



# ADVICE AND GUIDANCE ANNUAL ACCOUNTS FOR CHARITABLE SPORT CLUBS

## ANNUAL ACCOUNTS FOR CHARITIES

This guidance note sets out advice on the preparation and examination of annual accounts for charities and is targeted primarily at small sports clubs receiving advice from CDS. Please note that the guidance is not applicable for not for profit entities which are not registered as charities while there are different rules applicable to Community Amateur Sports Clubs ("CASCs").

Obligations are defined by a combination of charity and company law, accounting regulations and a charity's own rules. Certain charities in receipt of grant funding may also need to comply with additional obligations imposed by their funders.

### Accounting Period

All charities will be obliged to prepare accounts for an accounting period, usually of 12 months although it may be up to 18 months in duration on commencement of operation. A charity should select a convenient accounting year end, which will need to be reported to OSCR. A charity should consider the most appropriate accounting period for its circumstances. Options would include the following.

- Calendar year to 31 December;
- Tax year to 31 March;
- Season for the sport or activity in which the charity participates.

### Type of Accounts

There are two main options likely to be applicable to charities being advised by CDS. Unless the charity's trustees or members decide otherwise, the type of accounts prepared will be determined by the size of the charity's turnover.

- Receipts and payments: a very simple form of accounts comprising a summary of all monies received and paid via its bank account and in cash by the charity during the accounting period, along with a statement of closing bank and cash balances. This format takes no

account of amounts that may have been owed to or by the charity at the period end, but paid afterwards, or of amounts received or paid prior to the period end but relating to a future period.

- Fully accrued accounts: more detailed accounts prepared in accordance with the Charities Statement of Recommended Practice ("SORP"). The disclosure obligations are more detailed and, amongst other things, adjustment will be made for income and expenditure received or paid after the period end to the extent they were owed to or by the charity at that date.

Charities with gross annual income below £250,000 need only prepare accounts on a receipts and payments basis.

### Independent Scrutiny of Accounts

A charity's accounts are likely, in the first instance, to be prepared by its treasurer. Thereafter all accounts must be subject to independent scrutiny in order to give readers confidence in the contents of the accounts and to confirm that they have been properly prepared. Unless the charity's trustees or members decide otherwise, the nature of the scrutiny will be determined by the size of the charity's turnover or its asset value. The two main types of scrutiny are as follows.

- Independent examination. A form of scrutiny which is less rigorous than an audit and offers assurance that the figures in the accounts have been properly extracted from the charity's accounting records but does not amount to a professional opinion based on an audit.
- Audit. A form of scrutiny providing reasonable assurance that the accounts are free from material misstatement arising from fraud or other irregularity or error. All practising auditors are subject to quite demanding ethical standards and regulatory compliance obligations.

An independent examination is not only less rigorous but it is also likely to be much less costly due to the lower level of regulatory compliance.

Charities with gross annual income below £500,000 or with gross assets below £3.26 million need only have their accounts subjected to an independent examination.

### Eligibility of Independent Examiners and Auditors

Where a charity has determined to produce only receipts and payments accounts, its trustees may appoint as independent examiner anyone believed to have the "requisite ability and practical experience to carry out a competent examination of the accounts".

Where the charity is producing fully accrued accounts the examiner must be a member of an approved accountancy body and eligible under that body's regulations to act.

However, for either type of accounts prepared, the level of scrutiny required of an independent examiner is far lower than that of an auditor.

An auditor will need to hold a practising certificate issued by his or her regulatory body authorising them to audit company accounts, including charities.

### Completion and Publication of Accounts

A charity's rules will determine how promptly after the end of the accounting period its accounts have to be presented to its members

for approval. This is likely to be at the charity's Annual General Meeting.

In addition, all charities are required to file with OSCR their accounts, an annual return and (for charities with gross annual income exceeding £25,000) a supplementary monitoring return, within nine months of the end of the charity's accounting period.

### Decisions to be taken by trustees

To summarise, trustees will have some discretion in determining the following and, where appropriate, making recommendations to members to modify their charity's rules.

- Type of accounts. Charities with gross income below £250,000 need only prepare receipts and payments accounts.
- Level of scrutiny. Charities with gross income below £500,000 need only arrange for an independent examination.

It is anticipated that many of the charities being advised by CDS would have gross annual income below these thresholds and may therefore favour the simplest format. Trustees will need to balance the cost savings and reduced administrative burden with the merits of greater transparency offered by more detailed audited accounts. Confidence in the charity's treasurer and systems in operation will be factors in the trustees' decision.

### OTHER SERVICES:

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Club Development Scotland is a one-stop resource for clubs of any size and scale to help them best govern and develop their activities. While we can't guarantee success on the pitch, we can show you a route to succeed off it as one of Scotland's leading sport club consultants.

Club Development Scotland is a consultancy service offering guidance and support to enable the development of sustainable sport clubs that win for everyone. We bring unrivalled experience in the community sport sector.