



CHARITY COMMISSION FOR ENGLAND AND WALES

Accounts monitoring review for the SORP Committee: Reviewing the quality of smaller charity accruals accounts - A comparative review of charities registered in England and Wales with charities registered in Scotland

Why carry out a comparative review of smaller charity accruals accounts (those with an income less than £250,000)?

In November 2020, we presented a research paper 'Improving the quality of smaller charity accounts' to the SORP Committee. Our findings indicated a lack of awareness of basic charity accounting requirements amongst those who prepared (and indeed independently examined) many of the accounts that we reviewed. A link to the paper is at [SORP research papers](#).

A comparative review of smaller charity accounts filed with another jurisdiction (The Office for Scottish Charity Regulation) would provide an insight into whether this significant issue is of wider relevance.

How did we compare the quality of smaller charity accruals accounts in England and Wales with those in Scotland?

In early 2021, we downloaded the public registers of both regulators. We then selected a random sample from each register of the most recent sets of accounts filed by 100 smaller charities. From these samples we identified the accounts that appeared to be prepared on an accruals basis and therefore were required to follow the Charities SORP. There were 57 in the England and Wales sample (including 24 companies) and 45 in the Scotland sample (including 18 companies).

We assessed the accounts using the compliance criteria in the CCEW's external scrutiny benchmark (see: [External scrutiny benchmark](#)). The criteria and the results of our assessments are listed in Appendix 1.

What are our key findings and conclusions?

We found that a lack of awareness of basic charity accounting requirements is also a significant issue in Scottish charities. The same proportion, one third (33%), of the accounts we reviewed met the benchmark in both jurisdictions. The main reasons why accounts did not meet the benchmark were also the same in both jurisdictions:

- The notes to the accounts did not disclose one or more of trustees' remuneration, trustees' expenses and related party transactions. This was the case for more than six out of ten (63%) of the England and Wales accounts and just under half (47%) of the Scotland accounts
- The accounting policies note (where there was one) did not state that the accounts had been prepared in accordance with the current Charities SORP (FRS 102). This was the case for a quarter (26%) of the England and Wales accounts and one third (33%) of the Scotland accounts



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Appendix 1: Our assessments of the accounts against the applicable benchmark criteria

Criteria/ % met	England and Wales (57 charities)	Scotland (45 charities)
Statement of financial activities (SOFA) present	84%	98%
Balance sheet present	98%	98%
Above statements internally consistent	89%	96%
Above statements add up	98%	100%
Charitable funds accounted for	89%	96%
Accounts prepared under current Charities SORP	74%	67%
Trustee remuneration, expenses and related party transactions disclosed	37%	53%
If a company, income and expenditure account included	79% (of 24 charities)	67% (of 18 charities)
All accounts criteria met	33%	33%