

Receipts and Payments Accounts

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Today's Webinar

Receipts & Payments Accounts

- What are R&P accounts / how do they differ from accruals accounts
- Which charities can prepare R&P accounts
- Which charities are best suited to R&P accounts
- What does legislation require for R&P accounts
- What does a good set of R&P accounts look like
- Independent examination of R&P accounts
- Requirements for other jurisdictions and resources

Accruals v Receipts & Payments accounts

Accruals Accounts

- Summary of income and expenditure (SoFA) for the year, irrespective of the year in which cash is received or paid
- Balance sheet as at the year end

Receipts and Payments Accounts

- Summary of cash received or paid during the year, irrespective of the year to which the receipt or payment relates
- Statement of assets and liabilities as at the year end

Receipts & Payments Accounts

Eligibility for R&P accounts (EW)

- Gross income \leq £250,000 (approx 88% of registered charities). Gross income excludes sale of assets/investments, receipt of loans/endowment
- Non-company charity and no other requirement for accruals accounts (governing document, funder, donor)
- Around 90% of charities will be eligible for R&P accounts (after excluding charitable companies, and including charities excepted from registration (c.120,000) and unregistered charities with income \leq £5,000).

Receipts & Payments Accounts

Suitability

- Charities with relatively simple financial affairs

Who decides?

- Where R&P accounts are an option, it is for the trustees (not the independent examiner) to decide which form of accounts to prepare.
- Consideration should be given to which form of accounts is best suited to the users of the accounts.

What does charity regulation for R&P require?

Charities Act 2011

- Trustees' Annual report (s162), which refers to the 2008 regulations
 - Not required by statute for charities excepted from registration
 - Not required by statute for unregistered charities with income \leq £5,000
 - May be required by the governing document, funder, donor etc
- Independent Examination / Examiner's Report (s145)
 - Not required by statute for charities with income \leq £25,000
 - May be required by the governing document, funder, donor etc

What does charity regulation for R&P require?

Charities Act 2011

- Receipts and Payments Account (s133)
- Statement of Assets and Liabilities (s133)
- Compliance with CCEW's Directions for Independent Examinations (s145)

Not required

- Notes to the accounts (unless CIOs)
- Prior year comparative figures

What does charity regulation for R&P require?

Charitable Incorporated Organisations (General) Regulations 2012

- Notes to the accounts
 - Any guarantee given by the CIO, where a potential liability exists at the year end (Reg. 62(2)(a))
 - Any debt owed by the CIO, at the year end, which is secured by a charge on any assets of the CIO (Reg. 62(2)(b))

Other

- FRS102 and the SORP do NOT apply to R&P accounts

What do good R&P accounts look like?

- Cover sheet
- Contents page
- Trustees' annual report
- Independent examiner's report
- Financial statements:
 - Statement of receipts and payments
 - Statement of assets and liabilities
 - Notes

Statement of assets and liabilities

- Cash
- Other current assets
- Investments
- Fixed assets
- Liabilities
- Approval of the financial statements

	Unrestricted	Restricted	Endowment	Total	Total
Note	Funds	Funds	Funds	20x1	20x0
	£	£	£	£	£
Bank & Cash Balances					
Cash at Bank	-	-	-	-	-
Cash in Hand	-	-	-	-	-
Other (eg PayPal)	-	-	-	-	-
	-	-	-	-	-
Other Current Assets					
(Debtors/Stock etc)	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Investments					
(At market value)	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Fixed Assets					
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Liabilities					
(Amounts owed by the charity)	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

These financial statements were approved by the trustees on: _____ and signed on their behalf by:

Signature _____

Name _____

[Omit rows/columns that are not required]

What do good R&P accounts look like?

Notes

- Basis of preparation (R&P)
- Fund accounting (Fund types)
- Taxation (Corporation Tax / Income Tax / Capital Gains Tax / VAT)
- Transactions with trustees and related parties (Even if £Nil)
- Any required analysis of figures in main statements
- Movement in funds / transfers
- Purposes of funds

What do good R&P accounts look like?

Notes

- Guarantees given (required for CIO)
- Security granted over charity's assets (required for CIO)
- Any other information which would be helpful for the user of the accounts

Independent Examination – R&P Accounts

General

- IE is not an audit
- Should be proportionate to the size and complexity of the charity
- Consider setting a materiality level
- Appropriate checklists and work plan
- The trustees are responsible for preparing the charity's accounts, but may seek assistance from the examiner (or any one else)

Independent Examination – R&P Accounts

Examiner – key knowledge and understanding:

- Charity accounting, particularly fund accounting
- Charity regulation in applicable jurisdiction(s)
- Charity regulator(s)' Directions &/or Guidance for R&P Accounts
- (if fee charging), Anti-Money Laundering Regulations and GDPR
- Reporting to the regulator(s) and other statutory bodies

Independent Examination – R&P Accounts

CCEW's 13 Directions (CC32)

- Are a legal requirement for carrying out an IE of EW charities
- Not all of the Directions apply, or apply in full, to R&P Accounts
- Should not be seen as 13 discrete unrelated parts
- No requirement to carry out work beyond the Directions

Independent Examination

D3 – Recording the examination

- Must record the work that the examiner has carried out, including working papers, relevant evidence obtained, conclusions reached and be sufficient to support the examiner's report.
- Must be sufficient to allow an experienced third party, unconnected with the work, to conclude that the examiner has followed the Directions (EW & NI) &/or OSCR guidance (SC).
- Must be retained for at least 6 years from the end of the year to which they relate.

Independent Examination – R&P Accounts

D1 – Eligibility:

- is the charity eligible for IE?
- is the charity eligible for R&P Accounts?
- is the examiner eligible to carry out the IE?

ICAEW Helpsheet 'Can I undertake an independent examination of a charity?'

- <https://www.icaew.com/technical/tas-helpsheets/ethics/can-i-undertake-an-independent-examination-of-a-charity>

Independent Examination – R&P Accounts

D2 – Independence / Conflict of Interest

- “An independent person whom the trustees reasonably believe to have the requisite ability and practical experience to carry out a competent examination of the accounts”.
- The examiner (and any staff) must be independent of the charity
- An independent examiner is always an individual, acts in a personal capacity and signs the IE report in his/her own name.
- The examiner may assist in preparing the accounts.

Independent Examination – R&P Accounts

D4 – Plan the examination

- Understand the charity
- Review the charity's governing document / objects / powers etc
- How the charity is controlled and managed
- Obtain/review the accounting records and systems
- Structure, funds, balances
- Activities during the year, spending, financial risks
- What vouching may be required

Independent Examination – R&P Accounts

D5 – Accounting Records must be:

- Up-to-date and sufficient to establish the charity's financial position on any given date (not just the year-end) and to enable preparation of the accounts
- Include details of all receipts & payments and assets & liabilities
- Include all vouchers to support the accounting records
- Differentiate between funds

If changes are needed to the accounts, the trustees must agree to them

Independent Examination – R&P Accounts

D6 – Accounts and accounting records

- Check that the accounts are consistent with the accounting records
- How this is done will depend on the way in which the accounting records are kept:
 - Manual records
 - Spreadsheets
 - Computerised records

Independent Examination – R&P Accounts

D7 – Transactions with trustees and related parties

- For R&P accounts, there is no requirement to disclose transactions with trustees and related parties.
- If the trustees have disclosed such transactions, the examiner should consider the disclosure, if it is relevant to any concerns which the examiner may have.

Independent Examination – R&P Accounts

D8 – Estimates and Judgements

- Check that separate funds have been correctly accounted for and reported correctly in the accounts.
- R&P accounts are a factual statement of receipts & payments so few judgements are necessary.
- Estimates or judgements may be necessary if values are included in the Statement of Assets and Liabilities.

Independent Examination – R&P Accounts

D9 – Charity's Financial Circumstances

- The examiner is required to check that the trustees have considered:
 - For accruals accounts – whether the charity is a 'going concern' for at least 12 months from the date of signing of the accounts.
 - For R&P accounts – whether the charity can meet invoices, bills, commitments outstanding at the year end as they fall due.

Independent Examination – R&P Accounts

D10 – Form and Content

- For R&P accounts, the 2008 regulations
 - do apply to the minimum content of the trustees' report (if prepared)
 - do not specify the form and content of the accounts (for example, it is permissible to provide a separate R&P account for each fund)

Independent Examination – R&P Accounts

D11 – Analytical Review

- For R&P Accounts, the analytical review is limited to comparing cash received/spent in current year with the previous year to identify any significant changes.

Independent Examination – R&P Accounts

D12 – Trustees' Report

- The examiner is required to consider whether there are any material inconsistencies between the accounts and the TAR.
- For R&P accounts, the examiner is not required to comment on whether an inconsistency is present.

Independent Examination – R&P Accounts

D13 – IE Report

- Negative assurance statement regarding whether:
 - adequate accounting records have been kept
 - the accounts agree with the accounting records
 - the accounts are in the correct format
- A statement regarding whether or not:
 - there are any matters that the examiner considers need to be disclosed to enable a proper understanding of the accounts

Independent Examination – R&P Accounts

D13 – IE Report (cont...)

- Positive statement (but only if required):
 - funds used outside the purposes of the charity
 - records or information not provided to the examiner

Independent Examination – R&P Accounts

Mandatory Reporting Duty

- 9 matters of material significance which an examiner must report to the charity regulator(s) and potentially other agencies
- Reporting duty is immediate
- **Note:** this includes a qualified IE report

Discretion to report

- Examiners have the discretion to report matters that they consider are likely to be relevant to the regulator(s) in the exercise of their functions.

Independent Examination – R&P Accounts

Northern Ireland

- IE (or audit) required for all registered charity accounts
- Charities awaiting registration are not required by statute to have an IE
- R&P allowed up to £250k gross income. Gross income excludes sale of assets/investments, receipt of loans/endowment
- IE must comply with CCNI Directions

Independent Examination – R&P Accounts

Scotland

- IE (or audit) required for all charity accounts
- R&P allowed where gross income < £250k. Gross income excludes the receipt of endowment
- Examiners are recommended to follow OSCAR's guidance
- There are some small differences in the layout of the accounts
- Some Notes are mandatory

R&P Accounts - CCEW Resources

Directions (CC32)

- <https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32>

R&P Pack CC16 & CC16b

- <https://www.gov.uk/government/collections/receipts-and-payments-accounts-pack-cc16>
- *[CC16 is in course of being revised]*

R&P Accounts - CCNI Resources

Annual Reporting including:

- <https://www.charitycommissionni.org.uk/manage-your-charity/annual-reporting/>

Includes:

- ARR01 Charity reporting and accounting overall summary
- ARR02 Charity reporting and accounting the essentials guidance
- ARR03 Receipts and payments accounts guidance
- ARR07 Guidance for independent examiners (including Directions)

R&P Accounts – OSCAR Resources

OSCAR's Guidance to Independent Examination

- <https://www.oscr.org.uk/guidance-and-forms/independent-examination-a-guide-for-independent-examiners/>

OSCAR's R&P Work Pack

- <https://www.oscr.org.uk/guidance-and-forms/accounts-and-finance-guidance/receipts-and-payments-accounts/>

R&P Accounts – ICAEW Resources

CCEW recordings for Auditors and Independent Examiners

- <https://www.icaew.com/regulation/working-in-the-regulated-area-of-audit/reporting-matters-of-material-significance-recordings>

Independent Examination of Charities

- <https://www.icaew.com/regulation/practice-assurance/resources/independent-examinations-of-charities>

Matters of Material Significance reportable to UK Charity Regulators

- <https://www.icaew.com/regulation/working-in-the-regulated-area-of-audit/matters-of-material-significance-reportable-to-uk-charity-regulators>

R&P Accounts – ICAEW Resources

Overview of Charity Independent Examination (Webinar November 2021)

- https://icaew.zoom.us/rec/share/lopok5kxsn8qdB3RjF0pV6Xn98P8oY1GcwJ4F6uHxGgyuVZtMcsAW_hbep4-CozX.aFMUHR6F3kgBZIB

Other Resources

- Research: Smaller Charities and issues of financial accounting/reporting
- <https://icstudies.org.uk/repository/smaller-charities-sorp-and-issues-financial-accounting-and-reporting>

Thank you for listening!

Q&A

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