

# Accruals accounts

---

## Preparing accruals accounts



## The Charity Commission for Northern Ireland

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

### Our vision

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

Further information about our aims and activities is available on our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

### Equality

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

### Accessibility

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

### Online or in print

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

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

Please check our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk) to make sure you’re using the latest versions of forms and guidance.

# Contents

<b>Section 1:</b>	<b>Overview</b>	4
<b>Section 2:</b>	<b>About this guidance</b>	5
<b>Section 3:</b>	<b>Content and principles to be used when preparing accruals accounts</b>	10
	3.1 What are the legal requirements for accruals accounts?	
	3.2 The Charities Statement of Recommended Practice	
	3.3 Should my charity prepare accruals accounts?	
	3.4 Changes to the Charities SORP	
	3.5 Preparing accounts under the Charities SORP for the first time	
	3.6 Example accounts	
	3.7 Charities established under company law	
	3.8 Special case charities	
<b>Appendix 1:</b>	<b>Glossary</b>	20
	<b>Useful contacts</b>	26
	<b>Useful links and guidance</b>	28
	<b>If you are dissatisfied with our service</b>	29
	<b>Freedom of information and data protection</b>	30
	<b>Contact details</b>	31

## Section 1: Overview

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

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

The full list of accounting and reporting guidance includes:

[ARR01. Charity reporting and accounting: guidance summary](#)

[ARR02. Charity reporting and accounting: the essentials](#)

[ARR03. Receipts and payments accounts](#)

[ARR04. Accruals accounts](#)

[ARR05. How to complete the annual monitoring return](#)

[ARR06. Charity reporting: Interim arrangements and the annual monitoring return](#)

[ARR07. Independent examination of charity accounts: examiner's guide](#)

[ARR08. The trustees' annual report and public benefit reporting](#)

This document, [ARR04 Accruals accounts](#), is aimed at larger charities and those that are required to prepare accruals accounts.

**You should read this guidance if you are required to prepare accruals accounts. Generally, this applies to charities with gross income of more than £250,000 or to charitable companies. You should also read this document if your governing document, a funder, or any other legislation requires your charity to prepare accruals accounts. It provides guidance on the legal format for accruals accounts. This guidance should be read alongside [ARR08 The trustees' annual report and public benefit reporting](#)**

## Section 2: About this guidance

### Who does this guidance apply to?

This guidance is aimed at **charity trustees**, who may also be referred to by other terms, such as trustees, members of management committees, or directors of **charitable companies**, as well as anyone acting on behalf of a charity, for example a helper group, solicitor, accountant, agent or adviser. The guidance applies to all types of charity, for example, charitable companies and charities that are not companies, such as unincorporated associations, industrial and provident societies and trusts.

### What does this guidance cover?

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

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

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

1 January 2016 **or**

The date of registration with the Commission if later than 1 January 2016.

### What does this guidance not cover?

There are specific **accounting standards** that apply to charities preparing accruals accounts. This document does not provide detailed guidance on how to apply the Financial Reporting Standard applicable in the UK and Republic of Ireland (referred to as FRS102) to charity accounts. This is done within the **Charities Statement of**

**Recommended Practice** (FRS102) (Charities SORP). The Charities SORP includes charity-specific requirements that are additional to those of FRS102 and has been prepared to be consistent with company law and other relevant law and regulations. Refer to the [Charities SORP microsite](#) for further information.

This guidance does not provide a full overview of the accounting and reporting framework based on the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015, or detail for charities that have elected to prepare **receipts and payments accounts**. This guidance also does not cover details regarding the **audit** or **independent examination** of charity accounts, or the content requirements of the **trustees' annual report**. This information is covered in other guidance documents that make up the suite of accounting and reporting guidance.

Accounting and reporting requirements for investment funds, organisations classified as **Section 167 charities**, and charities that have been linked by the Commission, for example **special trusts**, are not covered in this guidance. The reporting framework that applies to these types of charities will be set out at a later stage.

Guidance on preparing the trustees' annual report, including the requirement to report on public benefit, is available in *ARR08. The trustees' annual report and public benefit reporting*.

### **What will be published?**

All charity accounts and reports will be published on the charity's entry on the online *register of charities*. The public register will also display the compliance status of registered charities in relation to annual reporting. When a charity submits its annual reporting information within the 10 month deadline, the charity's entry on the register will display as 'Up-to-date'. However, if a charity does not file its annual reporting information on time this will be displayed on the register as 'in default'.

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

## What are legal requirements and best practice?

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

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

## Charity legislation

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

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

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

## Key terms

The following are some key terms you may find useful when reading this guidance. These, and other terms, are also listed in a glossary at the end of this guidance. Please familiarise yourself with each of the terms below. **Please note these terms are not listed in alphabetical order but in the logical sequence in which a charity will encounter them.**

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

**Relevant financial year:** This means the financial year in respect of which the charity accounts or group accounts are prepared.

**Previous financial year:** This means the financial year immediately preceding the current financial year.

**Receipts and payments accounts:** This is a form of accounting that consists 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. Company law requirements mean that a charitable company cannot prepare its accounts on a receipts and payments basis.

**Accruals accounts:** Refers to accounts prepared on a 'true and fair' basis in accordance with accounting standards and the methods and principles of the applicable Statement of Recommended Practice (SORP). In contrast to receipts and payments accounts, where income and expenditure is accounted for only when the money is received or paid out, accruals accounts record the income of a particular activity when there is entitlement or probability about income, and expenses, when the **liability** is incurred. This is not necessarily the same date on which money is received or paid out. Accruals accounts prepared in accordance with the Charities SORP must contain a balance sheet showing the charity's financial position at the end of the year, a statement of financial activities (SoFA), a cashflow statement (if applicable) and explanatory notes to the accounts. The SoFA should show all incoming resources, and resources expended during the year (and for company charities only, an income and expenditure account, except where the SoFA incorporates the income and expenditure account).

**Statements of Recommended Practice (SORPs):** Statements of Recommended Practice (SORPs) supplement accounting standards and other legal and regulatory requirements in light of the special factors prevailing or transactions undertaken in a particular sector and their application is relevant to the 'true and fair' view required of charity accounts. For general charities this is the Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 (Charities SORP FRS102).

**Charities SORP or Accounting and reporting by charities:**

**Statement of Recommended Practice (SORP):** This means Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of



Ireland (FRS 102) issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator on 16 July 2014, also known as the Charities SORP. It provides a comprehensive framework that enables charities to adopt a consistent interpretation of UK financial reporting standards (FRS) as well as account for those transactions that arise when undertaking charitable activities. The Charities SORP applies to all general charities that prepare accounts on an accruals basis.

**General charity:** This means any charity other than a special case charity or an investment fund.

**Gross income:** The Charities Act defines gross income to mean the gross recorded income from all sources including special trusts. For accounts prepared on a receipts and payments basis gross income is simply the total receipts recorded in the statement from all sources excluding the receipt of any **endowment**, loans and proceeds from the sale of **investments** or fixed assets. For accruals accounts this is the income from all sources in the accounting period, including the conversion of endowment to income, but excluding: gifts of endowment, net investment gains/(losses), all revaluation gains/(losses) on retained assets not due to impairment, actuarial gains/(losses) and such other gains/(losses) that are excluded by accounting standards from the calculation of net income.

**Trustees' annual report:** A trustees' annual report is produced by the charity trustees and, along with your accounts, tells people:

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

It must also include administrative information about the charity such as where the charity is based and who the charity trustees are. Minimum requirements are set out in the accounting and reporting regulations. Charities preparing accruals accounts must also incorporate the requirements set out in the Charities SORP. Larger charities must provide more detail within the trustees' annual report than smaller charities. All charities must explain how the activities undertaken during the year have furthered the charity's purposes for the public benefit. Further information can be found in *ARR08. The trustees' annual report and public benefit reporting*.

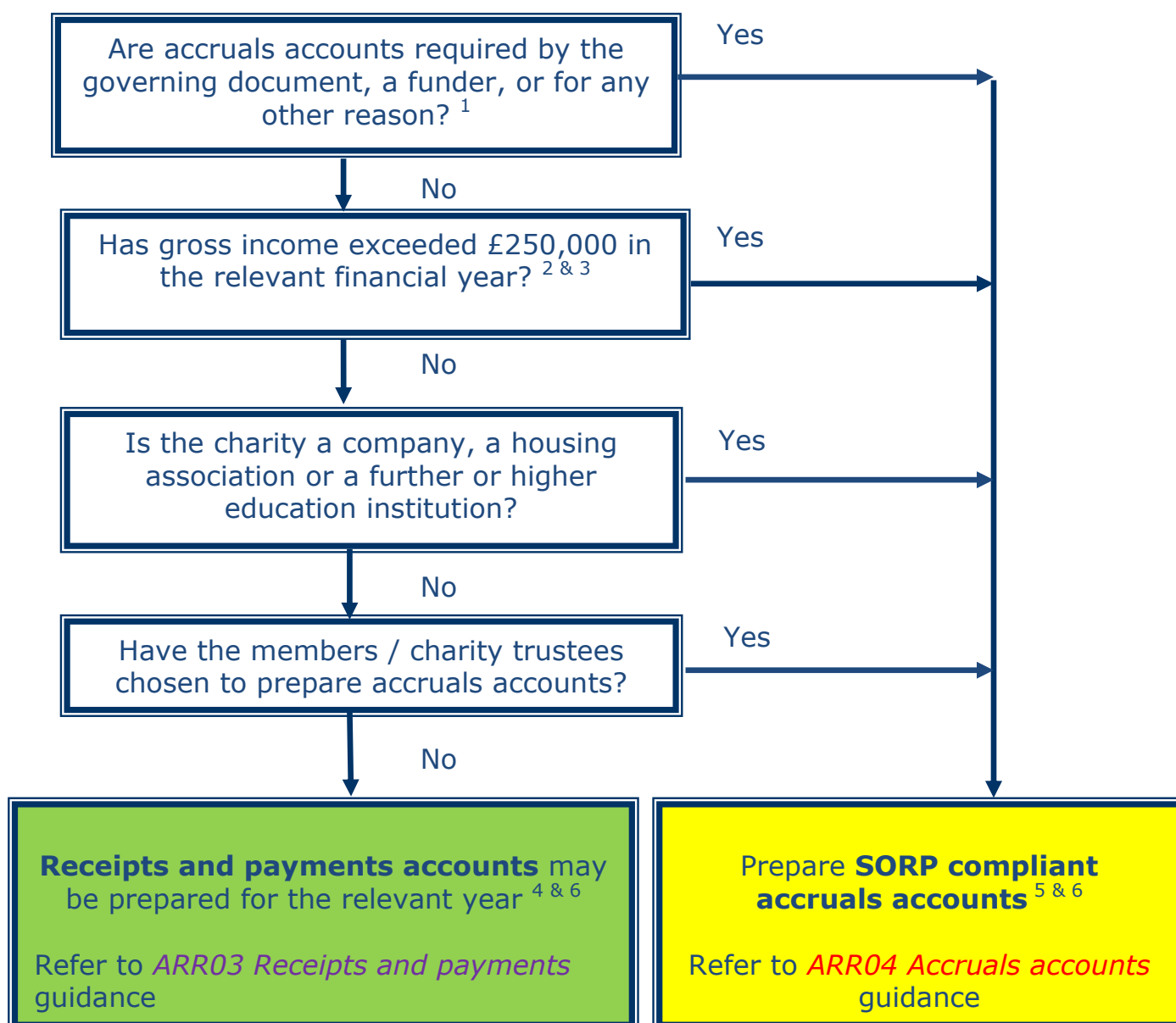
## Section 3: Content and principles to be used when preparing accruals accounts

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

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

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

**Figure 1 – Preparing accounts**



**Notes**

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

### 3.1 What are the legal requirements for accruals accounts?

If you are a general charity and you fall under one of the categories above, you must prepare accruals accounts in accordance with UK Generally Accepted Accounting Principles (GAAP), and the methods and principles of the Charities Statement of Recommended Practice FRS102 (**Charities SORP**). It is important that whoever is responsible for preparing your charity's accounts familiarises themselves with the requirements of the Charities SORP and any changes or updates relating to it. Charity trustees may wish to consider using professional accountants when preparing accruals accounts if the charity does not have the skills in-house. Accruals accounts must include:

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

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

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

A **trustees' annual report** including details about the charity's activities for the public benefit in the year. See *ARR08. The trustees' annual report and public benefit reporting* for the full requirements.

An **external scrutiny report** from either an independent examiner or auditor, depending on the charity's income. See *ARR02. Charity reporting and accounting: the essentials* for more information on external scrutiny requirements.

Additionally, the following may be required:

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

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

If your charity is a Further or Higher Education institution or a registered Housing Association you are considered a special case charity and different accounting frameworks apply (see section 3.8).

## 3.2 The Charities Statement of Recommended Practice

The Charities SORP has been developed primarily to assist those involved in preparing charity accounts to deal with charity specific accounting issues, and sets out how charities are expected to apply accounting standards to their particular activities and transactions. This includes information on how charities should present and disclose their activities and funds within their accounts. The aim of the Charities SORP is to:

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

The Charities SORP also includes charity-specific requirements additional to those of FRS102. In particular, it includes requirements relating to the trustees' annual report, fund accounting, the format of the statement of financial activities and additional disclosure aimed at providing a high level of accountability and transparency to donors, funders, financial supporters and other stakeholders. This document will only provide a general outline and the key requirements for accruals accounts summarised above because further, more detailed, information can be found in the Charities SORP.

**Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)**

Copies can be downloaded at [www.charitiessorp.org](http://www.charitiessorp.org)

Hard copies may be purchased from CIPFA. Contact 020 7543 5100 or visit: [www.cipfa.org](http://www.cipfa.org)

### 3.3 Should my charity prepare accruals accounts?

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

- Donors or funders require accruals accounts to be prepared as a condition of their funding
- Charity trustees need to explain more about the use of their resources than simply through cash movements, for example, when
  - a charity has significant non-cash assets, or fixed assets which the charity trustees would like to value and depreciate in the accounts or
  - a charity has received significant non-cash donations (gifts in kind or valuable gifts of services)
- The charity, despite having an income under the threshold, is growing in size or complexity, for example, the charity has begun to use a trading subsidiary, or the charity is involved in joint operations with other charities
- The charity has significant receipts or payments arising from asset and investment sales and purchase, and the charity trustees consider that the preparation of accruals accounts would explain these transactions more clearly
- The charity carries out its activities mainly by making programme related **investments** by way of equity or loan, rather than by making grants to beneficiaries, and the charity trustees consider that the preparation of accruals accounts would explain these transactions more clearly.

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

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

For example, a charity has an agreement with their landlord to pay £12,000 rent per annum, by paying £3,000 per quarter in advance.

Under receipts and payments accounts, the rent expense is only recorded when a physical payment is made. If the charity makes a payment just before the end of the financial year, because they have paid in advance, the £3,000 must be included in the current year's accounts, not the following year's accounts that it actually relates to. The rent expense shown in the receipts and payments accounts for that year will be £15,000. Under accruals accounts the rent for the year would reflect the actual expense relating to that year as £12,000.

- The purchase or sale of assets for cash would be included in receipts and payments accounts although these items should form a separate category from other items in the receipts and payments account. Under accruals accounts these transactions are not reflected in the SoFA as they do not represent resources moving into or out of the charity.
- Changes in the value of assets, such as investments, buildings, and **debtors**, are not included in receipts and payments accounts. Accruals accounts will reflect any amounts for depreciation, gifts in kind, bad debts or gains and losses on sales of investments or fixed assets.

Receipts and payments accounts are not expected to show a 'true and fair view' of the charity's financial activities and state of affairs, as they are not prepared in accordance with **accounting standards**. Accruals accounts must be prepared in accordance with accounting standards and the applicable **Statement of Recommended Practice (SORP)**. These frameworks specify how transactions and other events are to be recognised, measured, presented and disclosed in financial statements.

### 3.4 Changes to the Charities SORP

All general charities preparing accruals accounts for accounting periods beginning on or after 1 January 2016 must prepare them in accordance with the Charities SORP issued in July 2014. This SORP has been updated to reflect changes in UK and Ireland accounting standards by way of publication of Update Bulletin 1 (2 February 2016). The Charities SORP (FRS102) and Update Bulletin 1 are available to download for free from the [Charities SORP microsite](#).

The Charities SORP Financial Reporting Standard for Smaller Entities (FRSSE) no longer applies from 1 January 2016, as the FRSSE standard was withdrawn from this date. This means that all charities preparing

accruals accounts **must use the Charities SORP (FRS102)** for reporting periods beginning **on or after 1 January 2016** although only larger charities are required to prepare a Statement of Cash Flows.

The Charities SORP FRS102, first edition, does not include reference to the new accounting and reporting regulations in Northern Ireland. Despite this, registered charities must still comply with their new accounting and reporting requirements. It is anticipated that the Charities SORP FRS102 will be updated at some stage in the future to include new legislative requirements in the UK and Ireland.

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

### 3.5.1 Comparatives figures for prior year

To allow comparisons to be made, any figures in the statement of financial activities or balance sheet must include the corresponding amount for the **previous financial year** or period. Where there is no figure to be shown in the statement of account, but there was a corresponding amount in the previous year, then the previous year's figures must still be shown.

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

### 3.5.2 Help sheets

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



## 3.6 Example accounts

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

## 3.7 Charities established under company law

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

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

- preparation of a combined trustees' annual report and directors' report – to include all the information required by the Charities SORP, charity law and company law
- preparation of a combined SoFA and income and expenditure account - adapted to meet the requirements of charity and company law
- preparation of a combined consolidated SoFA and income and expenditure account, where **group accounts** are required - if the consolidated SoFA can be adapted to meet the requirements for an income and expenditure account.

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

## 3.8 Special case charities

The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 set out the accounting and reporting requirements for all registered

charities. Where a separate SORP exists for a particular class of charities, the regulations allow those charities to prepare their accounts in accordance with the relevant SORP.

The regulations define 'special case charity' to include:

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

The relevant SORPs for special case charities are defined as:

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

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

## Appendix 1: Glossary

Term	Definition
<b>Accounting Standards</b>	Accounting standards are authoritative standards for financial reporting and are the primary source of generally accepted accounting principles (GAAP). Accounting standards specify how transactions and other events are to be recognised, measured, presented and disclosed in financial statements in a way that reflects economic reality and hence provides a true and fair view.
<b>Accruals accounts</b>	Refers to accounts prepared on a 'true and fair' basis in accordance with accounting standards and the methods and principles of the applicable Statement of Recommended Practice (SORP). In contrast to receipts and payments accounts, where income and expenditure is accounted for only when the money is received or paid out, accruals accounts record the income of a particular activity when there is entitlement or probability about income, and expenses, when the liability is incurred. This is not necessarily the same date on which money is received or paid out. Accruals accounts prepared in accordance with the Charities SORP must contain a balance sheet showing the charity's financial position at the end of the year, a statement of financial activities (SoFA), a cashflow statement (if applicable) and explanatory notes to the accounts. The SoFA should show all incoming resources, and resources expended during the year (and for company charities only, an income and expenditure account, except where the SoFA incorporates the income and expenditure account).
<b>Annual monitoring return</b>	Also referred to as the annual return, the annual monitoring return is the online form that registered charities must submit on an annual basis reporting on their activities during the year. The information required is streamlined according to level of gross annual income. The questions in the annual monitoring return are specified in the Charity Commission for Northern Ireland Annual Return Regulations for the relevant period.
<b>Assets</b>	An asset is something of value that an organisation owns. Some assets can be owned over the long term (usually more than 1 year), and these are called fixed assets, for example, property, equipment, vehicles, etc. Other assets can only be owned for a short term (usually equal to 1 year), and these

<b>Term</b>	<b>Definition</b>
	are called current assets. In accounting for charities, current assets will normally refer to either cash or something that can be converted into cash within short time, for example, amounts owed to the charity.
<b>Audit</b>	<p>An audit is an examination of an organisation's accounts carried out by someone eligible to act as an auditor under Part 42 of the Companies Act 2006. In conducting an audit of financial statements, the overall objectives are to:</p> <ol style="list-style-type: none"> <li>1.obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and</li> <li>2.report on the financial statements and communicate, as required by International Auditing Standards (UK and Ireland), the auditor's findings.</li> </ol>
<b>Charitable company</b>	This is a charity which is formed and registered under the Companies Act 2006 or a charity which was already established under previous companies legislation. It is registered with Companies House. Its governing document is its articles of association and it has its own legal identity. It must be established for exclusively charitable purposes.
<b>Charities Act (Northern Ireland) 2008</b>	<p>The Charities Act (Northern Ireland) 2008 is the main piece of legislation establishing the Charity Commission for Northern Ireland and setting out its functions and powers.</p> <p>References to 'the Charities Act' are to the Charities Act (Northern Ireland) 2008. The full content of the Charities Act can be found at <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a></p> <p>Not all of the sections of the Charities Act are in force yet. Details of the sections that are in force are available on the Commission's website <a href="http://www.charitycommissionni.org.uk">www.charitycommissionni.org.uk</a></p>
<b>Charities SORP or Accounting and reporting by Charities: Statement of Recommended Practice (SORP)</b>	This means Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued by the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator on 16 July 2014, also known as the Charities SORP. It provides a comprehensive framework that enables

<b>Term</b>	<b>Definition</b>
	charities to adopt a consistent interpretation of UK financial reporting standards (FRS) as well as account for those transactions that arise when undertaking charitable activities. The Charities SORP applies to all general charities that prepare accounts on an accruals basis.
<b>Charity trustees</b>	<p>These are the people who are legally responsible for the control and management of the administration of a charity. In the charity's governing document they may be called trustees, managing trustees, committee members, governors or directors or they may be referred to by some other title.</p> <p>Some people are disqualified by law from acting as charity trustees. These disqualifications are set out in the Charities Act and broadly include but are not limited to anyone who:</p> <ul style="list-style-type: none"> <li>• has been convicted of an offence involving deception or dishonesty, unless the conviction is a spent conviction under the Rehabilitation of Offenders (NI) Order 1978</li> <li>• is an undischarged bankrupt or has made an arrangement with creditors</li> <li>• has previously been removed as a trustee by the Commission or by the Courts</li> <li>• is subject to disqualification under company legislation.</li> </ul>
<b>Company law</b>	Throughout this guidance, references to company law are to the Companies Act 2006. The full content of the Companies Act can be found at <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a>
<b>Debtors</b>	Debtors are persons or organisations that owe money to the charity, normally for supplies of goods or services but also for loans made and legacies.
<b>Enactment</b>	An Act, Order or other piece of legislation.
<b>Endowment funds</b>	In simple terms, an endowment fund is a gift of property or money given to a charity as a restricted fund. Trust law requires a charity to invest the assets of an endowment, or to retain them for the charity's use in furtherance of its charitable purposes, rather than apply or spend them as income. The income generated from endowment funds held for investment, are then used to further the purposes of the charity.

<b>Term</b>	<b>Definition</b>
<b>Financial year</b>	A charity's financial year or period is usually set out in its governing document. This will normally be 12 months but, in certain circumstances, it can be shorter or longer. For charities that are not companies, it can vary but cannot be more than 18 months. Different rules apply for charities that are companies. Additionally, charities that are grant aided schools must not have a financial period of more than 15 months.
<b>General charity</b>	This means any charity other than a special case charity or an investment fund.
<b>Governing document</b>	A charity's governing document is any document which sets out the charity's purposes and, usually, how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, conveyance, Will, Royal Charter, scheme of the Commission or other formal document.
<b>Gross income</b>	<p>The Charities Act defines gross income to mean the gross recorded income from all sources including special trusts.</p> <p>For accounts prepared on a receipts and payments basis gross income is simply the total receipts recorded in the statement from all sources excluding the receipt of any endowment, loans and proceeds from the sale of investments or fixed assets. For accruals accounts this is the income from all sources in the accounting period, including the conversion of endowment to income, but excluding: gifts of endowment, net investment gains/(losses), all revaluation gains/(losses) on retained assets not due to impairment, actuarial gains/(losses) and such other gains(losses) that are excluded by accounting standards from the calculation of net income.</p>
<b>Group accounts</b>	Group accounts, also known as consolidated accounts, combine the activities, funds, assets and liabilities of the reporting parent charity with those of the subsidiaries it controls. They present the financial performance and financial position of the accounting group as though it were a single economic entity. The responsibility to prepare group accounts lies with the reporting 'parent' charity which controls or exercises dominant influence over one or more charitable or non-charitable subsidiaries. Group accounts must be

<b>Term</b>	<b>Definition</b>
	prepared in accordance with legal requirements and UK accounting standards.
<b>Independent examination</b>	An independent examination is a simpler form of scrutiny than an audit but it still provides trustees, funders, beneficiaries, stakeholders and the public with an assurance that the accounts of the charity have been reviewed by an independent person. Depending on the size of the charity an independent examination may be carried out by either an independent person with the requisite ability and experience or by a person who is a member of one of the professional bodies listed in section 65(5) of the Charities Act.
<b>Investments</b>	Investments are assets that are held to generate a return by way of income, capital growth or both. Investments may include government gilts, shares, bonds and deposit accounts when held as an investment.
<b>Liability</b>	Liability is an obligation to pay for something. Liabilities include, but are not limited to, loans, creditors, and bank overdrafts.
<b>Previous financial year</b>	This means the financial year immediately preceding the current financial year.
<b>Receipts and payments accounts</b>	This is a form of accounting that consists 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. Company law requirements mean that a charitable company cannot prepare its accounts on a receipts and payments basis.
<b>Relevant financial year</b>	This means the financial year in respect of which the charity accounts or group accounts are prepared.
<b>Section 167 charities</b>	Under section 167 of the Charities Act these are organisations which are not charities under the law of Northern Ireland, and have their main base outside of Northern Ireland, but which operate for charitable purposes in or from Northern Ireland. These organisations may be required to apply for registration with the Commission however their annual reporting obligations may be different. Section 167 institutions will not be called forward until the Department for Communities has made regulations outlining

<b>Term</b>	<b>Definition</b>
	the financial statements and statements of activities which such institutions will be required to submit to the Commission. Further details will be available once the regulations are made and consulted on.
<b>Special case charities</b>	<p>Special case charities are defined in the accounting and reporting regulations. Broadly, a special case charity is one which is:-</p> <ul style="list-style-type: none"> <li>a) a registered housing association</li> <li>b) an institution of further or higher education</li> </ul> <p>Special case charities are permitted to use alternative SORPs when preparing accruals accounts.</p>
<b>Special trust</b>	A special trust means funds or property held and administered on its own separate trusts by or on behalf of a main charity for any special purposes of that charity. It follows that the objects of a special trust must be narrower than those of the main charity. Sometimes these funds are separate charities, run and administered by its own trustees, and at other times the funds are part of a main charity.
<b>Statement of Financial Activities (SoFA)</b>	The SoFA is a single accounting statement that shows all incoming and outgoing resources by activities and by fund. It shows where the resources come from, what they are spend on, and different types of fund as well as a year on year comparison.
<b>Statements of Recommended Practice (SORPs)</b>	Statements of Recommended Practice (SORPs) supplement accounting standards and other legal and regulatory requirements in light of the special factors prevailing or transactions undertaken in a particular sector and their application is relevant to the 'true and fair' view required of charity accounts. For general charities this is the Accounting and Reporting by Charities: Statement of Recommended Practice FRS 102 (Charities SORP FRS102).
<b>Trustees' annual report</b>	<p>A trustees' annual report is produced by the charity trustees and, along with your accounts, tells people:</p> <ul style="list-style-type: none"> <li>• about your charity's work</li> <li>• where your money comes from</li> <li>• how you've spent your money in the past year.</li> </ul>



<b>Term</b>	<b>Definition</b>
	<p>It must also include administrative information about the charity such as where the charity is based and who the charity trustees are. Minimum requirements are set out in the accounting and reporting regulations. Charities preparing accruals accounts must also incorporate the requirements set out in the Charities SORP. Larger charities must provide more detail within the trustees' annual report than smaller charities. All charities must explain how the activities undertaken during the year have furthered the charity's purposes for the public benefit. Further information can be found in <i>ARR08. The trustees' annual report and public benefit reporting</i>.</p>
<b>W3C Standards</b>	<p>W3C accessibility standards consist of a set of guidelines for making content accessible especially to those web users who have a disability. This standard is recognised internationally.</p>

## Useful contacts

Association of Charity  
Independent  
Examiners (ACIE)

The Gatehouse  
White Cross  
South Road  
Lancaster  
LA1 4XQ

**Telephone:** 01524 34892  
**Website:** [www.acie.org.uk](http://www.acie.org.uk)

Companies House

Companies House Northern Ireland  
Second Floor, The Linenhall  
32 - 38 Linenhall Street  
Belfast, BT2 8BG

**Telephone:** 0303 1234 500  
**Website:** [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

Department for  
Communities

Lighthouse Building  
1 Cromac Place  
Gasworks Business Park  
Ormeau Road  
Belfast  
BT7 2JB

**Telephone:** 028 9082 9000  
**Website:** [www.communities-ni.gov.uk](http://www.communities-ni.gov.uk)

HM Revenue and  
Customs (HMRC)

HM Revenue & Customs  
Charities, Savings and International 2  
HM Revenue and Customs  
BX9 1BU  
United Kingdom

**Telephone:** 0300 123 1073  
**Website:** [www.hmrc.gov.uk/charities](http://www.hmrc.gov.uk/charities)

Northern Ireland  
Council for Voluntary  
Action (NICVA)

61 Duncairn Gardens  
Belfast  
BT15 2GB

**Telephone:** 028 9087 7777  
**Website:** [www.nicva.org](http://www.nicva.org)

The Charity Tribunal

Tribunals Hearing Centre  
2nd Floor, Royal Courts of Justice  
Chichester Street  
Belfast  
BT1 3JF

**Telephone:** 0300 200 7812

**Website:** [www.courtsni.gov.uk/en-GB/Tribunals/CharityTribunal](http://www.courtsni.gov.uk/en-GB/Tribunals/CharityTribunal)

The Law Society of  
Northern Ireland

96 Victoria Street  
Belfast  
BT1 3GN

**Telephone:** 028 9023 1614

**Website:** [www.lawsoc-ni.org.uk](http://www.lawsoc-ni.org.uk)

## Useful links and guidance

*ARR01. Charity reporting and accounting: guidance summary*

*ARR02. Charity reporting and accounting: the essentials*

*ARR03. Receipts and Payments accounts*

*ARR04. Accruals accounts*

*ARR05. How to complete the annual monitoring return*

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

*ARR07. Independent examination of charity accounts: examiner's guide*

*ARR08. The trustees' annual report and public benefit reporting*

*PBR1 Public benefit requirement guidance*

*CCNI EG046 Making payments to trustees*

*CCNI EG043 Equality guidance for charities*

*CCNI EG024 Running your charity*

*Receipts and payments toolkit*

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

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

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

## If you are dissatisfied with our service

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

# Freedom of information and data protection

## Data Protection

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

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

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

## Freedom of Information

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

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

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

**Further information on our activities is available from:**

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

[www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

**Email:** [admin@charitycommissionni.org.uk](mailto:admin@charitycommissionni.org.uk)

**Tel:** 028 3832 0220

**Fax:** 028 3832 5943

**Textphone:** 028 3834 7639

 **Follow us on Twitter @CharityCommNI**

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

