

Scottish Charity Accounts

What this guide covers

Guidance on the preparation and examination of accounts using the Receipts and Payments method



Contents

| | Page |
|---|-------------|
| Section 1 Introduction | 1 |
| 1.1 Introduction | 1 |
| 1.2 Scope of this guidance | 1 |
| 1.3 What are receipts and payments accounts? | 1 |
| 1.4 How can these forms be used? | 2 |
| Section 2 Features of receipts and payments accounts | 3 |
| 2.1 Content of receipts and payments accounts | 3 |
| 2.2 Features of receipts and payments accounts | 3 |
| 2.3 Tips on preparing receipts and payments accounts | 4 |
| 2.4 General notes for completing receipts and payments accounts | 5 |
| Section 3 Trustees' Annual Report | 6 |
| 3.1 General | 6 |
| 3.2 Notes for preparing the Trustees' Annual Report | 6 |
| Section 4 Statement of receipts and payments | 9 |
| 4.1 General | 9 |
| 4.2 Notes for completing the statement of receipts and payments | 10 |
| Section 5 Statement of balances | 12 |
| 5.1 General | 12 |
| 5.2 Notes for completion of statement of balances | 12 |
| Section 6 Notes to the accounts | 14 |
| 6.1 Purpose of notes to the accounts | 14 |
| 6.2 Notes for completion of notes to the accounts | 14 |
| Section 7 Independent examination | 15 |
| 7.1 What type of external scrutiny should be carried out? | 15 |
| 7.2 What is independent examination and who can undertake it? | 15 |
| 7.3 Content of the independent examiner's report | 15 |
| 7.4 Audit | 16 |
| 7.5 Charity reporting to OSCR | 16 |
| 7.6 Independent examiner reporting to OSCR | 16 |
| Section 8 Sources of advice and support | 17 |
| Section 9 Glossary | 18 |

Section 1 Introduction

1.1 Introduction

The format and independent scrutiny of charity accounts is regulated by the Charities and Trustee Investment (Scotland) Act 2005 ('the Act'), and the Charities Accounts (Scotland) Regulations 2006 ('the Regulations').

The Office of the Scottish Charity Regulator (OSCR) has published detailed guidance on the accounts provisions covered in the Act and the Regulations within the publication *Scottish Charity Accounts: An Updated Guide to the 2006 Regulations*, which is split into three sections:

- The Overview
- Receipts and Payments Accounts
- Fully Accrued Accounts

Terms appearing in italics in this document are defined in the glossary.

1.2 Scope of this guidance

This guidance is provided for those with a *gross income* less than £250,000 (or £100,000 for accounting periods starting before 1 April 2011) and who prepare charity accounts on the *Receipts and Payments* basis; and those who scrutinise such accounts under *Independent Examination*.

This publication explains the principles underlying receipts and payments accounts. The accompanying pro forma documents provide a format for the preparation of such accounts in accordance with section 44 of the Act and the Regulations for financial years starting on or after 1st April 2006. This guidance does **not** apply to charitable companies as they cannot prepare accounts on a receipts and payments basis.

These notes are designed to be read in conjunction with the Overview and Receipts and Payments Accounts publications. In particular, refer to 'Figure 1 Preparing Accounts' in the Overview booklet to confirm that receipts and payments accounts are appropriate for the particular charity.

1.3 What are 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.

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

- in receipts and payments accounts, no adjustments are made for the timing of the income or payments to bring them into line with the activities 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

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

- the purchase or sale of assets for cash directly by the charity rather than a broker would be included in the receipts and payments accounts. Assets owned by the charity should be shown separately, by way of a note, as they, in real terms, do not represent resources moving into or out of the charity
- changes in 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 any surplus or deficit.

1.4 How can these forms be used?

The pro forma receipts and payments accounts can be used in one of two ways:

- where trustees do not wish to design their own annual accounts they may enter the relevant details and amounts from the cash book and other records of the charity on to the forms; or
- trustees who want to produce their own form of receipts and payment accounts can use the forms as a checklist.

Fully completed, these forms will meet the requirements of the law for receipts and payments accounts.

The guidance and forms are available on the OSCR website www.oscr.org.uk and can be downloaded and completed manually or electronically. As online filing is not available please send the completed forms together with the Annual Return to OSCR by the filing deadline.

Section 2 Features of receipts and payments accounts

2.1 Content of receipts and payments accounts

Under the Regulations a receipts and payments statement of account must consist of:

- a trustees' annual report
- a statement of receipts and payments
- a statement of balances as at the last day of the financial year
- notes to the accounts.

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

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

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

2.2 Features of receipts and payments accounts

- **Record cash movements only**

Receipts and payments accounts are statements that summarise the movement of cash into and out of the charity during the financial year. In this context "cash" includes cash equivalents, for example, bank and building society balances where cash can be readily withdrawn to pay for liabilities or expenditure as they become due.

- **Summaries of cash movements**

Receipts and payments accounts should be prepared in the format specified in the Regulations and should not report all individual receipts and payments (like a cash book) but should summarise similar items. For example, all donations received for a particular purpose could be shown as one entry and all payments for one activity can be shown as one entry.

- **Differences from accruals accounts**

Receipts and payments accounts include some items that do not appear in accruals accounts. These extra items involve either exchanging cash for other assets or exchanging other assets for cash. Examples include receipts from the sale of fixed assets or investments. Although such items should be included in receipts and payments accounts, they should form a separate category from other items in the accounts as the items do not represent resources moving into or out of the charity.

Similarly, receipts and payments accounts **exclude** some items that are included in accruals accounts. These excluded items mainly involve changes in the value of assets, such as investments, buildings, *creditors* and *debtors*, which are not accounted for in receipts and payments accounts. This means that receipts and payments accounts will not contain any amounts for depreciation, gifts in kind, bad debts or gains and losses on sales of investments or fixed assets.

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

2.3 Tips on preparing receipts and payments accounts

2.3.1 Where should the cut-off point be at the year end?

The closing bank balance to report in the accounts should be:

- the balance at the bank on the last day of the financial year,
plus
- any money received before the end of the year but only banked in the following year,
less
- any cheques written before the end of the year but not cleared through the bank until the following year.

2.3.2 Accounting for separate funds

The Regulations require that trustees should be able to account separately for the restricted, unrestricted, expendable or permanent endowment funds that they manage.

A separate bank account is not required for each fund, provided that the book keeping records (for example, cash book and supporting documents) allow the trustees to identify the receipts and payments of each fund and the related assets and *liabilities*.

Many charities may only have an unrestricted, or general, fund, and the trustees will only need to enter amounts in the first column of the receipts and payments accounts. If charities have restricted and/or endowment funds, then they will have to complete these additional columns as well.

The pro forma receipts and payments accounts adopt an approach that combines all three types of fund in a single statement. This shows each type of fund in a separate column and meets the regulatory requirements. Additional notes schedules are provided to allow a further analysis of each fund type where this is needed.

2.3.3 How to summarise cash movements

Receipts and payments accounts **summarise** cash movements. Therefore all payments for similar types of expense (e.g. fundraising) or similar activities (e.g. charitable activities) and all receipts of similar types (e.g. donations) should be added together. Significant items (e.g. a large grant) may, for clarity, be shown separately in the additional notes schedules.

2.3.4 Allocation

Sometimes payments are made (or receipts received) for more than one fund (for example, where a payment is partly for routine property maintenance and partly for an improvement funded by a restricted grant). In such cases the payment should be allocated on a reasonable basis and charged to the fund to which that payment relates.

2.3.5 Endowment funds

Where a charity has an expendable or permanent endowment fund which consists of investments:

- receipts generated by endowment fund assets (for example, dividends, interest, rent, etc.) will appear in the unrestricted funds column, or restricted funds column if the receipt can only be applied for a restricted purpose, and **not** in the endowment funds column
- receipts from the disposal of investments, or payments to acquire new investments, should be included within the endowment column. A disposal that is immediately reinvested in a new investment need not be shown as a receipt and subsequent payment
- *investment management costs* should only be included in the statement of receipts and payments where they are paid directly from the charity's bank account.

2.4 General notes for completing receipts and payments accounts

Round all amounts to the nearest Pound Sterling (e.g. £4.60 becomes £5).

The trustees should be actively involved in the preparation of the trustees' annual report as this is a crucial component of the accounts and allows the reader of the accounts to gain a fuller understanding of the numerical statements and notes. Even if the trustees do not prepare the accounts and the trustees' annual report, all trustees, not just the treasurer, are responsible both for their contents and accuracy. The trustees should formally approve the report and accounts at one of their meetings.

There may be other information that trustees wish to include to provide a fuller understanding of a transaction or events. Any additional information the trustees believe is necessary for a better understanding of the accounts should be added on the extra sheets.

The receipts and payments account form has a column for "last year's figures" and this must also be completed.

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

Section 3 Trustees' Annual Report

3.1 General

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.

This makes the trustees' annual report an important element of a charity's annual reporting. The trustees' annual report provides an opportunity to explain the areas not covered in the financial statements and is a crucial component of the charity's accounts. The trustees' annual report will enable a reader to understand how the numerical information presented in the financial statements relates to the organisational structure and activities of the charity.

3.2 Notes for preparing the Trustees' Annual Report

OSCR's pro forma Trustees' Annual Report (Appendix 1) has been primarily designed to assist smaller charities to present the information needed to meet the requirements of Schedule 2 of the Regulations. The information comprises:

| Section | Comment |
|--|--|
| Charity name | The name of the charity as it appears on the Scottish Charity Register. |
| Other names the charity is known by | If the charity is known by another name then that name should be included here. |
| Registered charity number | The charity's Scottish Charity Number. This will begin SC followed by six digits beginning with 0. |
| Charity's principal address | 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. |

| Section | Comment |
|---|--|
| Names of charity trustees on date of approval of Trustees' Annual Report | <p>The names of all the charity trustees on the date the annual report was approved by the charity trustees unless:</p> <ul style="list-style-type: none"> • there are more than 50 charity trustees, in which case the names of 50 charity trustees will be sufficient; or • 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. <p>You may also add details of any office held (e.g. Chair, Secretary, Treasurer, etc.) after the name.</p> <p>This form provides for 20 trustees to be listed. The maximum number to be disclosed is 50 (use a separate sheet if necessary). If there are more than 50 trustees, please give the names of just 50 and include the names of trustees who are officers (Chair, Secretary, Treasurer, etc.).</p> <p>If the charity trustee is a company or corporate body, list the names of the current directors or other persons managing it.</p> |
| Names of all other charity trustees | <p>The name of anyone who has been a charity trustee during the financial year covered by the accounts the annual report forms part of, 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.</p> |
| Type of governing document | <p>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:</p> <ul style="list-style-type: none"> • how the charity is constituted (e.g. unincorporated association, trust, etc.) • the organisational structure of the charity (e.g. a membership who elect a management committee or self appointing trustees) • the relationship of the charity to any other body (e.g. affiliated within an umbrella group or with a parent body). |
| Trustee recruitment and appointment | <p>A description of how the charity trustees are recruited and appointed, including the name of any external body entitled to appoint charity trustees (e.g. parent body, local authority, etc.).</p> |
| Charitable purposes | <p>The purposes of the charity as set out in the constitution or governing document of the charity.</p> |
| Summary of the main activities | <p>A summary of the main activities of the charity in the financial year explaining how these further its charitable objects and deliver public benefit. You might explain, for example, the major programmes, projects and other activities in which the charity engages. The summary should be sufficient to give the reader a reasonable understanding of the type of work undertaken. For example, 'runs a community centre' or 'provides free advice to beneficiaries'.</p> |

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

| Section | Comment |
|--|---|
| Summary of the main achievements of the charity | <p>Include in this section a brief summary of the charity's main achievements for the year that resulted from the charitable activities undertaken. This may be a brief narrative describing the results of the charity's work or give details of the outputs achieved, for example, 'ran over 400 befriending sessions reaching over 200 people'.</p> |
| Policy on reserves | <p>Include in this section a description of the policy the charity trustees have adopted to determine the level of <i>reserves</i> to be held by the charity. This should include:</p> <ul style="list-style-type: none"> • the level of reserves held • why they are held. This may, for example, include meeting fluctuations in receipts or payments, meeting specific future needs, or money set aside to cover events or situations that may happen (contingencies and risks) • the amount and purpose of any <i>designated fund</i>, and the likely timing of any expenditure that has been set aside for the future. <p>Reserves policies, as well as being important for a charity's own financial planning, also helps explain to readers of charity accounts, the reasons why reserves are held.</p> |
| Details of any deficit | <p>If the charity has incurred a deficit during the year, an explanation of how it came about should be given, together with details of the measures being taken, if required, to rectify it.</p> |
| Donated facilities and services | <p><i>Donated facilities and services</i> will not appear in the receipts and payments accounts, but trustees should refer to the support in the annual report by providing details of donated facilities and services, if any, that the charity received during the financial year. For example, the charity that provides a befriending service might state that over 200 people were helped by 50 volunteers carrying out over 400 befriending sessions of approximately two hours each.</p> |
| Other information | <p>This section can be used for any other details which the charity trustees may choose to include in their report.</p> |
| Signatures | <p>The annual report must be signed by a charity trustee on behalf of all the charity trustees and specify the date on which statement of account, of which the annual report forms part, was approved by the charity trustees.</p> <p>At least one trustee's signature is required but some charities prefer to have two signatures. Space has therefore been provided to accommodate a second signature, if required.</p> |

Section 4 Statement of receipts and payments

4.1 General

The statement of receipts and payments provides an analysis of the incoming and outgoing cash and bank transactions for the year. The first page of the accounts pro forma at Appendix 2 – section A is used to record the summary of the receipts (top part of the form) and payments (lower part of the charity form). The Regulations specify the items to be shown and these are provided on the pro forma.

The statement of account 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 there are multiple funds in any of these fund types, or the charity wants to provide more detailed analysis, the additional notes pro forma sheets can be used with a transfer of the totals to the respective columns on the receipts and payments sheet.

The additional notes sheets comprise:

- 1) breakdown of donations, grants, gross receipts from other charitable activities and payments relating directly to charitable activities across the principal fund headings
- 2) breakdown of the receipts and payments for unrestricted funds where there are multiple funds
- 3) breakdown of the receipts and payments for restricted funds where there are multiple funds.

The additional sheets may be provided to OSCR along with the primary statements should you wish to do so or if you believe that the schedules provide important information about the charity's transactions for the year that would assist a reader of the accounts.

Any transfers from a restricted, unrestricted, expendable endowment or permanent endowment fund into another fund are shown separately. Please ensure that where a transfer is being made **from** a fund, that the figure is entered as a negative.

The electronic version of Appendix 2 will automatically total rows and columns where appropriate. There are also cells that are designed to check to ensure that there is consistency between figures. For example, if additional analysis sheet 2 were used to provide details of unrestricted funds of the charity, and the total receipts on that sheet did not agree to the total receipts for unrestricted funds on the statement of receipts and payments, the message "cross ref error" would appear under the total receipts figure on the additional analysis sheet. It should be noted that where the additional analysis sheets are used, the "cross ref error" messages will appear until all figures are correctly completed.

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

4.2 Notes for completing the statement of receipts and payments

The following notes explain what should be included in each section of the receipts and payments account.

Receipts

| | |
|----------------|---|
| Note A1 | <p>This section should summarise all the receipts (other than receipts from sale of assets and investments or any income that has been collected specifically for and passed onto a third party, e.g. a collection held for another charity) using the categories listed. In particular,</p> <p>Donations would include all individual and corporate donations and any related gift aid claimed as well as membership fees and subscriptions.</p> <p>Grants should include all grant income from foundations, trusts and local authorities.</p> <p>Receipts from fundraising activities may include:</p> <ul style="list-style-type: none">• the occasional jumble sale and coffee morning• sponsorships. <p>Gross trading receipts should include all receipts from trading activities. The trading activities may be directly associated with the charitable activities or may be undertaken purely to generate income for the charity. Examples of trading receipts are:</p> <ul style="list-style-type: none">• charity shop income• fees received in a playgroup• fees for advice or counselling services• the sale of religious booklets by a religious charity. <p>Income from investments may include:</p> <ul style="list-style-type: none">• dividends/interest from investments, including bank interest• interest on loans made to a subsidiary. <p>Receipts from other charitable activities consist of receipts from all other sources. For example, contributions received towards outings and away days or any ad hoc income such as an insurance claim or compensation received by the charity.</p> |
| Note A2 | <p>This section should summarise receipts from asset and investment sales into the following:</p> <ul style="list-style-type: none">• proceeds from sale of fixed assets (e.g. vehicles, furniture, equipment, computers)• proceeds from sale of investments (e.g. stocks and shares). |

Payments

| | |
|----------------|--|
| Note A3 | This section should summarise payments (other than purchase of assets and investments, etc.) using the categories listed. The reader of the accounts will compare a number of receipts and payments categories, e.g. trading, fundraising. Investment management and <i>governance costs</i> are defined in the glossary. |
| Note A4 | <p>This section should summarise payments relating to asset and investment movements into the following:</p> <ul style="list-style-type: none"> • purchase of assets retained for the charity’s own use (e.g. vehicles, furniture, equipment, computers) • purchase of assets retained for investment purposes (e.g. stocks and shares). |

Transfers and movements

| | |
|----------------|---|
| Note A5 | <p>The transfers row should be used to show any transfers between restricted, unrestricted, expendable and permanent endowment funds. The total of these transfers should be zero. This row should include transfers from:</p> <ul style="list-style-type: none"> • unrestricted (general) funds to meet a deficit on a restricted fund • an expendable endowment to an unrestricted (general) or restricted income fund to spend on charitable purposes • a restricted fund of any unspent funds to unrestricted (general) funds with the agreement of the donor. <p>Where any expendable endowment funds are transferred to unrestricted or restricted income funds, there must be authority for this in the document governing the use of the endowment. If any such transfers are made, please give details in a note of the authority for the transfer.</p> |
|----------------|---|

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

Section 5 Statement of balances

5.1 General

As well as a statement of receipts and payments the accounts must contain a statement of balances (Appendix 2 – Section B). 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 endowment 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, stating either the cost of these assets or the valuation if it is lower than the cost
- include a total estimate of the liabilities of the charity at the financial year end with *contingent liabilities* being shown separately.

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

5.2 Notes for completion of statement of balances

The following notes explain what should be included in each section of the statement of balances.

| | |
|----------------|---|
| Note B1 | <p>Cash funds should include all cash and bank and building society balances where cash can be readily withdrawn to pay for liabilities/expenditure as they become due.</p> <p>The cash balances brought forward from last year end should be those held in all the charity's cash and 'near cash' accounts.</p> |
| Note B2 | <p>Investments may include:</p> <ul style="list-style-type: none">• term deposits and any bank and building society balances not readily available to pay for liabilities/expenditure as they become due• government stocks, etc.• other quoted securities• properties held primarily for investment purposes• investments in subsidiary or associated companies• other investments. |

| | |
|-----------------------|--|
| <p>Note B3</p> | <p>Other assets may include:</p> <ul style="list-style-type: none"> • tax reclaim(s) due • recoverable grants and charitable loans due to the charity • other debts (recoverable amounts) due to the charity • land and buildings primarily occupied by the charity • motor vehicles • computers and other equipment • furniture, fixtures and fittings • other assets used by the charity in delivering its objectives. <p>Gifts of assets are not included in the receipts and payments statement. Gifted assets should however be included within the statement of balances.</p> |
| <p>Note B4</p> | <p>Liabilities may include:</p> <p>Those immediately due, for example:</p> <ul style="list-style-type: none"> • taxes due but not yet paid • amounts due to staff for wages, salaries, etc. • suppliers' accounts not yet paid. <p>Those payable some time in the future, for example:</p> <ul style="list-style-type: none"> • loan liabilities (details of lenders, terms, etc. may be added) • amounts payable on hire purchase and other leasing arrangements • any other liabilities. |
| <p>Note B5</p> | <p>Details of the nature and an estimate of the amount of each contingent liability should be provided.</p> |

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

Section 6 Notes to the accounts

6.1 Purpose of notes to the accounts

Notes to the accounts 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.

6.2 Notes for completion of notes to the accounts

The notes to the accounts (Appendix 2 – Section C) must contain the following information, unless it has been provided in the annual report.

| | |
|----------------|--|
| Note C1 | Funds The nature and purpose of the different funds held by the charity, including any restrictions on their use. |
| Note C2 | Grants 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. |
| Note C3 | Trustee remuneration The amount of remuneration paid to a charity trustee or person connected to a charity trustee. The note must also state the authority under which that remuneration was paid (e.g. the provision under section 67 of the Act and a decision of the charity trustees taken at a meeting on a specified date). See Section 5 of OSCR's Guidance for Charity Trustees. If no remuneration was paid to a charity trustee or someone connected to a charity trustee, this must be stated. |
| Note C4 | Trustee expenses 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. |
| Note C5 | Transactions with trustees and connected persons The nature of any transactions between the charity and any charity trustee or person connected to a charity trustee (a <i>connected person</i>). 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: <ul style="list-style-type: none">• the nature of the relationship• the nature and amount of the transaction• any outstanding balances at the financial year end. |
| Note C6 | Other information Any further information required to reasonably assist the reader to understand the statement of accounts. |

Section 7 Independent examination

7.1 What type of external scrutiny should be carried out?

Charities that have prepared accounts on the receipts and payments basis will have a gross income of less than £250,000 (£100,000 where the accounting period starts before 1 April 2011) in any financial year and can subject their accounts to an independent examination unless:

- the constitution or governing document of the charity requires the accounts to be audited
- the charity trustees have decided to have the accounts audited
- any enactment requires the accounts to be audited.

If any of these requirements apply, the charity must subject the accounts to an audit by a registered auditor or in the case of certain local authority and government bodies by someone appointed by the Auditor General for Scotland or the Accounts Commission for Scotland. Guidance on this matter is outwith the scope of this publication and charities should refer to the Overview booklet.

7.2 What is independent examination and who can undertake it?

Independent examination is a form of external scrutiny of accounts that has been specifically designed for smaller charities. In recognition of the size of charities to which it applies, it is a less onerous form of external scrutiny than an audit. 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 that nothing has been found that needs to be brought to the attention of readers of the accounts (see section 7.3 below).

The independent examination of receipts and payments accounts must be carried out by someone independent of the management and administration of the charity and whom the trustees believe has the required skills and experience to carry out a competent examination of the accounts (see section 4.1 of the Overview booklet).

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 whom charity trustees could consider as having the required skills and experience might include:

- a full or associate member of the Association of Charity Independent Examiners
- qualified accountants currently in employment
- retired accountants
- bank managers
- other people familiar with financial matters.

7.3 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. The pro forma at Appendix 3 contains the information which is required to be reported upon as follows:

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

- the name of the charity concerned
- the registered charity number
- the financial year of the accounts to which the report relates
- that the report is an examination carried out under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005
- 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 (see Section 5 of the Overview booklet)
 - the accounts do not agree with the records
 - that the receipts and payments accounts do not comply with the Regulations
- 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
- whether 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 they are entitled to has been withheld from them
 - that there is a material difference between the accounts and the annual report prepared by the charity trustees
- the signature of the independent examiner
- the name and address of the independent examiner
- the date – 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
- any relevant professional qualifications the independent examiner may have or the professional body of which they are a member.

7.4 Audit

Where the charity has prepared accounts on the receipts and payments basis and an audit is required then refer to the Receipts and Payments guidance booklet section 3.4 for further guidance. Appendix 3 should **not** be used in these circumstances.

7.5 Charity reporting to OSCR

The statement of account and report from the independent examiner must be submitted to OSCR each year. **The Trustees' Annual Report, Statement of Balances and Independent Examiner's Report which are submitted to OSCR must be SIGNED with original signatures (not photocopies) and dated by the appropriate individuals.**

The accounts should be submitted at the same time as the charity's Annual Return to OSCR. See Section 7 of the Overview booklet for detailed guidance on the requirements for reporting to OSCR.

7.6 Independent examiner reporting to OSCR

Independent examiners are reminded that under the Act they must report to OSCR any matter they become aware of which is likely to have a material significance to OSCR carrying out its functions. See section 4 of the Overview booklet.

Section 8 Sources of advice and support

Sources of Advice and Support

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. Telephone: 01382 220446 or visit www.oscr.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. Telephone: 0131 556 3882 or www.scvo.org.uk

Third Sector Interface

Every local authority area has a Third Sector Interface that provides advice, information and assistance to charities. Their contact details can be found in the phone book, in libraries or on the Voluntary Action Scotland website at www.voluntaryactionscotland.org.uk

Professional Bodies

| | |
|---|--|
| The Association of Charity Independent Examiners (ACIE) | www.acie.org.uk |
| 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.icaei.ie |
| The Association of Chartered Certified Accountants | www.accaglobal.com |
| 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 or Accountancy | www.cipfa.org.uk |

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

Section 9 Glossary

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.

Assets

Assets are property, goods and money, investments, rights to receive money in the future and logos, names, data and other intellectual property.

Close relative

Close relatives are children, parents, grandchildren, grandparents, brothers or sisters and any of their spouses.

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 with in an equivalent relationship
- any institution, corporate body or Scottish partnership where the charity trustee, or person connected to them, has a controlling or substantial interest.

Contingent liability

A contingent liability is a liability that may arise from past events but whether it will, or how much it may be, is not yet certain.

Creditors

Creditors are people or organisations to whom the charity owes money for loans or supplies of goods or services.

Debtors

Debtors are people or organisations that owe money to the charity, normally for supplies of goods or services but also for loans, promised donations and legacies.

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 services and facilities

Donated services and facilities are assistance in the form of donated facilities, beneficial loan arrangements, donated services or voluntary help.

Endowment funds

There are two forms of endowment:

- A **permanent endowment** is a fund that has been gifted to the charity with specific conditions attached, and cannot be spent in any circumstances.
- An **expendable endowment** is one where funds have been gifted to the charity with specific conditions attached and which cannot be spent except in those circumstances as set out in 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 a restricted or unrestricted fund.

Governance costs

The Regulations require separate disclosure of audit/independent examination, preparation of annual accounts and legal costs. Expenditure associated with other governance activities such as trustee meetings and strategic planning should be shown under 'Other information'.

Gross income

A charity's gross income is the total income of the charity for that particular year 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 also be excluded. However, it should be recorded by way of a note to the accounts under 'other information'.

Independent Examination

Independent Examination is a form of external scrutiny of accounts that has been specifically designed for smaller charities. In recognition of the size of charities to which it applies, it is a less onerous form of external scrutiny than an audit. 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 a negative assurance that nothing has been found that needs to be brought to the attention of readers of the accounts.

Investment management costs

Investment management costs will include any payments for:

- portfolio management charges
- investment advice
- management or maintenance of investment property.

Scottish Charity Accounts

Guidance on the preparation and examination of accounts using the Receipts and Payments method

Liability

A liability is an obligation to transfer to another body, at some future time, some economic benefit, 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.

Reserves

Reserves are that part of the funds held by a charity that is freely available to spend on any of the charity's purposes.

Restricted fund

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 it was given, in this case refurbishing the hall. Another example would be if a charity carries out an appeal for a particular purpose. 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 fund

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 included within 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 described as **designated** funds and should be accounted for as part of the charity's unrestricted funds.

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