

Simple is Beautiful:

Small Charity Accounts as if Trustees Mattered



Small Charity Support is a registered CIO 1161963 www.smallcharitysupport.uk

What Accounts ALL Small Charities MUST Keep

One of a Series of Guidance Leaflets for Small Charities

The Scope of These Guidance Leaflets

The title of this series of leaflets has been inspired by the 1960s (but even more relevant today) iconic book, [*Small is Beautiful: Economics as if People Mattered*](#), by E.F.Schumacher.

This leaflet is one of a series which give a quick overview of the various things that you will need to take into account in managing the money of a small charity.

They are NOT a full and comprehensive guide to Charity Law and all the associated regulations. They are just an overview, in simple everyday language (rather than legalistic/accountancy jargon) of the main points for those who want to run their small charity efficiently and effectively for the benefit of their local community, or to help trustees who have encountered a common difficulty.

So if you are expecting your charity's annual income to be more than £150,000/yr, or to own property, or to employ more than the equivalent of 3 full-time staff then you will probably need to seek professional guidance elsewhere.

The topics covered in this series are:

What Accounts ALL Small Charities MUST Keep *{This Leaflet}*

The Role of the Charity Treasurer (and assistants)

Recording & Managing Your Charity's Funds

Budgets & Cash Flows

Financial Controls Checklist

Preparing the Annual Report & Accounts – Unincorp.Associations

Preparing the Annual Report & Accounts – CIOs

Receipts & Payments vs Accruals Accounting *{Not yet available}*

A Bank Account

Other guidance leaflets for small charities (or people looking to set up a new small charity) available elsewhere on the Small Charity Support website (www.smallcharitysupport.uk) include:

Outputs & Outcomes

Governing Documents

The "Minute Book"

Business Planning & Risk Management

Registering with the Charity Commission

Charitable Purposes/Objects

Trustees & Officers

Policies & Procedures

Gift Aid Registration with HMRC

Your comments and suggestions (to comments@smallcharitysupport.uk) as to how these leaflets could be improved to make them simpler and clearer would be much appreciated.

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What Accounts ALL Small Charities MUST Keep

The following notes attempt to give a simple, “everyday” language, summary of what the Charities Act requires **ALL** small charities to do about keeping their accounts – *ie*: showing where their money comes from and how it is spent.

It DOES NOT apply to charities which are also companies registered with Companies House, or to exempt charities. Nor does it apply to charities which are part of a group of charities (eg: a local branch of a national charity). For those, different rules apply.

This leaflet is just about what the Charities Act 2011 says, and is in two parts:

- 1: It starts off with a summary in “everyday language” of what the Charities Act says in “legalese”. The paragraph numbers are the numbers of the relevant sections, 130-134, in the Act;
- 2: And for those who want to see what the “legalese” looks like, the leaflet then goes on to give the exact wording of paragraphs 130-134 which have been simply copied & pasted from Chapter 1 of Part 8, of the Charities Act 2011 (<http://www.legislation.gov.uk/ukpga/2011/25/part/8>).

SUMMARY in EVERYDAY LANGUAGE

NOTE:

Apart from charitable companies and exempt charities, the following guidance on preparing and maintaining accounts applies to ALL charities, WHETHER OR NOT THEY ARE:

- 1: Registered with the Charity Commission**
(*ie*: even if their annual income is less than £5,000)
- 2: Required to submit their accounts to the Charity Commission**
(*ie*: even if their annual income is less than £10,000)
- 3: Required to have their accounts Independently Examined**
(*ie*: even if their annual income is less than £25,000)

CHAPTER 1: Individual accounts

130 Accounting records

- (1) The Trustees of the charity must keep clear, accurate and up-to-date records of where their charity’s money is coming from, and how it is being spent, in a way that everyone can easily understand
- (2) The accounts must show the detail of individual transactions – the dates, amounts and what they were for – and how much money (*eg*: in its bank account, petty cash box, and elsewhere), and any other property of value, the charity has.

131 Preservation of accounting records

- (1-3) The charity’s accounts must be kept for 6 years after the end of the financial year to which they relate (even if the charity ceases to exist), unless the Charity Commission gives permission for them to be destroyed.

132 Preparation of statement of accounts

- (1-3) The layout and content of a charity's accounts must conform to the relevant regulations (*ie:* be consistent with the Charity Commission's guidance CC15b on Charity Reporting and Accounting) (<https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-cc15b/charity-reporting-and-accounting-the-essentials>)
- (4) There are special provisions for maintaining privacy for charitable trusts.

133 Account and statement an option for lower-income charities

Charities with an annual income of less than £250,000 can opt for using the "Receipts & Payments" method of accounting, rather than the more onerous "Accruals" method (provided that their governing document does not require the charity to use the Accruals method)

134 Preservation of statement of accounts or account and statement

- (1-3) This paragraph 134 adds nothing significantly new or extra.
It is just a duplication of paragraph 131 with a little bit more detail !

The Charities Act 2011: Part 8

Charity accounts, reports and returns

CHAPTER 1: Individual accounts

130 Accounting records

- (1) The charity trustees of a charity must ensure that accounting records are kept in respect of the charity which are sufficient to show and explain all the charity's transactions, and which are such as to—
- (a) disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and
 - (b) enable the trustees to ensure that, where any statements of accounts are prepared by them under section 132(1), those statements of accounts comply with the requirements of regulations under section 132(1).
- (2) The accounting records must in particular contain—
- (a) entries showing from day to day all sums of money received and expended by the charity, and the matters in respect of which the receipt and expenditure takes place, and
 - (b) a record of the assets and liabilities of the charity.

131 Preservation of accounting records

- (1) The charity trustees of a charity must preserve any accounting records made for the purposes of section 130 in respect of the charity for at least 6 years from the end of the financial year of the charity in which they are made.

- (2) Subsection (3) applies if a charity ceases to exist within the period of 6 years mentioned in subsection (1) as it applies to any accounting records.
- (3) The obligation to preserve the accounting records in accordance with subsection (1) must continue to be discharged by the last charity trustees of the charity, unless the Commission consents in writing to the records being destroyed or otherwise disposed of.

132 Preparation of statement of accounts

- (1) The charity trustees of a charity must (subject to section 133) prepare in respect of each financial year of the charity a statement of accounts complying with such requirements as to its form and contents as may be prescribed by regulations made by the [F1Secretary of State].
- (2) Regulations under subsection (1) may in particular make provision—
 - (a) for any such statement to be prepared in accordance with such methods and principles as are specified or referred to in the regulations;
 - (b) as to any information to be provided by way of notes to the accounts.
- (3) Regulations under subsection (1) may also make provision for determining the financial years of a charity for the purposes of this Act and any regulations made under it.
- (4) But regulations under subsection (1) may not impose on the charity trustees of a charity that is a charitable trust created by any person (“the settlor”) any requirement to disclose, in any statement of accounts prepared by them under subsection (1)—
 - (a) the identities of recipients of grants made out of the funds of the charity, or
 - (b) the amounts of any individual grants so made,if the disclosure would fall to be made at a time when the settlor or any spouse or civil partner of the settlor was still alive.

133 Account and statement an option for lower-income charities

If a charity's gross income in any financial year does not exceed £250,000, the charity trustees may, in respect of that year, elect to prepare—

- (a) a receipts and payments account, and
- (b) a statement of assets and liabilities,

instead of a statement of accounts under section 132(1).

134 Preservation of statement of accounts or account and statement

- (1) The charity trustees of a charity must preserve—
 - (a) any statement of accounts prepared by them under section 132(1), or
 - (b) any account and statement prepared by them under section 133,for at least 6 years from the end of the financial year to which any such statement relates or (as the case may be) to which any such account and statement relate.
- (2) Subsection (3) applies if a charity ceases to exist within the period of 6 years mentioned in subsection (1) as it applies to any statement of accounts or account and statement.
- (3) The obligation to preserve the statement or account and statement in accordance with subsection (1) must continue to be discharged by the last charity trustees of the charity, unless the Commission consents in writing to the statement or account and statement being destroyed or otherwise disposed of.