

Finance & reporting requirements

This guide has been developed to help organisations in negotiating the world of finance and the requirements for regulating bodies such as the Charities Commission and Companies House. The guide starts with two tables that outline what you need to do for your organisation if you are registered with:

- A. The Charity Commission
- B. Companies House

If you are registered with both then you will need to meet each regulating body guidelines. There are more detailed explanations following each of the tables outlining:

- 1. Annual accounts
- 2. Independent Examinations and Audits
- 3. Annual returns

A. CHARITY COMMISSION REQUIREMENTS

N.B. Charitable incorporated organisations (CIOs) must complete an annual return even if their income is under £10,000.

Annual Gross Income	Type of Accounts**	Type of External Review	Reporting Requirements#
Below £10,000	Receipts & Payments OR accruals*	None	Annual Update
£10,00 - £25,000	Receipts & Payments OR accruals*	None	Annual Return, includes Part A
£25,000 – £250,000	Receipts & Payments OR accruals*	Independent Examination or by registered auditor	Annual Return - Part A & Statement from Trustees to Report Serious Incidents (RSI)
£250,000 - £500,000	Accruals	Independent Examination or by registered auditor	Annual Return Part A & Statement from Trustees to RSI
£500,000 - £1,000,000	Accruals	Statutory audit and must be registered auditor	Annual Return Part A & Statement from Trustees to RSI & Part B
Over £1,000,00	Accruals	Statutory audit and must be registered auditor	Annual Return Part A & Statement from Trustees to RSI & Part B & Part C



B. COMPANIES HOUSE REQUIREMENTS

Annual Gross Income	Type of Accounts	Type of External Review	Annual Return
Less than £90,000	Accrual	None**	Submit Annual Return Form within 28 days
Over £90,000 and less than £6,500,000	Accrual	Audited by registered Auditor	Submit Annual Return Form within 28 days

*** note; if you are registered with Charity Commission also, you will need to have an independent examination or audit **IF** your income is above £25,000/year*

1. ANNUAL ACCOUNTS

Annual accounts are different from annual returns. Your annual accounts are the financial information about your organisation. In terms of annual accounts these are normally included in the annual return if you are registered with the Charity Commission (see section on Annual Return). If you are also registered with Companies House, accounts are due within 6 months of year end (this is the financial year that your organisation uses, which can be different to the financial year April – March), or 18 months for start-up public companies. Annual account for most of the organisations that we work with will only be abbreviated accounts

If your organisation is registered with the Charity Commission

The Charity Commission recognises two types of accounting processes – receipts and payments and accruals.

- **Receipts and payments.** This is the simpler of the two methods of preparation and may be adopted where a non-company charity has a gross income of £250,000 or less during the year. It consists of an account summarising all money received and paid out by the charity in the financial year, and a statement giving details of its assets and liabilities at the end of the year. **Charitable companies are not allowed by company law to adopt this method.** ** see notes under registration with Companies House
- **Accruals.** Non-company charities with gross income of over £250,000 during the financial year, and all charitable companies must prepare their accounts on the accruals basis in accordance with the SORP. They contain a balance sheet, a statement of financial activities and explanatory notes. These accounts are required in accountancy terms to show a 'true and fair view'.

If your organisation is registered with Companies House

Annual accounts provide a snapshot of the financial situation of a company. Generally, accounts must include:



- a profit and loss account (or income and expenditure account if the company is not trading for profit);
- a balance sheet signed by a director;
- notes to the accounts; and
- group accounts (if appropriate).

And accounts must generally be accompanied by

- a directors' report (with a business review if the company does not qualify as small);
- an auditors report (unless the company is exempt from audit)**

*** most companies with less than £90,000K annual turnover are exempt from audit, however please note that if you are registered with the charity commission also, then you must have an external examination if your annual turnover is more than £25,000K (see audit/independent examination section)*

Small companies only need to submit abbreviated accounts to Companies house.

Small companies are defined as:

- annual turnover must be not more than £6.5 million;
- the balance sheet total must be not more than £3.26 million;
- the average number of employees must be not more than 50

Thus most charities who are also registered as a company are classed as a small company and only need to provide abbreviated accounts to Companies House.

The submission of annual accounts can be completed either online or in paper form.

For filing purposes the copies of the accounts must state the following:

- The copy of the balance sheet must state the name of the director who signed it on behalf of the board;
- The copy of the directors' report must state the name of the director or company secretary who signed the report; and
- If the company has to attach an auditor's report to the accounts, the copy of the auditor's report must state the auditor's name.

These are due within 6 months of year end for existing companies, and it is recommended that you complete and file your accounts as soon as possible after your financial year end. . It is a criminal offence to not submit annual accounts where directors are liable for a hefty fine or dissolution of the company. It is also a criminal offence to submit late annual accounts and directors could be liable for penalties.

2. INDEPENDENT EXAMINATIONS AND AUDITS

Charities registered with the Charity Commission and those registered with Companies House may need to have their accounts audited/or independently examined. This is to ensure accountability and that your accounts are in order and in line with good practice accounting. Audits and independent examinations are slightly different. An independent examination can be conducted by a person who has had the relevant training, and is usually less stringent than an audit – the independent examination only will report if specific matters have come to his or her attention. Your



annual accounts may need to be audited before submitting to either Companies House or Charity Commission, depending on your income levels.

What do I need to do if I am registered with the Charity Commission?

1. Organisations with less than £25,000 income do not need an independent examination (2009) according to Charity Commission
2. Organisations who have less than £500k income may elect an independent examination in place of an audit (2009)
3. Charities with over £500k income must have a statutory audit and audited by a registered auditor

What do I need to do if I am registered with Companies House?

If a charity is also registered as a company – under company law, small companies with less than £90k turnover can be exempt from an audit. If your organisation has more than £90k turnover for the year, then you will need to be audited by a registered auditor

What if I am registered by both the Charity Commission and Companies House?

Whilst companies registered with Companies House can be exempt from audit if income is less than £90k, however if the organisation is also regulated by the Charity Commission, it must have an independent examination if their income is over £25,000.

3. ANNUAL RETURNS

The annual return is different from the annual accounts. An annual return includes non-financial information about the organisation and gives a snapshot of general information about a company's directors, secretaries and registered office address (shareholders and share capital often not relevant for companies registered as charities). The two regulating bodies have slightly different guidance on completing an annual return. The Charity Commission have one date of submission for your annual return (which include your accounts/financial information), whilst Companies House have two significant dates to submit information – one regarding the non-financial aspect of your organisation (i.e the annual return) and one requiring the financial information of your organisation (i.e the annual accounts)

Annual Return According to Companies House

An annual return for Companies House should include:

- the name of the company;
- its registered number;
- the type of company it is, for example, private or public;
- the registered office address of the company;
- the address where the company keeps certain company registers if not at the registered office;
- the principal business activities of the company



- the name and address of the company secretary, where applicable;
- the name, usual residential address, date of birth, nationality and business occupation of all the company's directors;
- the date to which the annual return is made-up (the made-up date)

If registered with Companies House, organisations will receive a reminder letter to submit their annual return. Annual return forms are available from the internet <http://www.companieshouse.gov.uk/forms/formsOnline.shtml> . Organisations must submit their annual return within 28 days of the 'made up date' (i.e normally the date of incorporation). You may be fined if your organisation does not submit your annual return (this does not have to include financial information) within time frame.

*** note there are some changes that are coming into effect October 2009 which may affect the need to provide company directors personal addresses, as well as the **forms** used for submissions to Companies House.*

Annual Return According to Charity Commission

If you are registered with the Charity Commission, your annual accounts are submitted along with your annual return. An annual return, according to the Charity Commission includes BOTH financial information and organisational information which vary in detail depending on the income level of the organisation. This annual return is made online here: <http://www.charitycommission.gov.uk/contact-us/update-your-details/complete-your-annual-return/> which also gives full details of the different requirements for different sizes of charity.

Your annual returns MUST be submitted within 10 months of the end of your financial year.

What if I am registered with Charity Commission AND Company House?

If you are an organisation that is registered with either Companies House OR Charity Commission – you will only need to complete and submit the relevant documents for your regulating body. If you are registered as BOTH a company and a charity, you will need to submit a return to both Companies House (and financial accounts, which can have a different date of submission) and the Charity Commission (accounts included in the annual return).

