

Scrutiny Thresholds for Charity Accounts for England and Wales

Please note that, in terms of external scrutiny, a charity may be required to exceed the legal minimum (as per these tables), due to its own constitution; an enactment; a trustees' decision; or a funder/donor's requirement.

Table A: Accounting periods beginning before 27 February 2007

ie, year-end of 25 February 2008 or earlier
eg, 31 December 2007

Income thresholds	no scrutiny	Independent Examination [3]	Reporting Accountant	Audit
Non-company charity [1]	<=£10,000	£10,001 to £250,000	n/a	£250,001 and above
Company charity [2]	<=£90,000	n/a	£90,001 to £250,000	£250,001 and above

[1] For a non-company charity:

- a) both gross income and total expenditure each have to sit within the relevant thresholds;
- b) and for the audit threshold (£250,000), this applies to the current year and the preceding two years (3 years in total).

[2] For a company charity:

if the charity is defined as 'small'** under company law for the current and previous year, then gross income only has to sit within the thresholds and in the current year only.

[3] The Independent Examiner does not have to hold a professional qualification;

but it is *recommended* where income is £100,000 or above; and/or assets are £1m or above; and/or accruals accounts are prepared.

Table B: Accounting periods beginning on or after 27 February 2007

ie, year-end of 26 February 2008 or later
eg, 31 March 2008

Income thresholds	no scrutiny	Independent Examination [7]	Reporting Accountant	Audit
Non-company charity [4+6]	<=£10,000	£10,001 to £500,000	n/a	£500,001 and above
Company charity [5+6]	<=£90,000	n/a	£90,001 to £500,000	£500,001 and above

[4] For a non-company charity (and a 'small' company charity when it comes to Table C):

- a) only gross income now has to sit within the relevant thresholds;
- b) and this requirement only applies to the current year.

[5] For a company charity, see [2] above.

[6] *However*, there is now an asset test in respect of the audit threshold if the charity holds assets of £2.8m or more. For a non-company charity, it will then need an audit if its income is £100,000 or more. A company charity with assets of £2.8m or more will have to have an audit whatever its level of income.

[7] The Independent Examiner and professional qualifications:

- a) for charities with income <£250,000, the recommendation as at [3] above is dropped;
- b) now *mandatory* for charities with income of £250,000 and above (list in CC63a or CC31).

Table C: Accounting periods beginning on or after 1 April 2008				
<i>ie, year-end of 31 March 2009 or later</i>				
Income thresholds	no scrutiny	Independent Examination	Reporting Accountant##	Audit
Non-company charity	<=£10,000	£10,001 to £500,000	n/a	£500,001 and above
Company charity [8a/b]	<=£10,000	£10,001 to £500,000	n/a	£500,001 and above
Notes as per Table B, except that:				
[8a] For a company charity, the asset test for audit now falls in line with that for a non-company charity, that is, it is defined by both assets and income, not by assets alone (as at [6] above).				
[8b] For a company charity above the audit threshold of income of £500,000, the audit will be under the Charities Act unless/until the charity fails to meet the definition of 'small' under company law (see ** below), at which point it requires a Companies Act audit.				

Table D: Accounting periods <u>ending</u> on or after 1 April 2009				
<i>ie, not year-end of 31 March 2009</i>				
<i>but, for example, year-end of 30 June 2009 or 31 March 2010</i>				
Income thresholds	no scrutiny	Independent Examination	Reporting Accountant##	Audit
Non-company charity	<=£25,000	£25,001 to £500,000	n/a	£500,001 and above
Company charity	<=£25,000	£25,001 to £500,000	n/a	£500,001 and above
Notes as per Table C, except that:				
[9] Asset test: see [6] above: the trigger will be £3.26m assets, at which point, an audit is mandatory for both company and non-company charities, if income is over £250,000.				
[10] Other charity accounting changes taking place at this point: [a] Threshold for charities to submit Trustees' Annual Report and Accounts to the Charity Commission rises from income of £10,000 to income of £25,000 [b] Threshold at which non-company charities are required to prepare accruals accounts rises from income of £100,000 to income of £250,000				

Table E (CIOs): Accounting periods beginning on or after ? 1 January 2010				
<i>ie, year-end of ? 31 December 2010 or later</i>				
Income thresholds	no scrutiny	Independent Examination	Reporting Accountant##	Audit
CIOs: Charitable Incorporated Organisations	<=£25,000	£25,001 to £500,000	n/a	£500,001 and above
Notes as per Table D, plus:				
[11] NB: the form and content of CIOs' accounts (ie, their <i>preparation</i>) are currently unresolved [12] All CIOs will have to submit their Trustees' Annual Report and Accounts to the Charity Commission, irrespective of their income				

**** Definition of a 'small' under company law:** a company has to meet two out of the three following criteria to be considered 'small' under company law:

Accounting periods beginning	before 6.4.08	on/after 6.4.08
▪ turnover (net)	<=£5.6m	<=£6.5m
▪ assets (net)	<=£2.8m	<=£3.26m
▪ employees	<=50	<=50

The Reporting Accountant regime continues for Community Benefit Societies (charitable Industrial and Provident Societies - IPS - which sit under their own legislation).

NB: **Accounting Periods (AP)** can be less than 12 months, eg, if the charity is setting up, closing down, changing financial years, etc. It is the *start date* that is important. Thus:

- 1) Whilst Table A applies to a full financial year, 1 January 2007 to 31 December 2007;
- 2) Table B applies, for example, to a 9 month AP of 1 April 2007 to 31 December 2007.

Further, for company charities, for AP other than 12 months, income/turnover is calculated on a pro rata basis:

- for example, income of £100,000 for 10 months would equate to £120,000 over 12 months and it is the £120,000 which would be used in any calculation of which threshold applies;
- using the same example for a non-company charity, the relevant figure would be the £100,000.

NB: Group accounts:

for Accounting Periods beginning before 27 February 2007:

- a company charity with subsidiaries, if it has a group income of over £350,000 net or £420,000 gross has to have an audit (even if the income of the parent charity is under the audit threshold);
- for a non-company charity, it is considered best practice to prepare group accounts, but it is not a legal requirement, and non-company audit thresholds apply, as per the Table A above.

for Accounting Periods beginning on or after 27 February 2007:

- a company charity with subsidiaries, if it has a group income of over £700,000 net or £840,000 gross, has to have an audit (even if the income of the parent charity is under the audit threshold).
- for a non-company charity, it is considered best practice to prepare group accounts, but it is not a legal requirement, and non-company audit thresholds apply, as per the Table B above.

for Accounting Periods beginning on or after 1 April 2008:

- for both company and non-company charities, if the charity's income is over £500,000 net, the charity will have to both prepare group accounts and have an audit. (This threshold arises from the Charities (Accounts and Reports) Regulations 2008. NB: There is no gross income threshold, as was anticipated in the draft form of the Regulations.)

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ACIE, Bentley Resource Centre, High Street, Bentley, Doncaster DN5 0AA
tel: 01302 828338 email: info@acie.org.uk web: www.acie.org.uk
registered charity in England and Wales 1077154, in Scotland SC039066