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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations (“the 2008 Regulations”), which extend only to England and Wales, make provision in respect of the preparation and scrutiny of accounts prepared by charities and the preparation of annual reports by charities. These Regulations also make provision for the preparation and scrutiny of group accounts and the preparation of group annual reports by parent charities. These Regulations do not apply to exempt charities.

These Regulations revoke, with savings, the Charities (Accounts and Reports) Regulations 2005 (“the 2005 Regulations”) (S.I. 2005/572).

The 2005 Regulations will generally continue to apply to financial years of charities beginning before 1st April 2008. The application of regulation 7(5) of those Regulations is limited however as result of the new whistle-blowing duty in section 44A of the Charities Act 1993 which is expected to come into force on 1st April 2008.

The 2008 Regulations will generally only apply to financial years of charities beginning on or after 1st April 2008. However, the charity trustees may in the circumstances set out in regulation 4 determine that the 2008 Regulations, rather than the 2005 Regulations, apply to a financial year beginning before 1st April 2008. None of the provisions relating to group accounts will apply in respect of a financial year beginning before 1st April 2008.

Part 1 (General) of the 2008 Regulations sets out the definitions that apply for the purposes of the Regulations (regulation 2) and makes provision for the determination of financial years of charities that are not companies (regulation 3). This Part also sets out the application of the 2008 Regulations and various transitional and saving provision.

Part 2 (Form and content of statements of accounts) of and Schedules 1 and 2 to the 2008 Regulations prescribe the form and contents of the statements of account prepared by charity trustees under section 42(1) of the Charities Act 1993 (“the 1993 Act”). This includes the information to be provided by way of notes to the accounts.

Regulation 6 of and Schedule 1 to the 2008 Regulations prescribe the form and content of statements of accounts prepared by charities that are investment funds. Investment fund is defined for the purposes of the 2008 Regulations in regulation 2. Regulation 7 of the 2008 Regulations prescribes the form and content of statements of accounts to be prepared by charitable registered social landlords and certain charities conducting higher education institutions (“special case charity”). Regulation 8 of and Schedule 2 to the 2008 Regulations prescribe the form and content of statements of accounts prepared by other types of charity.

Part 3 (Group Accounts) of the 2008 Regulations makes provision in respect of the preparation of group accounts. This Part of the 2008 Regulations should be read with Schedule 5A to the 1993 Act.

Chapter 1 sets out how aggregate gross income is to be calculated for the purposes of Schedule 5A to the 1993 Act and also how the financial years of subsidiary undertakings are to be determined.

Chapter 2 prescribes the form and content of group accounts including the information to be provided by way of notes to the accounts. Regulations 13 and 16 prescribe the form and content of group accounts prepared by the charity trustees of a parent charity that is an investment fund under paragraph 3(2) of Schedule 5A to the 1993 Act. Regulations 14 and 16 prescribe the form and content of group accounts prepared by the charity trustees of a parent charity that is a special case charity. Regulations 15 and 16 prescribe the form and content of group accounts prepared by the charity trustees of any other parent charity.

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

Chapter 3 makes provision for various exceptions to the requirement to prepare group accounts.

The requirements of Part 3 apply to a parent charity which is a company where it is not required to prepare group accounts under Part 7 of the Companies Act 1985.

Part 4 of the 2008 Regulations makes provision regarding the duties of auditors carrying out an audit of a charity's accounts and the reports to be made by independent examiners and examiners examining a charity's accounts. Chapter 2 deals with the reports of auditors by reference to the type of entity accounts which they are auditing. Chapter 3 deals with the reports of auditors of group accounts. Chapter 4 deals with the reports of independent examiners and Chapter 5 deals with the reports of examiners of accounts of English and Welsh National Health Service Charities. Chapter 6 makes various supplementary provision including provision for cases in which the Charity Commission may dispense with the requirement for a charity's accounts to be audited or examined.

The requirements of Part 4 apply to a charity that is a company and which is not required to have its accounts audited under Part 7 of the Companies Act 1985.

Part 5 of the 2008 Regulations makes provision regarding the report and information to be contained in the annual report prepared by the charity trustees of a charity under section 45 of the 1993 Act. Regulations 38 and 40 make provision for the preparation of annual reports by the charity trustees of parent charities that are required to prepare group accounts for the financial year in question. Regulations 37 and 39 make provision for the preparation of annual reports by other types of charity.

A full regulatory impact assessment of the effect that these Regulations will have on the costs of business and the voluntary sector is available from the Office of the Third Sector, 35 Great Smith Street, London. SW1P 3BQ (020 7276 6029) and is annexed to the Explanatory Memorandum which is available alongside the Regulations on the OPSI website (<http://www.opsi.gov.uk>).