actually paid, rather than in the year to which the payment relates
- » the purchase or sale of assets for cash would be included in the receipts and payments accounts. Assets owned by the charity should be shown separately on the statement of balances

- » changes in the value of assets are not included in receipts and payments accounts.

Formal accounting standards which are primarily concerned with ensuring that accounts show a true and fair view of a charity’s financial affairs do not apply to receipts and payments accounts. However, the 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.

1.3 Can my charity prepare receipts and payments accounts?

Non-company charities with a gross income of less than £100,000 (£250,000 for financial years starting on or after 1 April 2011) can prepare accounts on a receipts and payments basis unless:

- » the constitution
- » any enactment or
- » a decision of the trustees requires the charity to prepare fully accrued accounts.

Charitable companies, registered social landlords and further and higher education institutions **cannot** prepare accounts on a receipts and payments basis.

See Figure 1 – Preparing Accounts in Part 1: The Overview (page 9), to check what type of accounts your charity must prepare.

Section 2 Content of receipts and payments accounts

2.1 Introduction

Under the Regulations, receipts and payments accounts must consist of:

- » a Trustees' Annual Report
- » a report from an external scrutineer
- » a statement of the receipts and payments
- » a statement of the balances as at the last day of the financial year
- » notes to the accounts.

Both the statement of balances and the trustees' annual report must be signed by one or more of the charity trustees on behalf of all the charity trustees and specify the date on which both were approved.

To allow comparisons to be made, all figures in the accounts must include the corresponding amount for the previous financial year.

The accounts must also distinguish between restricted, unrestricted, expendable and permanent endowment funds held by the charity.

OSCR has produced a receipts and payments workpack that can be used to assist with the preparation of receipts and payments accounts. The workpack includes detailed guidance and templates that can be completed. It is available to download from the OSCR website at www.oscr.org.uk

2.2 Trustees' Annual Report

A charity's financial statements alone do not provide all the information a reader would need to gain a full picture of the charity. The financial statements 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.

The financial statements also do not provide information on the structure, governance or management arrangements of a charity. All of these should be addressed by the trustees' annual report which is an important element of a charity's annual reporting. Charity trustees should be actively involved in preparing it. The report should enable a reader to understand how the numerical information presented in the financial statements relates to the organisational structure and activities of the charity.

The trustees' annual report from the charity trustees must include the following information:

- » the name of the charity as it appears on the Scottish Charity Register and any other name by which the charity is known
- » the charity's Scottish Charity Number. This will begin SC followed by six digits the first being 0 (zero)
- » the address of the principal office of the charity. Where the charity does not have an office the annual report must give the name and address of one of the charity trustees, unless the charity is entitled to exclude the address from its entry in the Register because OSCR is satisfied that to include this information would jeopardise the safety or security of people or premises

- » the names of all the charity trustees on the date the annual report was approved by the charity trustees unless:
 - there are more than 50 charity trustees, in which case the names of 50 charity trustees is sufficient. Office bearers should be included – e.g. Chair, Treasurer
 - the charity is entitled to exclude the names of the charity trustees because OSCR is satisfied that to include this information would jeopardise the safety or security of people or premises.
- » the name of anyone who has been a charity trustee during the financial year covered by the accounts of which the trustees’ annual report forms part, unless the charity is entitled to exclude the names of the charity trustees because OSCR is satisfied that to include this information would jeopardise the safety or security of people or premises
- » the particulars of the constitution or governing document of the charity that contains the purposes and regulates the administration of the charity. This would include:
 - how the charity is constituted (e.g. unincorporated association, trust etc)
 - the organisational structure of the charity (e.g. a membership which elects a management committee or self-appointing trustees)
 - the relationship of the charity to any other body (e.g. affiliation with an umbrella group)
- » the purposes of the charity as set out in the constitution or governing document of the charity
- » a description of how charity trustees are recruited and appointed, including the name of any external body entitled to appoint charity trustees
- » a summary of the main activities of the charity and achievements in the financial year
- » a description of the policy the charity trustees have adopted to determine the level of reserves to be held by the charity. This should include:
 - the level of reserves held
 - why they are held
 - the amount and purpose of any designated fund, and the likely timing of any expenditure that has been set aside for the future
 - if the charity has a deficit, an explanation of how it came about and what steps are being taken to rectify it
 - an analysis of donated facilities and services, if any, that the charity received during the financial year.

The Trustees’ Annual Report must be signed by one or more charity trustees on behalf of all the charity trustees and specify the date on which the statement of account, of which the trustees’ annual report forms part, was approved.

2.3 Statement of receipts and payments

The statement of receipts and payments provides an analysis of the incoming and outgoing cash and bank transactions for the year. The analysis must show the following categories separately:

Receipts

- » donations
- » legacies
- » grants
- » receipts from fundraising activities – e.g. sponsorships

- » gross receipts from trading –
e.g. charity shop income
- » receipts from investments other than land and buildings
- » rent from land and buildings
- » gross receipts from other charitable activities.

In addition:

- » the proceeds from sale of fixed assets
- » the proceeds from sale of investments

should be shown separately from the above receipts.

Payments

- » expenses for fundraising activities
- » gross trading payments
- » investment management costs
- » payments relating directly to charitable activities, detailing material items
- » grants and donations relating directly to charitable activities
- » governance costs relating to:
 - independent examination or audit
 - preparation of annual accounts
 - legal costs associated with constitutional matters or trustee advice.

In addition:

- » purchase of fixed assets
- » purchase of investments

should be shown separately from the above payments.

The statement of receipts and payments must distinguish between unrestricted and restricted funds, as well as any expendable and permanent endowment funds. This is usually achieved by giving each fund a separate column in the accounts. Where a charity has more than one fund in any of these categories it should present the total funds held in each. The notes to the accounts must then explain in sufficient detail the content of the unrestricted, restricted and endowment funds so that the reader gains a full understanding of the accounts.

Any transfers from a restricted, unrestricted, expendable endowment or permanent endowment fund into another fund must be shown separately from the receipts and payments.

2.4 Statement of balances

As well as a statement of receipts and payments the accounts must contain a statement of balances. The statement must reconcile the cash and bank balances at the beginning and end of the financial year with the surplus or deficit shown in the statement of receipts and payments.

As with the statement of receipts and payments, the statement of balances must distinguish between restricted and unrestricted funds, as well as any expendable or permanent endowment funds held by the charity.

In addition the statement of balances must also:

- » summarise the investments held by the charity at their market valuation
- » summarise the other assets held by the charity, including gifted assets, either at their current value if available or at cost. Where the charity trustees consider the valuation to be lower than the cost, the valuation should be used

- » include a total estimate of the liabilities of the charity at the financial year end
- » contingent liabilities must be shown separately.

The statement of balances must be signed by a charity trustee on behalf of all the charity trustees and specify the date on which the statement of account was approved by the charity trustees.

2.5 Notes to the accounts

Notes are an important part of the accounts. They expand on or explain the information contained in the statements of receipts and payments and balances, and will help a reader understand the accounts.

The notes to the accounts must contain the following information, unless this information has been provided in the Trustees' Annual Report:

- » the nature and purpose of each fund held by the charity, including any restrictions on their use
- » the number and amount of any grants paid out by the charity, the type of activity or project supported by those grants, and whether they were paid out to an individual or an organisation
- » the amount of remuneration paid to a charity trustee or person connected to a charity trustee (a connected person). Any remuneration must be in accordance with section 67 of the 2005 Act and the note must specify the authority under which the remuneration was paid. If no remuneration was paid to a charity trustee or anyone connected to a charity trustee this must be stated
- » the total amount of expenses, if any, paid to charity trustees and the number of charity trustees receiving expenses. If no expenses were paid to charity trustees this must be stated

- » the nature of any transactions between the charity and any charity trustee or person connected to a charity trustee. This may include, for example, a charity trustee purchasing an asset from the charity or a charity paying a firm for services such as professional advice where a charity trustee has a substantial interest in the firm. This note must include:
 - the nature of the relationship
 - the nature and amount of the transaction
 - any outstanding balance at the financial year end
- » any further information required to reasonably assist the reader to understand the statement of accounts.

2.6 Example accounts

To assist charities OSCR has published example sets of fictional accounts which illustrate receipts and payments accounts that comply with the Regulations. The accounts for Glendale After School Club are reproduced as Appendix 1. Further examples representing charities with wider activities and funding sources are available to download from the OSCR website at www.oscr.org.uk

It should not be assumed that the examples show the only way of presenting an item or that they include all the disclosures for a particular type of charity. Indeed many charities may choose to provide more detailed notes than those required by the Regulations. Any examples provided by OSCR are not designed to be used as a substitute for reference to sections 2.1 to 2.5 in this Part and the Regulations.

Section 3 External scrutiny

3.1 What type of external scrutiny should be carried out?

Non-company charities may prepare receipts and payments accounts where their gross income in a financial year is less than:

- » £100,000, where the accounting period started before 1 April 2011
- » £250,000 where the accounting period started on or after 1 April 2011.

Charities that have prepared accounts on a receipts and payments basis can subject their accounts to an independent examination unless:

- » the constitution or governing document of the charity requires the accounts to be subject to an audit
- » the charity trustees have decided to subject the accounts to an audit
- » any enactment requires the accounts to have been subject to an audit.

If any of these requirements apply the charity must subject the accounts to an audit by a registered auditor. (Refer to Part 1: The Overview – Section 3, page 10)

3.2 Independent examination

Independent examination is a less onerous form of external scrutiny than an audit and is available, under the Regulations, for charities with a gross income under £500,000. This threshold has been set at a level where the more detailed audit scrutiny is not deemed essential as the scrutiny of an independent examination is deemed rigorous enough for this size of charity.

An independent examiner reviews the accounting records kept by the charity and compares them with the accounts prepared from those records. The examiner then prepares a report which provides the information required by the Regulations and provides an assurance as to whether or not anything has been found that needs to be brought to the attention of readers of the accounts.

The independent examination of receipts and payments accounts must be carried out by someone independent of the management and administration of the charity and who the trustees believe has the required skills and experience to carry out a competent examination of the accounts.

See section 4.1 in Part 1: The Overview (page 13) for an explanation of who would be considered independent of the management and administration of the charity.

In deciding who might have the required skills charity trustees should take into consideration the degree of complexity of the charity’s accounts. The more complex the accounts the higher the level of qualification or experience the independent examiner will require. The types of people who charity trustees could consider as having the required skills and experience might include for example:

- » full or associate members of the Association of Charity Independent Examiners
- » qualified accountants currently in employment
- » retired accountants
- » other professionals familiar with financial matters whether or not currently employed
- » other people familiar with financial matters.

3.3 Content of the independent examination report

After completing the independent examination of a charity's accounts the examiner must make a report to the charity trustees which:

- » states the name and address of the independent examiner and the name of the charity concerned
- » is signed and dated by the independent examiner and states any relevant professional qualifications they may have or of which professional body they are a member. The independent examiner must sign and date their report at the same time or shortly after, but not before, the charity trustees approve the accounts
- » specifies the financial year of the accounts to which the report relates
- » specifies that the report is an examination carried out under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005
- » states whether or not anything has come to the attention of the independent examiner which gives them reasonable cause to believe that:
 - proper accounting records have not been kept
 - the accounts do not agree with the records
 - the receipts and payments accounts do not comply with Regulation 9
- » states whether or not the independent examiner believes there is anything that should be drawn to the attention of readers to help them understand the accounts

- » states if any of the following matters have become apparent to the independent examiner:
 - there has been any material expenditure or action not in accordance with the purposes of the charity
 - that information to which the examiner is entitled has been withheld
 - that there is a material difference between the accounts and the annual report prepared by the charity trustees.

An example independent examiner's report is shown as part of the example accounts within Appendix 1 (page 41) of this Part of the guidance.

3.4 Audit

Where a charity has prepared accounts on the receipts and payments basis and an audit is required, the audit must be carried out by a registered auditor. An audit report of 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 the name of the charity
- » is signed by the auditor or someone authorised to sign on behalf of a company or partnership
- » states that the auditor is a person who is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
- » states the date of the report and specifies the financial year of the accounts to which the report relates

- » specifies that it is a report carried out under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005
- » states whether, in the opinion of the auditor:
 - the statement of account complies with Regulations 9(1), (2) and (3) dealing with receipts and payments accounts, and
 - **properly presents** the receipts and payments of the charity for the financial year, and the statement of balances at the year end
- » contains a statement where the auditor has formed the 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 charity trustees
 - that information to which the auditor is entitled has been withheld.

The statement must contain the grounds for forming any of the above opinions.

In preparing the audit report the auditor must carry out such investigations as he or she feels necessary to enable them to form an opinion regarding the matters above.

Where an auditor appointed by charity trustees ceases to act as the auditor he or she must send to the charity trustees:

- » a statement of any circumstances connected with the auditor ceasing to hold that office that he or she feels should be brought to the attention of the charity trustees, or

- » if the auditor considers there are no circumstances that need to be reported to the charity trustees, a statement that there are none.

The auditor must also send to OSCR a copy of any report he or she has sent to the charity trustees containing circumstances connected with the auditor ceasing to hold that office that he or she feels should be brought to the attention of the charity trustees.

3.5 Duty to report matters to OSCR

See section 4.3 of Part 1: The Overview (page 13), for guidance on the independent examiners and auditors duty to report matters to OSCR under section 46 of the 2005 Act.

Section 4 Reporting to OSCR

The statement of account and report from the independent examiner or auditor must be submitted to OSCR each year. The accounts should be submitted at the same time as the charity’s Annual Return. See section 7 of Part 1: The Overview (page 16), for detailed guidance on the requirements for reporting to OSCR.

Appendix 1: Example accounts

Glendale After School Club

Scottish Charity No SC074551

Annual Report & Financial Statements

For the Year Ended 31 December 2010

Trustees' Annual Report

For the Year Ended 31 December 2010

The trustees have pleasure in presenting their report together with the financial statements and the independent examiner's report for the year ended 31 December 2010.

Reference & Administrative Information

Charity Name
Glendale After School Club

Charity No
SC074551

Address
C/o Janis Brown, 14 Leyland Gardens, Glendale, EZ3 4YG

Current Trustees

Janice Brown	Chair
Mary Wilson	Secretary
Robin Campbell	Treasurer
Cyril Anderson	
Claire Deans	Elected – 14/06/2010
Sylvia Gregory	
Neil Jackson	Elected – 14/06/2010

Other Trustees who served during the year
Carol Healey Retired – 14/06/2010

Structure Governance & Management

Constitution
The Charity is an unincorporated association. It is governed by its constitution which was adopted on 16 April 2004 and last amended on 14 August 2009. The Club was granted charitable status by OSCR on 4 January 2007.

Appointment of Trustees
The management committee, which normally meets on a monthly basis, are the charity's trustees. Membership of the management committee is open to all parents and guardians of children in the Club.

Trustees are elected at the Annual General Meeting which is normally held in June. Under the constitution, there must be a minimum of three and not more than nine elected trustees. The trustees may co-opt a further three trustees if they consider it would be in the interests of the Club to do so.

Management

The trustees are responsible for the strategic direction and governance of the Club, whilst day-to-day running is delegated to the Club Manager and her assistant, both of whom are paid members of staff. We also have several volunteer leaders to assist on a rota basis. The Club Manager attends the trustee meetings to discuss progress and development.

The trustees are particularly aware of their responsibilities for Health and Safety, especially for the children. In addition to comprehensive insurance, our staff and volunteers all have disclosures under the Protection of Vulnerable Groups (PVG) Scheme.

Objectives & Activities

Charitable purposes

To provide social and educational care facilities for children of primary school age in Glendale and the surrounding area both after school each day and during school holidays.

Activities

Our activities are all about stimulating the children and encouraging their development in a safe and caring environment. Activities include many aspects of Art & Crafts, Dance, Drama, Indoor & Outdoors Games, Physical Exercise, Singing, Team Challenges and many more.

Achievements & Performance

Demand for places at the Club remains high and we continue to have a waiting list. We are limited by both the capacity of our meeting place, Glendale Village Hall, as well as the number of leaders available.

In July, we were delighted that our efforts were recognised when we received a “highly commended” award from the National After School Clubs Council. Not only was this greatly appreciated by everyone involved in the Club, but should also help us to obtain funding to replace some of our older equipment.

Our annual summer outing in 2010 was to the Museum of Flight where the children (and not a few adults) not only enjoyed the day out but in the process learned a great deal about aviation history.

Our daily activities, both in the Village Hall and outside when the weather permits, provide a complimentary but less formal learning process to that in school. The high attendances we have, even during the school holidays, are testimony to the enjoyment the children get from attending the Club.

Financial Review

Our main source of funding continues to be fees charged to parents. We have again received a grant from Central Council towards running costs, as we continue to provide places for disabled children. We are very grateful to Glendale Community Council for awarding us £1,000 towards the cost of two much needed wheelchairs and £500 towards the cost of a computer with facilities for those unable to use a keyboard. A small legacy from the estate of a former head teacher of Glendale Primary School in recognition of the Club’s contribution to the community was much appreciated.

Each year we donate a small amount of the funds we raise to other charities. This year the children agreed that we would give £100 to Glendale Children’s Hospice. In addition, the children themselves raised £84 which they gave to Glendale Church’s Christmas appeal for orphanages abroad.

Receipts on the unrestricted fund were £15,398 (2009: £14,912) largely due to small increase in fees from April 2010. Payments for the year were £15,845 (2009: £14,827) as a result of increased staff costs. Including the balance of the cost of the wheelchairs, the resultant deficit for the year was £618 which was taken from reserves.

At the end of the year, £500 remained in the restricted fund to meet the cost of the computer which we expect to be delivered in the spring of 2011.

Reserves Policy

The trustees’ policy is to maintain reserves at around 2-3 months of normal running costs in order to meet commitments and to cover any unexpected expenditure. Reserves at the end of the year were £3,574, which is within the target range.

Plans for Future Periods

The trustees intend to continue and develop the service that the Club provides for the benefit of the children in the community. We are actively considering starting another group in Glenside, our neighbouring village, where over 200 houses have been built in the last three years. However, this is very much dependent on finding suitable premises and sufficient leaders.

We intend to establish a Scottish Charitable Incorporated Organisation (SCIO) to take over from the existing unincorporated organisation during the current year. This will not affect the way in which the Club operates but will provide a measure of protection for the trustees as well as giving us the ability to hold property and contracts in name of the Club.

Approved by the trustees on 15 March 2011 and signed on their behalf by:

Janice Brown
Chair

Independent Examiner’s Report
For the Year Ended 31 December 2010

Independent Examiner’s Report to the Trustees of Glendale After School Club

I report on the financial statements of the charity for the year ended 31 December 2010, which are set out on pages X to X.

Respective responsibilities of Trustees and Examiner

The charity’s trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 (“the 2005 Act”) and the Charities Accounts (Scotland) Regulations 2006 (as amended) (“the 2006 Regulations”). The charity’s trustees consider that the audit requirement of Regulation 10(1)(d) of the 2006 Regulations does not apply. It is my responsibility to examine the accounts as required under section (44)(1)(c) of the 2005 Act and to state whether particular matters have come to my attention.

Basis of Independent Examiner’s Statement

My examination is carried out in accordance with Regulation 11 of the 2006 Regulations. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and, consequently, I do not express an audit opinion on the view given by the accounts.

Independent Examiner’s Statement

In connection with my examination, no matter has come to my attention:-

- 1 which gives me reasonable cause to believe that, in any material respect, the requirements:-
 - to keep accounting records in accordance with section 44(1)(a) of the 2005 Act and Regulation 4 of the 2006 Regulations, and
 - to prepare accounts which accord with the accounting records and comply with Regulation 9 of the 2006 Regulations have not been met, or
- 2 to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Kevin Brown FCIE

3 Cannon Grove
Glendale
EZ3 4DF
19 May 2011

Statement of Receipts and Payments – For the Year Ended
31 December 2010

Receipts	Note	Unrestricted Funds	Restricted Funds	Total 2010	Total 2009
Voluntary Receipts					
Donations & Gift Aid		629	-	629	398
Grants	4	1,000	1,500	2,500	1,000
Legacy		150	-	150	-
Fund Raising		1,231	-	1,231	1,802
Bank Interest		147	-	147	231
Receipts from Charitable Activities					
Membership Fees		10,763	-	10,763	9,904
Summer Outing		1,478	-	1,478	1,577
		15,398	1,500	16,898	14,912
Payments					
Cost of Fund Raising		389	-	389	207
Cost of Charitable Activities	5	14,457	-	14,457	13,942
Grants & Donations	6	100	-	100	100
Governance Costs	7	260	-	260	177
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	(118)	85
Transfers between funds	8	(171)	171	-	
Surplus/(Deficit) for the year		(618)	500	(118)	85

The Notes on pages 7 & 8 form an integral part of these accounts

The above statement excludes funds raised in behalf of other charities as shown in Note 9

Statement of Balances – As at 31 December 2010

Funds Reconciliation	Unrestricted Funds	Restricted Funds	Total 2010	Total 2009
Cash at Bank & In Hand - 31/12/2009	4,192	-	4,192	4,107
Surplus/(Deficit) for year	(618)	500	(118)	85
Cash at Bank & In Hand - 31/12//2010	3,574	500	4,074	4,192

Bank & Cash Balances

Bank Deposit Account	3,500	3,000
Bank Current Account	535	1,148
Cash in Hand	39	44
	4,074	4,192

Other Assets (Unrestricted Fund)

Play equipment (estimated value)	750	600
Wheelchairs (at cost)	1,171	-
Membership fees due	110	65
Gift Aid accrued on donations at year end	101	78
	2,132	743

Liabilities (Unrestricted Fund)

Glendale Village Hall (for hall hire)	307	116
---------------------------------------	-----	-----

All funds are unrestricted

The Notes on pages 7 & 8 form an integral part of these accounts

Approved by the trustees on 15 March 2011 and signed on their behalf by:-

Janice Brown
Chair

Robin Campbell
Treasurer

Notes to the Accounts – For the Year Ended 31 December 2010

1 Basis of Accounting

These accounts have been prepared on the Receipts & Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

2 Nature and purpose of funds

Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity. The trustees maintain a single unrestricted fund for the day-to-day running of the Club.

Restricted funds may only be used for specific purposes. Restrictions arise when specified by the donor or when funds are raised for specific purposes. During the year, the Club received a grant of £1,500 from Glendale Community Council being £1,000 towards the cost of two wheelchairs and £500 towards a new computer for use by disabled children.

3 Related Party Transactions

The Club’s insurance policy includes Trustee Indemnity Insurance for all its trustees. No other remuneration was paid to the trustees or to any connected persons during the year (2009: Nil).

Travelling expenses totalling £126 were paid to two trustees during the year to enable them to attend the National After School Clubs Conference (2009: Nil).

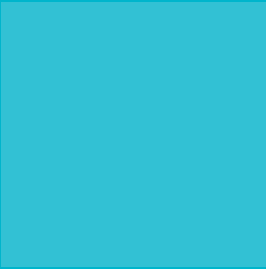
4. Grants Received	Unrestricted Funds	Restricted Funds	Total 2010	Total 2009
Central Council	1,000	-	1,000	1,000
Glendale Community Council	-	1,500	1,500	-
	1,000	1,500	2,500	1,000

5. Grants & Donations made	Unrestricted Funds	Restricted Funds	Total 2010	Total 2009
Wages & National Insurance	8,328	-	8,328	7,823
Hall Hire	1,507	-	1,507	1,434
Catering	1,324	-	1,324	1,480
Equipment Repairs & Maintenance	239	-	239	552
Insurance	688	-	688	664
Summer Outing	1,862	-	1,862	1,673
Postage, Stationery & Telephone	383	-	383	316
Travelling Expenses	126	-	126	-
	14,457	-	14,457	13,942

Notes to the Accounts – For the Year Ended 31 December 2010

6. Grants & Donations made	2010	2009
Barnardo's	-	100
Glendale Children's Hospice	100	-
	100	100
7. Governance Costs		
Annual Accounts & AGM	135	127
Independent Examiner's Fee	50	50
Legal Advice	75	-
	260	177
8. Transfers between funds		
£171 was transferred from the unrestricted fund to the restricted fund to meet the balance of the cost of the wheelchairs not covered by the grant from Glendale Community Council.		
9. Funds collected for other charities		
Glendale Parish Church Christmas Appeal	84	50

Part 3: Fully Accrued Accounts



Part 3: Fully Accrued Accounts

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Section 1 Introduction

1.1 Introduction

This is Part 3 of the guidance on the preparation of fully accrued accounts along with the relevant external scrutiny options, and should be read in conjunction with Part 1 of this publication, The Overview.

Appendix 1 to this Part contains an example independent examiner's report and directs readers to where examples of accrued accounts can be found.

1.2 Should the charity prepare fully accrued accounts?

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

- » has a gross income for the year of £100,000 or more (this threshold increases to £250,000 for accounting periods starting on or after 1 April 2011)
- » is a company or a Registered Social Landlord or a Higher or Further Education Institution
- » the constitution or governing document or any enactment of Parliament says the charity should prepare fully accrued accounts, or accounts that give a true and fair view of its financial affairs
- » the trustees have decided that they will prepare fully accrued accounts.

See Figure 1 – Preparing Accounts in Part 1: The Overview (page 9), to check what type of accounts a charity must prepare.

While a charity with a gross income under £100,000 (£250,000 for accounting periods starting on or after 1 April 2011) may be able to prepare accounts on a receipts and payments basis, the charity trustees may decide nevertheless that they wish to have fully accrued accounts prepared because they want their accounts to show the financial affairs of the charity on

a true and fair basis. However, because fully accrued accounts must follow the 2005 Charities SORP and, if independently examined, be examined by a qualified independent examiner (see section 3.5), charity trustees should fully consider the implications of deciding to prepare fully accrued accounts if they are not otherwise required.

1.3 How should the charity prepare fully accrued accounts?

Accounts prepared using the accruals basis should recognise incoming resources when the effect of the transaction or other event results in an increase in the charity's assets. This normally depends upon entitlement to the resources, certainty that they will be received and a reliable estimate of the amount. This is not necessarily the same date as when monies are received.

Expenditure should be recognised when the liability is incurred which is as soon as there is a legal or constructive obligation committing the charity to the expenditure. This is not necessarily the same date as when monies are paid out.

It is generally recognised that for a statement of account to give a true and fair view of the financial state of a charity it should be produced on the fully accrued basis. This means that they should be prepared in accordance with UK Generally Accepted Accounting Principles (GAAP) and the methods and principles of the Charities SORP.

In May 2008, OSCR and the Charity Commission for England and Wales issued the second edition of Accounting and Reporting by Charities: Statement of Recommended Practice (the 2005 Charities SORP). The second edition reflects changes in charity law and company law since the document was originally published in 2005. The SORP aims to:

- » improve the quality of financial reporting by charities

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

Schedule 1 of the Regulations specifies that fully accrued accounts must be prepared in accordance with the methods and principles of the 2005 Charities SORP. This reference has been updated to reflect the second edition of the SORP and includes reference to any Charities SORP update bulletins or information sheets.

Registered social landlords and further or higher education institutions must prepare their accounts as specified in their own industry Statement of Recommended Practice (SORP). Their accounts must contain an income and expenditure account in place of the statement of financial activities along with a balance sheet and notes to the accounts.

Given the complicated nature of both the 2005 Charities SORP and the preparation of fully accrued accounts, charity trustees may wish to consider using professional accountants when preparing accrued accounts if the charity does not have the skills in-house.

This document will only provide a general outline and the key requirements for fully accrued accounts because further, more detailed, information can be found in the 2005 Charities SORP.

Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (second edition - May 2008). Copies can be downloaded from the OSCR website at www.oscr.org.uk or the Charity Commission website at www.charity-commission.gov.uk Hard copies may be purchased from CCH on 0870 777 2906.

Section 2 Content and principles to be used when preparing fully accrued accounts

Under the Regulations the statement of account for fully accrued accounts must consist of:

- » **a Trustees' Annual Report** from the charity trustees of the activities of the charity. The content of the annual report is detailed in the 2005 Charities SORP. The annual report is a crucial component of the statement of account and its preparation should actively involve the charity trustees. It provides information that is not contained in the financial statements that will enable a reader to understand how the numerical information relates to the organisational structure and activities of the charity
- » **an external scrutiny report** from either an independent examiner or auditor
- » **a statement of the financial activities (often referred to as the SOFA)** of the charity that gives a true and fair view of the incoming resources of the charity and their application during the financial year
- » **a balance sheet** that gives a true and fair view of the state of the financial affairs of the charity at the end of the financial year
- » **a cash flow statement**, if appropriate
- » **notes to the accounts** that explain the accounting policies adopted and explain or expand on the information contained within the main accounting statement. See the 2005 Charities SORP for further information.

The balance sheet and trustees' annual report must be signed by one of the charity trustees on behalf of all the charity's trustees. Both documents must also specify the date on which the statement of account of which they form part was approved by the charity trustees.

The trustees' or directors' report of a charitable company is often signed by the company secretary. Where the company secretary is not also a charity trustee the report must be signed by a charity trustee; it may in addition be signed by the company secretary.

The statement of account must be prepared in accordance with the methods and principles set out in the 2005 Charities SORP.

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.

If compliance with the Regulations for the preparation of accounts would not be consistent with giving a true and fair view, the trustees should depart from the Regulations to the extent necessary to give a true and fair view.

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 the corresponding amount referred to has a different definition it must be adjusted to allow a comparison to be made.

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 figure must be shown.

The statement of financial activities must distinguish between unrestricted, restricted and endowment funds. However, where a charity has more than one fund in any of these categories the statement of financial activities should present the total funds held in each. The notes to the accounts must then explain in sufficient detail the content of the unrestricted, restricted and endowment funds so that the reader gains a full understanding of the accounts.

Section 3 External scrutiny

3.1 What type of external scrutiny should be carried out?

This depends on its gross income and net assets or whether or not the charity is also a company. See Figure 2 in Part 1: The Overview (page 12), to check the type of scrutiny to which a charity must subject its statement of account.

3.2 External scrutiny of fully accrued accounts for charities that are not companies

Charities that are not companies are subject to the following external scrutiny thresholds in the Regulations:

- » non-company charities that have prepared accrued accounts and have a gross income of less than £500,000 and assets before deduction of liabilities of £2,800,000 (£3,260,000 for accounting periods starting on or after 1 April 2011) or less in any financial year can subject their accounts to an independent examination and not an audit unless:
 - the constitution or governing document of the charity requires the accounts to be subject to an audit, or
 - the charity trustees have decided to subject the accounts to an audit, or
 - any enactment requires the accounts to be the subject of an audit.

See sections 3.4 to 3.6 overleaf on independent examination for further details of the independent examination.

- » non-company charities that:
 - have an income of £500,000 or above, or
 - have an income of less than £500,000, but have prepared fully accrued accounts

and have assets (before deduction of liabilities) greater than £2,800,000 (£3,260,000 for accounting periods starting on or after 1 April 2011), or

- have an income of less than £500,000 but their constitution or any enactment says they should, or the charity trustees decide they should,

must have an audit by a registered auditor or the Auditor General for Scotland or an auditor appointed by the Accounts Commission for Scotland.

See section 3.7 for further details on the requirements for audit.

3.3 External scrutiny of charitable companies

Unless the Memorandum and Articles of Association indicate otherwise, charities that are also companies are subject to the following external scrutiny thresholds under charity law:

- » where the gross income is less than £500,000 and the gross assets are no more than £2,800,000 (£3,260,000 for accounting periods starting on or after 1 April 2011), an independent examination under the Regulations is required (see sections 3.4 to 3.6 overleaf)
- » where the gross income is £500,000 or more or where the gross assets are more than £2,800,000 (£3,260,000 for accounting periods starting on or after 1 April 2011), an audit is required under the Regulations
- » if the charitable company does not meet the conditions for audit exemption under company law and therefore requires an audit under the Companies Act 2006, an audit is required under both the Regulations and the Companies Act 2006.

Where an audit is required, this must be carried out by a registered auditor (see section 3.7).

Charitable companies which are either a parent company or a subsidiary are not entitled to the above exemptions from audit unless the group of which it is a component qualifies as a small group in terms of company law. This would alleviate any requirement for audit under company law but not under the Regulations.

For the audit requirements under the Companies Act contact Companies House or a professional accountant.

3.4 Independent examination

Independent examination is a less onerous form of external scrutiny than an audit and is available, under the Regulations, for charities preparing fully accrued accounts where:

- » gross income is under £500,000, and
- » gross assets are less than £2,800,000 (£3,260,000 for financial periods starting on or after 1 April 2011).

It is not available where the constitution of the charity or another enactment requires the accounts to be audited. This threshold has been set at a level where the more detailed audit scrutiny is not deemed essential as the scrutiny of an independent examination for accrued accounts is deemed rigorous enough for this size of charity.

An independent examiner reviews the accounting records kept by the charity and compares them with the accounts prepared from those records. The examiner then prepares a report which provides the information required by the Regulations and provides an assurance whether or not anything has been found that needs to be brought to the attention of readers of the accounts (see section 3.6 overleaf).

3.5 Who can carry out an independent examination of fully accrued accounts?

For charities which produce fully accrued accounts, the independent examination must be carried out by one of the following:

- » a member of one of the following professional bodies:
 - The Institute of Chartered Accountants of Scotland
 - The Institute of Chartered Accountants in England and Wales
 - The Institute of Chartered Accountants in Ireland
 - The Association of Chartered Certified Accountants
 - The Association of Authorised Public Accountants
 - The Association of Accounting Technicians
 - The Association of International Accountants
 - The Chartered Institute of Management Accountants
 - The Institute of Chartered Secretaries and Administrators
 - The Chartered Institute of Public Finance and Accountancy
 - a full member of the Association of Charity Independent Examiners
 - the Auditor General for Scotland
 - a person appointed by the Accounts Commission for Scotland.

See section 4 in Part 1: The Overview (page 13), for guidance on deciding who to appoint as an independent examiner.

3.6 Content of the independent examiner's report

After completing the independent examination of a charity's accounts the examiner must make a report to the charity trustees which:

- » states the name and address of the independent examiner and the name of the charity concerned
- » is signed and dated by the independent examiner and states any relevant professional qualifications they may have or of which professional body they are a member. The independent examiner must sign and date their report at the same time as or shortly after, but not before, the charity trustees approve the accounts
- » specifies the financial year of the accounts to which the report relates
- » specifies that the report is an examination carried out under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005
- » states whether or not anything has come to the attention of the independent examiner which gives them reasonable cause to believe that:
 - proper accounting records have not been kept
 - the accounts do not agree with the records
 - the accounts do not comply with Regulation 8
- » states whether or not the independent examiner believes there is anything that should be drawn to the attention of readers to help them understand the accounts
- » states if any of the following matters have become apparent to the independent examiner:
 - that there has been any material expenditure or action not in accordance with the purposes of the charity

- that information to which they are entitled has been withheld
- that there is a material difference between the accounts and the annual report prepared by the charity trustees.

An example independent examiner's report is attached at Appendix 1 (page 56) to this Part of the guidance.

3.7 Audit

Where a charity has prepared accrued accounts and requires an audit, the audit must be carried out by a registered auditor or by the Auditor General for Scotland or by an auditor appointed by the Accounts Commission for Scotland following UK auditing standards.

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

- » states the name and address of the auditor and the name of the charity
- » is signed by the auditor or someone authorised to sign on behalf of an audit firm or partnership
- » states that the auditor is a person who is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
- » states the date of the report and specifies the financial year of the accounts to which the report relates
- » specifies that it is a report carried out under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005
- » states whether, in the opinion of the auditor:
 - the statement of account complies with Regulation 8 dealing with fully accrued 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

- » contains a statement where the auditor has formed the 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 charity trustees
 - information to which they are entitled has been withheld.

The statement must contain the grounds for forming any of the above opinions.

In preparing the audit report the auditor must carry out such investigations as are necessary to enable an audit opinion be formed.

Where an auditor appointed by charity trustees resigns he or she must send to the charity trustees:

- » a statement of any circumstances connected with the auditor ceasing to hold that office that they feel should be brought to the attention of the charity trustees, or
- » if the auditor considers there are no circumstances that need to be reported to the charity trustees, a statement that there are none.

The auditor must also send to OSCR a copy of any report he or she has sent to the charity trustees containing circumstances connected with the auditor ceasing to hold that office that he or she feels should be brought to the attention of the charity trustees.

Further detailed guidance on audit requirements can be found in Practice Note 11 – The Audit of Charities in the United Kingdom, produced by the Auditing Practices Board. Contact www.frc.org.uk/apb

3.8 Duty to report matters to OSCR

See section 4.3 of Part 1: The Overview (page 13), for guidance on the independent examiners and auditors duty to report matters to OSCR under section 46 of the 2005 Act.

Section 4 Reporting to OSCR

The statement of account and report from the independent examiner or auditor must be submitted to OSCR each year at the same time as the charity's Annual Return. See section 7 of Part 1: The Overview, for guidance on the requirements for reporting to OSCR.

Section 5 Example accounts

To assist charities preparing reports and accounts in line with the recommendations of the 2005 Charities SORP the Charity Commission has 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 Charity Commission website at www.charity-commission.gov.uk

Appendix 1: Example independent examiner's report (fully accrued accounts)

Independent Examiner's Report to the Trustees of "ABC" Trust

I report on the accounts of the charity for the year ended xx xxxx 20xx which are set out on pages xx to xx.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). The charity trustees consider that the audit requirement of Regulation 10(1) (a) to (c) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under section 44(1) (c) of the Act and to state whether particular matters have come to my attention.

Basis of independent examiner's statement

My examination is carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006 (as amended). An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement

In the course of my examination, no matter has come to my attention [other than disclosed below*]

1. which gives me reasonable cause to believe that in any material respect the requirements:
 - to keep accounting records in accordance with Section 44(1) (a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations, and
 - to prepare accounts which accord with the accounting records and comply with Regulation 8 of the 2006 Accounts Regulations have not been met, or
2. to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Name:

Relevant Professional qualification/professional body:

Address:

Date:

* Please delete the words in brackets if they do not apply. If the words do apply, set out those matters which have come to your attention.

INVESTOR IN PEOPLE