

Appendix 14

2009 Edition

GUIDE TO COMPLETING SEA CADET UNIT ACCOUNTS

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313013 and in Scotland SC037808

GUIDE TO COMPLETING SEA CADET UNIT ACCOUNTS

Introduction

This guide is an update to the 2008 version. That version outlined significant changes to the format of reporting simplifying from an accruals based system to a receipts and payments basis.

The changes in this version are not as great principally relating to:

- Needing to make a statement on public benefit of the charity.
- Increased limits for submission of accounts to the Charity Commission (applies to England and Wales only).

Last year 74% of units returned their accounts to Area Offices which is above the long term trend and is due to much work being done at Area Level by Area Business Management Directors (BMDs) and the development of the computerised accounts units pack developed primarily by the BMD (North).

The submissions are now at a level that useful information can be gained from the accounts overall to help support our case for additional funding for units and the MSSC in order to be able to further support units.

Why do accounts need to be prepared?

The Sea Cadet Unit's constitution (Chapters 1, 2 and 6 of Sea Cadet Regulations) states 'All Sea Cadet Units are required, every year, to forward their completed Accounts to Sea Cadet authorities and may also, depending on where they are in or outside the United Kingdom and what their income and/ or expenditure for the year has been, be required to make a return to their relevant charitable authority.'

In addition the Charities Act 1993 requires that all charities must prepare and maintain accounting records which must be kept for 6 years and also prepare accounts. These must be made available to the public on request. Other reasons for preparing and submitting accounts are:

- Ensures that financial management is clear and transparent
- Demonstrates proper stewardship of funds
- Shows accountability to funders and thus help fundraise
- Prevents and can sometimes detect fraud
- Helps MSSCHQ know the overall running costs of the Corps which helps in making funding applications to major funders (e.g. Seafarers UK) and also the MoD (Navy).

UK Regulators

In both England and Wales units with gross income less than £250,000 and in Scotland Sea Cadet Units with gross income of less than £100,000 can prepare their accounts on a Receipts and Payments basis.

NB ALL ACCOUNTS MUST BE SUBMITTED TO BMDs REGARDLESS OF INCOME.

England and Wales

If income or expenditure is over £25,000 a Sea Cadet Unit must submit the A3 form to Charity Commission for England and Wales. The deadline is **10** months after the year end (31 January of the following year).

If income is under £25,000 accounts still need to be prepared but these only need to be submitted or disclosed on the Commission's request. **An Annual Update form is required to be completed for all charities.**

Scotland

Previous regulations were governed by the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990. New regulations have now arisen following the Charities and Trustee Investment (Scotland) Act 2005; these have given rise to the Charities Accounts (Scotland) Regulations 2006. The regulations came into affect for periods beginning 1st April 2006 – i.e. year ended 31 Mar 2007.

Scottish regulations are similar to those in England; however there are some key differences:

- All accounts require submission to the Office of Scottish Charities Regulator (OSCR) (not just over £25,000 income).
- All accounts require an independent examination (not just over £25,000 income)
- Accounts must be submitted 9 (Not 10) months after the year end
- All accounts will need to be submitted with a narrative Trustees' report.

Please note if accounts prepared under accruals accounts then full SORP accounts need to be prepared – not just the simplified A3. Also if accounts are prepared under accruals accounting (as per previous A3 format) then the independent examiner must be a qualified accountant, this is likely to give rise greater expense in getting accounts checked.

Northern Ireland

The Proposed Order in Council - The Charities (Northern Ireland) Order has become legislation in which will mean that subordinate legislation can then be passed to establish the Charity Commission by the end of the summer and the first registrations being taken either next year (2010) or the following year.

The proposals are to:

- Appoint a Charity Commission for Northern Ireland
- Charities under **£25,000** income will be able to prepare their accounts on a Receipts and Payments basis.
- An independent examiner needs to be a person who is "reasonably believed by the trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts" not qualified accountant.

Independent Examinations

In England and Wales Sea Cadets Units independent examinations are only formally required for gross income over £25,000 however **examinations are encouraged for all units**. In Scotland all units will require an independent examination and when regulations are finalised this will also be the case in Northern Ireland.

The Independent examiner must be someone the Unit Management Committee believes has the requisite skills and experience to carry out a competent examination of the accounts – not necessarily a qualified accountant, further information can be found at www.acie.org.uk - the Association of Charities Independent Examiners.

The remainder of this paper is structured as follows:

1. **HOW TO PREPARE THE RECEIPTS AND PAYMENTS ACCOUNT**
2. **NOTES FOR COMPLETING THE STATEMENT OF ASSETS AND LIABILITIES**
3. **COMPLETING A TRUSTEES' REPORT**
4. **BASIC INTERNAL CONTROLS THAT SHOULD BE CONSIDERED AT EACH UNIT**

Then:

APPENDIX A – SCC FORM A3

APPENDIX B – DRAFT INDEPENDENT EXAMINERS REPORT

APPENDIX C – OVERVIEW OF THE MAIN CHANGES BETWEEN THE OLD AND NEW A3 FORMS

If UMC members have queries about these areas please contact either their Area Business Management Directors (BMDs), MSSCHQ or their existing professional advisors.

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September 2009

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1. HOW TO PREPARE THE RECEIPTS AND PAYMENTS ACCOUNT (SEE APPENDIX A PAGE 23 ONWARDS)

Purpose of pro forma receipts and payments accounts

Sea Cadet Units are advised to prepare receipts and payments accounts rather than accruals accounts. The differences between the two are explained in the glossary of terms at the end of these notes.

These notes and the accompanying recommended pro forma accounts (A3) are designed to be comprehensive and to provide all the information needed to draft receipts and payments accounts.

These notes also explain the principles underlying receipts and payments accounts and the pro forma provides our recommended format for their preparation. Fully completed, the pro forma and the other statements detailed overleaf will meet all the requirements of the law for such accounts.

For information the expression "Unit Management Committee members" and "Trustees" is used interchangeably within this paper.

Legal status of receipts and payments accounts

In England and Wales the Charities Act 1993 and in Scotland the Charities & Trustee Investments (Scotland) Act 2005 allows receipts and payments accounts to be prepared for charities provided the Sea Cadet Unit's gross income is not over £100,000.

If trustees wish to continue to prepare their accounts on the accruals basis they may find the Charity Commission's Accruals Accounts Pack (CC17) useful. If more information is needed, the Charities SORP (Accounting and Reporting by Charities: Statement of Recommended Practice) explains in full the methods and principles that must be adopted for Sea Cadet Unit accruals accounts. Copies of the Charities SORP and other useful publications are available on the Charity Commission website at www.charitycommission.gov.uk. In Scotland trustees can refer to OSCR's publication Scottish Charity Accounts Part 3 – Fully Accrued Accounts. This and more information can be found at www.oscr.org.uk/ScottishCharity/Accounting.stm.

Considerations prior to opting for receipts and payments accounts

There are some occasions where, although the law allows receipts and payments accounts to be prepared, it may be preferable to prepare accruals accounts. The following are three such occasions:

- Donors may require accruals accounts to be prepared as a condition of their grant;
- UMC members/ trustees may need to explain more about the use of their resources than simply cash movements. This may arise when:
 - A Sea Cadet Unit has significant non-cash assets, or material assets which the trustees would like to value and depreciate in the accounts;
 - A Sea Cadet Unit has major non-cash donations (gifts in kind or valuable gifts of services); and
 - A Sea Cadet Unit operates a total return policy in relation to permanent endowment investments;
 - A Sea Cadet Unit, despite having an income under the threshold, is growing in complexity, for example, the Sea Cadet Unit may use a trading subsidiary, or the Sea Cadet Unit is involved in joint operations with other charities.

In each of these cases, accruals accounts can provide a clearer picture of the Sea Cadet Unit's activities and financial affairs than receipts and payments accounts.

Use of receipts and payments forms (Q & As)

Q. Must trustees use this format for receipts and payments accounts?

A. No. There is no statutory format for receipts and payments accounts. The pro forma account forms are designed to meet minimum recommended levels of accountability. Note however that there are statutory requirements for trustees' annual reports and independent examination reports. The pro formas provided for these documents, properly completed, will meet the statutory requirements.

Q. What statements need to be prepared?

A. The report and accounts of registered charities preparing receipts and payments accounts will usually consist of FOUR related documents:

THREE are prepared by the trustees:

- A Trustees' Annual Report - Giving details about the Sea Cadet Unit's activities in the year. We have produced a pro forma for this report.
- A Receipts and Payments Account - providing an analysis of the incoming and outgoing cash for the year.
- A Statement of Assets and Liabilities - outlining the Sea Cadet Unit's main assets and liabilities at the end of the year and including the cash balances at the year end shown in the receipts and payments accounts.

If the Sea Cadet Unit has gross income or total expenditure over £25,000 or if the trustees require it, then ONE document is prepared by either an independent examiner or an auditor. Most charities preparing receipts and payments accounts will appoint an independent examiner to give an independent external statement on the accounts.

Features of receipts and payments accounts

Record cash movements only

Receipts and payments accounts are statements that summarise the movement of cash into and out of the Sea Cadet Unit during the financial year. In this context "cash" includes cash equivalents, for example, bank and building society balances (except for term deposits) where cash can be readily withdrawn to pay for debts as they become due.

Differences from accruals accounts

Receipts and payments accounts include some items that do not appear in accruals accounts. These extra items involve either exchanging cash for other assets or exchanging other assets for cash. Examples include receipts from the sale of fixed assets or investments. Although such items should be included in receipts and payments accounts, they should form a separate category from other items in the accounts as they do not represent resources moving into or out of the Sea Cadet Unit.

Similarly receipts and payments accounts exclude some items that are included in accruals accounts. These excluded items mainly involve changes in the value of assets, such as investments, buildings, creditors and debtors, which are not accounted for in receipts and payments accounts. This means that receipts and payments accounts will not contain any amounts for depreciation, gifts in kind, bad debts or gains and losses on sales of investments or fixed assets.

Notes to the accounts

Notes are seldom necessary, although if notes would help the reader to understand the accounts better, they should be added. Examples of notes that may be included are:

- Information about significant non-monetary resources, for example donated goods and services;
- A brief note on transactions with related parties and trustees;
- Details of any remuneration or expenses paid to any trustee or related party; and
- Details of the movement on particular restricted funds (where this may be useful to donors who stipulated how money was to be spent).

These matters may alternatively be included in the Trustees' Annual Report if separate notes to the accounts are not prepared.

Accounting standards

Receipts and payments accounts fulfil all the statutory obligations of a Sea Cadet Unit with income under £100,000 however they are not expected to show a "true and fair view" as is required with accounts prepared on the accruals basis. However it is recommended:

- Receipts and payments accounts should be prepared in a consistent way from year to year; and
- If valuations are provided in the statement of assets and liabilities, they should be relevant, reliable and understandable.

Where should the cut-off point be at the year end?

The closing bank balance to report in the accounts should be:

- the balance at the bank on the last day of the financial year (31st March);
- plus any money received before the end of the year but only banked in the following year;
- less any cheques written before the end of the year but not cleared through the bank until the following year.

Accounting for separate funds

Trust law requires that trustees should be able to account separately for each restricted, endowment and unrestricted fund that they manage. However, a separate bank account is not required for each fund provided that the bookkeeping records (for example, cash book and supporting documents) allow the trustees to identify the receipts and payments of each fund and the related assets and liabilities.

When preparing year-end accounts, trustees should prepare a separate receipts and payment account for each fund that they manage.

This will mean that a separate A3 will need to be prepared for each of the funds identified separately. Sea Cadet Units may wish to aggregate small funds to help simplify the preparation of accounts. They should be mindful, however, of not using restricted or permanent endowed funds to fund ongoing activities that should be funded from general funds.

How to summarise cash movements

Receipts and payments accounts summarise cash movements. Therefore all payments for similar types of expense and all receipts of similar types (e.g. donations) should be added together. Significant items (e.g. a large grant) may, for clarity, be shown separately in the accounts or explained in a note to the accounts.

Apportionment

Sometimes payments are made (or receipts received) for more than one fund (for example, a payment is partly for routine property maintenance and partly for an improvement funded by a restricted grant). In such cases the payment should be apportioned on a reasonable basis and charged to the funds to which that payment relates.

Endowment funds

Where a Sea Cadet Unit has an endowment fund which consists of investments:

- Receipts generated by endowment fund assets (for example, dividends, interest, rent etc.) will appear in the unrestricted funds account, or restricted funds account if the receipt can only be applied for a restricted purpose, and not in the endowment funds account.
- Receipts from the disposal of investments, or payments to acquire new investments should be included in an endowment statement. A disposal that is immediately reinvested in a new investment need not be shown as a receipt and subsequent payment.
- Payments made for managing the fund (see Glossary: investment management costs) should be taken from the capital of the investments in the fund.

Gifts of assets and services

Gifts of assets and gifts of services are not included in receipts and payments accounts. Gifted assets should however be included within the statement of assets and liabilities. There is no requirement to value volunteers' time, though trustees may choose to include a note in their annual report or in notes to the accounts to explain such contributions.

Comparatives

The receipts and payments account form has a column for "last year's figures". Whilst it is not compulsory to complete this column, it is good practice and assists understanding of the current year's figures.

Analysis of receipts and payments

The first and second pages of the accounts pro forma is to record a summary of the receipts (first page of the form) and payments (second page of the form) of the Sea Cadet Unit.

Receipts and payments are split into the following categories:

- **Revenue**
- **Non-Revenue**

Revenue income and expenditure relates to the ongoing income and expenditure relating to the ordinary running of the unit i.e. items such as Cadet contributions, donations and bank interest together with expenses of running competitions, postage and insurance costs.

Non-Revenue items are asset movements that include:

- Receipts and payments from the sale of any of the Sea Cadet Unit's assets or investments as these payments do not represent assets being used up by the Sea Cadet Unit just being converted to another form.
- Payment for or the receipt of Loans.
- Transfers from one type of fund to another, for example from the general funds to a restricted fund to meet a deficit on a project.

2. NOTES FOR COMPLETION OF STATEMENT OF ASSETS & LIABILITIES (SEE PAGE 25)

A statement listing assets and liabilities is required in receipts and payments accounts (in place of a balance sheet required for accruals accounts). However, no asset valuations are required, unless a valuation is essential to a meaningful description of the asset - such as cash or deposit account balances. There should be a summary of the assets and liabilities held by the Sea Cadet Unit, grouping similar assets where there are many small items. If assets belong to a restricted or endowment fund, this should be indicated on the form.

The statement of assets and liabilities should provide sufficient detail to give the readers of the accounts a broad understanding of the type of assets controlled by the trustees and any material liabilities that need to be met from the funds.

There is no need to list all individual assets (e.g. each chair and table or each individual holding for listed investments) but the list should be sufficient to identify the categories of asset held by the Sea Cadet Unit trustees if they are material.

No valuation of assets held is required, unless a valuation is essential to a meaningful description of the asset. For example, in the case of cash and other monetary assets such as building society deposits, the cash value would be given. Trustees may add values if they wish and if they do they should take a reasonable approach to valuation.

Possible approaches could be assets' cost, insurance value or market value (e.g. for listed shares). Professional valuations are not required but if one is available (perhaps as a result of an insurance survey) then this may be given.

Cash funds should include all cash, and bank and building society balances (except for term deposits) where cash can be readily withdrawn to pay for debts as they become due.

Other debts may include:

- tax reclaim(s) due;
- recoverable grants and charitable loans due to the Sea Cadet Unit; and
- other debts (recoverable amounts) due to the Sea Cadet Unit.

Investment assets may include:

- term deposits (not readily available to pay for debts as they become due);
- government stocks, etc;
- other quoted securities;
- properties held primarily for investment purposes;
- investments in subsidiary or associated companies;

Other Fixed Assets are those retained for the Sea Cadet Unit's own use may include:

- Land and buildings primarily occupied by the Sea Cadet Unit;
- Motor vehicles;
- Heritage assets; and
- Other assets used by the Sea Cadet Unit in delivering its objectives.

Liabilities may include those immediately due, for example:

- Taxes due but not yet paid;
- Suppliers' accounts not yet paid.
- Those payable some time in the future or that are contingent, for example:
 - Loan liabilities (details of lenders, terms, etc may be added);
 - Amounts payable on hire purchase and other leasing arrangements; and
 - Any other liabilities.

3. COMPLETING A TRUSTEES' REPORT (SEE PAGES 26 & 27)

Sea Cadet Unit name

For registered charities this is the name on the Charity Regulator's register. Non-registered charities should give the name on their governing document.

Other names by which the Sea Cadet Unit is known From time to time charities can use another name to that registered with the Charity Regulator or on their governing document. If an alternative name (e.g. TS) is used, then it should be included under name

Registered Charity number

This is the Sea Cadet Unit's number on the Charity Regulator's register.

Principal address

If including the Sea Cadet Unit's address or names might put any of the Sea Cadet Unit's trustees, senior staff or those who appoint trustees in personal danger please contact the Charity Regulator but do not include.

Trustees

There are two distinct types of trustee in charity law. Details of those carrying out these distinct roles are presented separately in the report

All Sea Cadet Units have Unit Management Committee (**UMC**) **members** who are responsible for the general control and management of the Sea Cadet Unit, taking decisions about what is to be done, how money is to be raised and spent. These are the Unit charity trustees.

Some Sea Cadet Units may also have 'trustees' who play no part in the control and management of the Sea Cadet Unit but in whose name the property of the Sea Cadet Unit is registered. Such trustees are known as **Holding or Custodial Trustees**. They reduce the need to change ownership documents every time the Sea Cadet Unit trustees change. For continuity purposes it is recommended that one of the holding trustees should be The Marine Society and Sea Cadets (previously known as The Navy League or the Sea Cadet Association) – please indicate this on the form.

Names of the Sea Cadet Unit trustees

In the trustee table, include the names of the trustees on the date the report is signed and of anyone who acted as a trustee during the period covered by this report, giving the dates during which they acted. You may also add details of any office held (e.g. chair, treasurer, secretary etc) after the name.

This form provides for 8 UMC members to be listed and 4 holding trustees. The maximum number to be disclosed is 50 (use a separate sheet if necessary).

If including a particular name might put any of the Sea Cadet Unit's trustees in personal danger, please contact the Charity Regulator to obtain permission for the name(s) not to be disclosed.

Names and addresses of advisers (optional)

Sea Cadet Unit trustees may also choose to show the names and addresses of any advisers regularly used, for example, the independent examiner, auditor, accountant, architect, lawyer, surveyor, investment advisers and bankers.

Nature and date of the Unit's constitution (governing document)

Sea Cadet Units are governed by Sea Cadet Regulations (SCRs) – this should not be changed. The Unit Constitution is formed from Chapters 1, 2 & 6 of SCRs.

Sea Cadet Unit trustee selection

This section is used to briefly explain how Sea Cadet Unit trustees are selected. This section has been pre-filled in – however you can amend this if you see fit.

Main activities and achievements

Summary of the main **activities** in relation to these objects Include in this section a brief summary of the Sea Cadet Unit's main activities, explaining how these further its charitable objects. You might explain, for example, the major programmes, projects and other activities in which the Sea Cadet Unit engages. The summary should be sufficient to give the reader a reasonable understanding of the type of work undertaken. For example, 'Runs a Sea Cadet Unit'

Additional matters on activities

Sea Cadet Unit trustees may wish to provide further information about their activities including any policies on grant making or about the contribution made by volunteers.

Summary of the main **achievements** - include in this section a brief summary of the Sea Cadet Unit's main achievements for the year that resulted from the charitable activities undertaken. This may be a brief narrative describing the results of the Sea Cadet Unit's work or give details of the outputs achieved, for example, 'ran 120 Sea Cadet Evenings of 3 hours each reaching 30 children and 25 families' you may wish to add any other trophies or awards given to the unit or significant training events such as camps completed.

UMC members may choose to provide more detailed information in this section about their main achievements. Such information may include:

- Qualitative and quantitative information that helps explain performance.
- A comparison of performance achieved with objectives set for:
- Charitable activities.
- Fundraising.
- Investments.
- A commentary on any factors within and outside the Sea Cadet Unit's control relevant to the achievement of its objectives.
- Details of any future plans and any other matters which the trustees believe should be brought to readers' notice.

Thanking support from the MoD is also included as a standard statement reflecting the financial and non-financial support received by the Unit both directly and through the MSSC. It is also good practice to thank all other donors.

Policy on reserves

Include in this section an explanation of the Sea Cadet Unit's reserves policy. The idea of this is to explain:

- What Sea Cadet Unit trustees have decided is an appropriate level of reserves;
- How much the Sea Cadet Unit has in reserve at the end of the year; and
- Why the trustees need to hold reserves

Most Sea Cadet Units are not in the fortunate position of having to explain why they have too many reserves. As such a standard wording has been provided to help UMC members complete this statement. A month of revenue payments equates to the total revenue payments divided by 12.

Public Benefit (new this year)

The trustees are required to provide a statement confirming whether the UMC have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in England and Wales in exercising their powers and duties.

The Scottish Regulator is minded to change the regulations to provide public benefit reporting. As such to allow for this it is recommended that Scottish Charities also provide the public benefit statement.

The guidance is based on the following principles:

Principle 1: There must be an identifiable benefit or benefits

Principle 1a It must be clear what the benefits are.

Principle 1b The benefits must be related to the aims.

Principle 1c Benefits must be balanced against any detriment or harm.

Principle 2: Benefit must be to the public, or a section of the public

Principle 2a The beneficiaries must be appropriate to the aims.

Principle 2b Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted:

- by geographical or other restrictions
- by ability to pay any fees charged.

Principle 2c People in poverty must not be excluded from the opportunity to benefit (Principle 2d)
Any private benefits must be incidental

Further details can be found on the Charity Commission website at <http://www.charity-commission.gov.uk/publicbenefit/publicbenefit.asp>

Sea Cadet Units are thus required to include a brief summary in their Trustees' Annual Report of the main activities undertaken in order to carry out the charity's aims for the public benefit.

The summary need not be detailed and, for most charities, it should not significantly affect the existing structure of their Trustees' Annual Report.

Suggested wording has been provided in the template set of accounts. Please note that this is not prescriptive and please amend as you feel necessary. If doing so please consider the guidance above.

Details of any funds in deficit

This section need only be completed if the Sea Cadet Unit prepares accounts on the accruals basis and has any individual funds which are materially in deficit. If any funds are in deficit an explanation must be given of why this has occurred and what will be done to correct the situation.

Further financial review details

Sea Cadet Unit trustees may choose to expand their financial review to provide additional information about their principle funding sources and how they support key objectives. Similarly, where material investments are held they may choose to explain their investment policies.

Such additional information may assist readers to better understand the accounts and financial policies adopted. Major donors or funders may find such information helpful in understanding the link between funding provided and key objectives of the Sea Cadet Unit.

Typically the information used in the Chairman's report can be used for this section of the Report.

Review of holdings

If the Charity is, or its trustees (including holding trustees) are, acting as Holding trustees then they should provide here information on:

- The assets held in this capacity;
- The name of the Sea Cadet Unit on whose behalf the assets are held; and
- Details of the arrangements made for safe custody and segregation of such assets from the Sea Cadet Unit's own assets.

Signatures

The Unit Constitution requires that this report is approved by the trustees and after approval at the Annual General Meeting that the report is signed and dated to show that it has been approved. At least one trustee's signature is required but it is good practice to have it signed by two trustees (ideally Treasurer and Chairman).

As a matter of good practice any copy of the report submitted to any regulatory authority (such as the Charity Commission or OSCR) should be a signed copy.

Glossary of terms

Accruals accounts report the value of resources held by an organisation at the beginning and end of any accounting year and the movement of those resources between the two dates. They require the measurement and valuation of assets and liabilities and therefore a clear understanding of the rules and conventions used by accountants is necessary for their preparation. Accruals accounts include all resources (compared with simply cash resources reported in receipts and payments accounts) and a report on movement of resources (the statement of financial activities in charities) which must reconcile with a statement of opening and closing resources (the balance sheet).

Accounting (or financial) year is the period which the accounts cover. In the case of Sea Cadet units this is the period ending 31st March for a period of at least 6 months and not greater than 18 months for new Units. All the threshold limits in the Charities Act 1993 (in Scotland Charities and Investments (Scotland) Act 2005) apply to the "accounting year" even if this year is shorter or longer than a calendar year.

Assets provide a future benefit to the Sea Cadet Unit. Assets include land, buildings, equipment, furniture, investments, trading stock, debtors, cash, deposit accounts, etc.

Creditors are persons or organisations to whom the Sea Cadet Unit owes money for loans or supplies of goods or services.

Debtors are persons or organisations that owe money to the Sea Cadet Unit, normally for supplies of goods or services but also for loans, promised donations and legacies.

Fundraising costs include:

- cost of generating voluntary receipts (see above); and
- fundraising trading payments comprising the costs of trading to raise fund including payments to buy goods for resale and any other payments associated with a trading activity.

Fundraising proceeds include receipts from:

- Fundraising events such as jumble sales, flag days and bag packing;
- trading activities to generate funds such as the sale of Christmas cards and other merchandise;
- sponsorships and social lotteries that are not pure donations;
- shop sales from selling donated and bought-in goods;
- services other than those provided to beneficiaries; and

Funds - Endowment funds are funds that the Sea Cadet Unit is prohibited by the governing document from spending as income. Normally these will be investments but may also be property

held as endowment for use by the Sea Cadet Unit. The investment receipts must be spent for the purposes indicated in the governing document.

There are two forms of endowment: permanent and expendable (explained below).

Funds - Permanent endowment is a type of endowment fund (see above) where the trustees do not have the power to spend the capital.

Funds - Expendable endowment is a type of endowment fund (see above) where the trustees have the option, under certain conditions, to spend the capital as if it were income of the Sea Cadet Unit.

Funds - Restricted income are those funds that the trustees are obliged to spend only on particular purposes set out by the donor or in an appeal document.

Funds - Designated funds are part of unrestricted funds which the trustees have set aside or earmarked to be used for a particular purpose. They are not legally distinct funds and trustees can at any time redesignate them for other purposes. They should be shown as part of unrestricted funds.

Funds - Unrestricted funds are those funds that the trustees are able to spend for any of the Sea Cadet Unit's purposes.

Gifts in kind are gifts of assets other than cash, such as articles to given to or be used by beneficiaries (instruments for the band) or to be sold to raise cash (second-hand clothing). Only the proceeds of sale of gifts in kind will appear in receipts and payments accounts, but trustees may wish to refer to what was given in their annual report.

Donated services and facilities is assistance in the form of donated facilities, beneficial loan arrangements, donated services or voluntary help. These items will not appear in receipts and payments accounts, but trustees may wish to refer to the support in their annual report. In Scotland this disclosure is a requirement.

Governance costs are those payments associated with the governance arrangements of the Sea Cadet Unit and relate to the general management of the Sea Cadet Unit as opposed to those costs associated with fundraising or charitable activity. These payments will normally include:

- Independent examination, or audit;
- Costs associated with constitutional and statutory requirements, for example, the cost of trustee meetings, preparing statutory accounts and associated legal advice.
- Any costs associated with the strategic as opposed to day to day management of the Sea Cadet Unit's activities.

Gross income is the total recorded income of the Sea Cadet Unit in all unrestricted and restricted income funds but not amounts received as capital (endowment) funds, nor as capital gains. This broadly equates to Revenue Receipts.

Investment management costs will include any payments for:

- portfolio management charges;
- investment advice; and
- management or maintenance of investment property.

Lettings Letting and licensing arrangements of property held primarily for functional use by the Sea Cadet Unit but temporarily surplus to requirements.

Liability is an obligation to pay for something. Liabilities include loans, creditors, bank overdrafts, etc.

Materiality is used to describe the importance of including a description or the amount of an item in accounts. An item is material if its inclusion or exclusion from the accounts would be likely to change a user's view of the Sea Cadet Unit's activities or of its assets or liabilities. Normally the larger the item the more material it is likely to be. Some items will always be material due to their nature, for example payment of expenses to trustees.

Receipts earned from investment assets may include:

- dividends/interest from investments;
- interest on loans made to a subsidiary;
- rents from a property held as an investment; and
- tax reclaims on investment receipts.

Related parties are those parties with whom the Sea Cadet Unit has a relationship that might inhibit it from objectively pursuing its own separate interests. This will include Sea Cadet Unit trustees, those connected with a Sea Cadet Unit trustee by, for example, a close family relationship, and any other party that can exert significant influence over the operations of the Sea Cadet Unit.

Special Events Proceeds consist of receipts from events within the Sea Cadet Unit's objects. Examples of this type of events include Trafalgar Day events, that may generate money however also promote Sea Cadet Activity. This would not run to a race night run to raise money for the Sea Cadet Unit.

The Charities SORP contains additional recommendations that apply to larger charities which smaller charities are nevertheless encouraged to adopt on a voluntary basis. Similarly, the Regulations require additional information from larger charities.

Further information

The following Charity Regulators Websites contain useful guidance and references are provided were relevant in these notes.

England and Wales – Charity Commission – www.charitycommission.gov.uk

Scotland – Office of the Scottish Charity Regulator (OSCR) – www.oscr.org.uk

Northern Ireland – Department for Social Development in Northern Ireland (DSDNI) – www.dsdni.gov.org/guide_for_trustees.doc

These notes include all of the information needed to complete the pro forma report. If individuals completing the pro forma wish to provide more details and fully comply with all best practice recommendations then they should refer to paragraphs 41 to 59 of the Charities SORP which is available on the Charity Commission website. They now publish, on their website, copies of the annual reports (and accounts) of charities with income over £25,000.

3. BASIC INTERNAL CONTROLS THAT SHOULD BE CONSIDERED AT EACH UNIT

Contents

1. What is this guidance about and who needs to read it?
2. Are controls really necessary for Sea Cadet Units?
3. The Sea Cadet Unit's organisational structure
4. Trustees' liabilities
5. Delegation of financial duties to volunteers or other officers of the Sea Cadet Unit
6. Segregation of duties
7. Qualification of staff and advisors
8. Budgetary controls
9. Controls over incoming funds
10. Public collections
11. Fund-raising events
12. The Gift Aid Scheme
13. Banking and custody procedures
14. Checks of income records
15. Controls over expenditure
16. Payment by cash
17. Fixed assets for use by the Sea Cadet Unit
18. Investments
19. Bank or building society deposits

1. What is this guidance about and who needs to read it?

This guidance sets out the basic internal financial controls which trustees need to consider.

This guidance does not aim to be an exhaustive list of controls and not all the controls mentioned will be applicable in every Sea Cadet Unit. It is recommended that every trustee reads this guidance in conjunction with the Charity Commission guidance *The Essential Trustee: What you need to know* (CC3) and *The Hallmarks of an Effective Charity* (CC60) and Sea Cadet Regulations.

In Scotland visit www.oscr.org.uk and click on publications

It is the fundamental duty of all Sea Cadet Unit trustees to protect the property of their Unit. In order to discharge this duty it is essential that there are adequate internal financial controls over the Sea Cadet Unit's assets and their use. This guidance has been produced to help trustees secure the protection of property under their charge, to advise them of the best practices to employ, and to assist in promoting greater professionalism in Sea Cadet Unit management.

Controls are a necessary feature of any well-run organisation. Because of the special characteristics of the charitable sector, they play an essential part in helping to show potential donors and beneficiaries that a Sea Cadet Unit's property is safeguarded, and that its management is efficient. A prime objective of this guidance is to promote the ability of Sea Cadet Units to improve their safeguards, and thereby promote the effectiveness of, and confidence in, the Sea Cadet movement as a whole.

The guidance given here does not remove the need for trustees to seek appropriate professional advice where this is required.

2. Are controls really necessary for Sea Cadet Units?

It is sometimes argued by trustees that charities should not be required to put positive systems of control into place because they are able to operate on trust alone. While this may be the ideal situation, it is not realistic. Sea Cadet Units, as charities, are unusual organisations, in that they are managed for the beneficiaries of that Sea Cadet Unit, rather than for the benefit of shareholders/members. It is advisable therefore that trustees be able to show to both donors and beneficiaries that the property is safe. Without the ability to show that checks and controls have been implemented it would not be possible to offer that security.

It is important to remember that while the vast majority of people are honest, all organisations need to take steps to avoid putting people in situations where they might be tempted to defraud. Also, if a Sea Cadet Unit fails to issue proper guidelines, individuals may, out of ignorance, act in a way which damages the reputation of the Sea Cadet Unit (e.g. by not separating Sea Cadet Unit funds from their own).

Experience has shown that the implementation of internal financial controls is something which is welcomed by all concerned. The controls act to protect the interests of the beneficiaries of the Sea Cadet Unit, its volunteers, and indeed the trustees themselves (who are thereby protected from any charge of neglecting their duty of protecting the Sea Cadet Unit's funds).

The fundamental responsibility for control of the Sea Cadet Unit's activities and funds is that of the trustees themselves. It is therefore crucial that where the trustees administer the Sea Cadet Unit personally, they will need proper segregation of duties among themselves, so that no one trustee is over-burdened or is given too much authority. However, where the trustees delegate administrative duties to staff or agents (such as fundraising consultants), additional controls then become necessary in order to ensure the delegated duties are being properly discharged.

3. The Sea Cadet Unit's organisational structure

All internal control systems need to be based on a recognised plan of the Sea Cadet Unit's structure which clearly shows:

- areas of responsibility;
- lines of authority; and
- lines of reporting

A good control system will cover all of the individual elements of the Sea Cadet Unit's financial administration. If the size of the Sea Cadet Unit prevents any particular control being implemented the control function exercised by the trustee body becomes of even greater importance. The key area of delegation will be in relation to the duties of the Commanding Officer of the Unit.

4. Trustees' liabilities

No system of controls, however elaborate, can guarantee that a Sea Cadet Unit will be totally protected against abuse. Trustees often express concern about the extent of their personal liability in the event of any loss to the Sea Cadet Unit through misappropriation or misapplication of its funds.

Having sufficiently rigorous controls provides not only protection for the Sea Cadet Unit property but also the best defence against a charge of failing to protect the Sea Cadet Unit's funds and thereby being in breach of trust. If funds are lost through trustees neglecting their duty of care they could be held personally liable to repay to the Sea Cadet Unit the funds lost. However, if reasonable controls are in place then trustees are unlikely to find themselves in the position of having to make good any such loss.

5. Delegation of financial duties to volunteers or other officers of the Sea Cadet Unit

Generally speaking, Sea Cadet Unit trustees have a duty to ensure that all property of the Sea Cadet Unit is brought under their joint controls as soon as is reasonably practicable, and that it remains under their joint control, until it is applied for the purposes of the Sea Cadet Unit.

The power of delegation on which trustees rely may impose conditions which need to be followed by the trustees when using the power, but, at the least, we would recommend that: the scope of the delegation is clearly laid down in writing and understood both by the trustees and by the delegate, ideally in writing.

Trustees have a duty to exercise such care and skill as is reasonable in the circumstances when discharging these review duties. If they fail to exercise reasonable care and skill when appointing delegates and reviewing their performance they may be personally liable for losses resulting to the Sea Cadet Unit from the acts of the delegate.

Ultimately, therefore, it is the responsibility of the Sea Cadet Unit trustees to consider what is appropriate in the particular circumstances of their Sea Cadet Unit. They ought to bear in mind the need to look particularly critically at the areas of highest risk in their Sea Cadet Unit. For example, if most of the Sea Cadet Unit's income is received in cash then that priority should be given to ensuring strict controls in that area. However, lower priority areas ought not to be neglected. Proper controls over gifts in kind and the way they are used is just as important as the control of money.

6. Segregation of duties

One of the prime means of control is the separation of those responsibilities of duties which if combined would enable one person to record and process a complete transaction. If duties are segregated, this reduces significantly the scope for errors and oversights, as well as deliberate manipulation or abuse, and builds in additional checks. For example, if the person who records incoming cash is the same person who checks that cash paid in is recorded on the bank statements, it would not be easy to detect any dishonesty.

Mistakes are more likely to go undetected if a person checks their own work. The principle of segregation is important with regard to both income and expenditure, and capital transactions. The degree of segregation of duties which can be achieved will vary according to the size and nature of the Sea Cadet Unit concerned.

7. Access to Professional Advice/ Opinion

Trustees should ensure that where necessary they have access to independent professional advice. They need to also ensure that their fellow UMC members and any other volunteers are competent, properly trained and qualified for the tasks they have to perform.

The relationship between the Sea Cadet Unit's trustees, accountant, and independent examiner or auditor ought, wherever possible, to be one of ongoing dialogue, rather than simply an annual exchange of records and information. Any general or specific advice from the accountant, independent examiner or auditor must be brought to the attention of **all** of the trustees. A recent case of fraud occurred where the Treasurer had made up a non-existent independent examiner who, unsurprisingly, did not ever attend the AGM.

8. Budgetary controls

If the internal controls described in this guidance are put in place, trustees will have gone a long way to ensuring that they have taken good precautions to protect the Sea Cadet Unit's funds. However, in order to achieve full control over the Sea Cadet Unit's finances, it is necessary to work

within an agreed budget and to undertake full financial planning. Proper and realistic estimates of expected income and expenditure need to be made for each financial year.

Approval of the budgets and accounts can only be done after discussion at trustee meetings. The discussions need to be fully minuted. It is important that trustees understand the financial information which is given to them. They may therefore need to consider recruiting trustees with particular financial expertise, and in any event need to ensure that full explanations and training are provided for those who are not so familiar with financial matters. An added advantage of doing this is that all the Trustees understand the fundraising requirements for the units.

9. Controls over incoming funds

Trustees are under a duty to take control of and to safeguard all funds to which the Sea Cadet Unit becomes entitled.

All incoming cheques and cash need to be recorded immediately and entries verified by someone other than the person who has made the entry. (This is particularly important for cash). It is appreciated that there may well be problems in this respect. In these circumstances, trustees ought to ensure that all donations are sent to a central point and that a book is kept to record receipt of all mail with money enclosed.

10. Public collections

In this respect, the aim of internal financial controls is to ensure that the Sea Cadet Unit has as much control as possible over what could be a widespread network of fund-raising efforts. It is also important to remember that trustees have to ensure that they operate according to the various statutory regulations which govern public collections - usually local authorities or in some cases local police authorities.

These regulations are made under the House-to-House Collections Act 1939 and the Police, Factories etc (Miscellaneous Provisions) Act 1916 (which regulates street collections). Charity Commission guidance [Charities and Fund-raising \(CC20\)](#) explains the legislative framework under which trustees must operate when raising funds from the public.

In Scotland the control of house to house and street collections will remain with the local authorities; however the Act gives OSCR wide powers to investigate charity fund raisers and can direct the activities of charities and those who purport to act on their behalf - visit the OSCR website for more details.

In addition to adhering to statutory requirements, it is recommended that the following controls are in place:

1. Collection boxes are individually numbered and documented control exercised over their allocation and return.
2. All collecting boxes are sealed so that any opening prior to recording is readily apparent.
3. Static collection boxes be regularly opened and contents counted in the presence of at least two people authorised by the trustees for this duty. (It is also a good idea to keep a diary showing not only where static collection boxes are situated, but also giving a history of their takings and the name of the person designated to empty them).
4. General public collections be counted in the presence of the collector and receipt from a duplicate pad given to them.
5. Dual control over the handling and recording of all money and other assets, as for the postal receipts.

Further information is also available in the Fundraising Guide for Sea Cadet Units at www.sccheadquarters.com.

11. Fund-raising events

The responsibilities of the trustees here are similar to those for collections, i.e. to make sure that the Sea Cadet Unit is in control of the funds raised on its behalf so that it receives all the money to which it is entitled from such events.

It is recommended that the following controls are in place:

- records be maintained for each fund-raising event, in sufficient detail to identify gross receipts and how they have arisen, and all costs incurred; and
- for all events for which there is ticket income or gate money:
 - that tickets all be pre-numbered;
 - a record be kept of all persons who have been issued with tickets to sell, and of which ticket numbers have been allocated to each;
 - a record be kept of which tickets have been sold; and
 - a reconciliation be made of receipts against tickets sold.

Similar records need to be maintained for sponsored events.

Where external fund-raisers are engaged, care needs to be taken to comply with the requirements of Part II of the Charities Act 1992 (Charity Commissions guidance: Charities and Fund-raising (CC20) gives further details).

The aspects of fundraising covered by the Charities and Trustee Investment (Scotland) Act 2005 include:-

- Section 81 the requirement for professional fundraisers (or commercial participants in a fundraising scheme) to have and to abide by a formal agreement between them and the benevolent body.
- Requirement for professional fundraisers (or commercial participants in a fundraising scheme) to provide statements of information to donors detailing their remuneration arrangements.

12. The Gift Aid Scheme

Donations through the Gift Aid Scheme are increasingly encouraged by trustees as a tax-efficient way of raising funds. This is an important area as encouraging donors to give in a tax-efficient way is good financial management. It is important that accurate records are maintained in order to ensure that the Sea Cadet Unit receives all that is due to it from both the donor and the Inland Revenue, and that all money due is brought within the control of the Sea Cadet Unit without delay. Please note that cadet contributions can be given under gift aid if these come from their parents.

To ensure that the Sea Cadet Unit receives all the money to which it is entitled, it is recommended that trustees:

1. make regular checks against records to ensure that expected amounts have been received from the donor;
2. make regular checks to ensure that in the case of Gift Aid donations from individuals all reclaimable tax has been obtained from the Inland Revenue and are careful not to overclaim tax repayments – particular care needs to be taken to avoid making tax repayment claims in relation to Gift Aid payments which have not in fact been received from the donor. Note donations made by companies **do not** attract Gift Aid

For more information on the Gift Aid Scheme, please see HM Revenue & Customs Guidance Note **Getting Britain Giving**, obtainable along with other advice and guidance by ringing 08453

020203. Further information is also available in the Fundraising Guide for Sea Cadet Units at www.sccheadquarters.com.

13. Banking and custody procedures

Care always needs to be taken to ensure that, once funds are received into the control of the Sea Cadet Unit, their continued security is maintained. Incoming receipts be banked regularly and as soon as possible – at least weekly. Frequency of banking will depend on the amount of cash received. Keeping cash in a locked cash box is really only suitable for small amounts of money, say less than £100.

Cash or cheques be placed in a safe or locked cash box if they cannot be banked on the day of receipt. The keys to any safe or cash box should be held by a nominated officer. We advise that they are signed for whenever they are used. It is recommended that insurance cover is obtained to cover cash held in the safe or cash box up to a specified limit.

All incoming money must be banked gross – no amounts be held back for "feeding" petty cash. Without banking incoming money intact it is impossible to trace particular receipts into the Sea Cadet Unit. Charities should have a written statement of policy and practice covering banking and custody procedures, which is available to all trustees and staff.

It is important that the money of the Sea Cadet Unit is kept quite separate from any individual's personal money. For example, Sea Cadet Unit treasurers should not use their own bank accounts for the Sea Cadet Unit's finances.

14. Checks of income records

It is important that trustees make regular checks to ensure that records are being accurately maintained (so that money and other assets received can be traced through the accounting system), and that there are no discrepancies in the accounting records. This is an elementary control, which is often ignored. If performed regularly, it will serve as an early warning of anything going wrong. It is recommended that frequent, random spot checks are made to ensure (as a minimum) that:

- records of cash and cheques received agree with bank paying-in slips;
- the paying-in slips equate with the bank statements, both in terms of amount banked and date of credit; and
- all transfers or other direct payments into the bank can be identified and verified against paperwork.

These checks should be made by someone other than the person concerned with the original recording of the transactions.

Care needs also to be taken to identify and administer separately any funds received where the donor has placed restrictions upon their use, and to ensure that they are only used in accordance with these restrictions.

Records need also to be checked to ensure that there has been no unauthorised credit extended (e.g. through an overdraft facility) and that the finances of the Sea Cadet Unit are not placed under any strain by credit which has been approved.

15. Controls over expenditure

It is important for trustees to bear in mind that they are responsible for all expenditure of charitable funds and have to account for how the Sea Cadet Unit's funds have been applied.

When making payments, it is recommended that the following rules are followed.

- All expenditure and investment of charitable funds be properly authorised and it is essential that there is supporting documentation (e.g. itemised receipt, share certificate or invoice) for all items of expenditure.
- Instruments of payment (such as cheque book, building society passbook and bank mandate forms) need to be kept in safe custody, with access limited to nominated persons.
- Payments are only made against **original** invoices.

The bank mandate should specify at least two trustees as signatories. It is always advisable to have a "pool" of people authorised to sign cheques which is greater in number than the minimum number of signatures required on the mandate. This can prevent a situation arising where insufficient signatories are available, e.g. during popular holiday periods. All people in the "pool" must, of course, either be trustees or be otherwise qualified to sign cheques.

Cheques made payable to a nominated signatory should not be signed by that person. This is another reason why it is important to have a "pool" of mandated signatories.

- Close control should be exercised over access to the cheque books.
- It is preferable to avoid a situation where trustees who are related to each other are able to sign cheques together.
- It is a dangerous breach of financial control over expenditure from Sea Cadet Unit funds if blank cheques are signed in advance. The practice of signing blank cheques would be regarded as neglecting the duty of care owed by trustees.
- The agreed limits (if any) for individual signatories be recorded in the bank mandate and circulated amongst the trustees.
- All cheque expenditures be recorded in the cash book and cross referenced to the cheque number, with the nature of the payment and the payee clearly identified.
- All cheque book stubs (or equivalent) be completed at the time of payment, and retained (they form part of the Sea Cadet Unit's accounting records).
- Regular spot checks be made of the expenditure records against primary documents such as invoices. No cheques be signed without a corresponding invoice, or other documentary evidence as to the nature of the payment. Expenditure be regularly summarised for inspection by the trustees with exceptionally large items highlighted.

16. Payment by cash

Dealing in cash represents an extra degree of risk, so a greater degree of care needs to be exercised. It is recommended that:

- Every effort is made to reduce the need for cash payments to an absolute minimum.
- All cash payments be made from a cash float of a fixed amount which is regularly replenished from the bank or building society account and not by the retention of incoming money. All claims for replenishment of the cash float should be backed up by supporting documentation and signed by the cashier.
- The supporting documentation be authorised by someone other than the cashier or claimant.
- Spot checks of the petty cash float. This involves counting the balance of cash in hand and reconciling the float by totalling the vouchers for amounts paid out and not yet reclaimed by the cashier.

17. Fixed assets for use by the Sea Cadet Unit

This term includes such items as land, buildings, vehicles, boats, fixtures and fittings, and equipment (e.g. computers and the data contained in them, fax machines) which are used in the Sea Cadet Unit's activities. It is recommended that the following guidelines be observed:

- A list of fixed assets be held and updated regularly. This needs to include all assets donated for continuing use by the Sea Cadet Unit.
- All fixed assets be checked at regular intervals to ensure they remain in good repair and of use to the Sea Cadet Unit.
- Trustees give due consideration to the need for insuring assets, and to the extent of cover which is appropriate. **The MSSC insurance return must be completed each year.**
- The use made of fixed assets is reviewed annually to ensure they are put to best use and effectively serve the interests of the Sea Cadet Unit. Old items with little or no use and costing a lot to maintain may be best disposed of.

18. Investments

Investments (including stocks, shares, land and buildings) are normally held in order to generate income for the Sea Cadet Unit and to protect its capital. It is therefore vital to make sure that they are safeguarded. New powers and duties relating to investments have been introduced by the Trustee Act 2000, (Investments and Trustees (Scotland) Act 2005) and in order that trustees comply with these. It is recommended that the advice given below be observed:

- The trustees ensure that full records are kept of all investments held (including details of all those sold or purchased) by the Sea Cadet Unit, and that these are kept in a secure place.
- The formulation of an investment policy is the responsibility of trustees.
- Trustees need normally to take professional advice before selecting or disposing of investments.
- Where statements of investment performance are sent to a nominated trustee they need to be inspected at regular intervals by the trustee body as a whole.
- Controls be put in place to ensure that all dividends or interest payments due are promptly received and all purchases and sales of investments are properly authorised and accounted for.
- Wherever possible, investments need to be diversified so as to ensure that the failure of one investment does not have a major impact on the Sea Cadet Unit. Trustees have a general legal duty to have regard to the need for diversification of investments of the trust in so far as is appropriate to the circumstances of the trust.

Further information may be found in Charity Commission guidance [Investment of Charitable Funds: \(CC14\)](#) – the OSCR has yet to produce as detailed guidance.

19. Bank or building society deposits

In the case of bank or building society deposits, It is recommended that:

- A record (other than the passbooks) of all bank and building society deposits be held in a safe place.
- Regular bank reconciliations take place, and if carried out by delegated volunteers, the trustees need to ensure that this is being done.
- Instructions to open or close deposit accounts be authorised by the whole trustee body, or if delegated to a finance subcommittee or finance officer, the trustees be kept informed of all developments.
- Accounts are not allowed to remain dormant.
- Statements be sent to a nominated trustee and made available for inspection by any trustee.

APPENDIX A

THE SEA CADETS
ANNUAL STATEMENT OF ACCOUNT* FOR THE UNIT
RECEIPTS & PAYMENTS ACCOUNT for year ended 31 March 2009

Form SCC A3 (R&P) Apr 2009

(*Units in Scotland: This Statement's form and content and its scrutiny are governed by Regulations – SSI 2006/218)
 (To be forwarded to Area Business & Management Director and as otherwise directed no later than 1 November each year)

Unit Name:	Charity No:		
Fund-name/purpose (if not held for the Unit's <u>general</u> purposes):-	Notes	THIS YEAR	LAST YEAR
		£	£
REVENUE RECEIPTS –			
HQ-GRANTS – CAPITATION			
- TRAVEL EXPENSE REFUNDS			
- DIRECT GRANTS			
- SCAVA (SCA Victualling Allowance)			
- OTHER			
OTHER GRANTS			
OTHER DONATIONS			
LEGACIES			
BOAT REPAIR GRANT			
CADET CONTRIBUTIONS			
FUNDRAISING PROCEEDS (not: Special Events as below)			
SPECIAL EVENTS PROCEEDS (as <u>charitable</u> activity only)			
OTHER CHARITABLE ACTIVITIES:			
- COMPETITION RECEIPTS			
- COURSE FEES			
SUNDRY SALES RECEIPTS			
INVESTMENT INCOME RECEIVED			
BANK DEPOSIT INTEREST			
PROPERTY RENTS (includes any occasional lettings/hirings)			
OTHER REVENUE RECEIPTS			
TOTAL REVENUE RECEIPTS A			
NON-REVENUE RECEIPTS –			
INVESTMENT SALES PROCEEDS			
PROCEEDS FROM SALES OF OTHER FIXED ASSETS			
LOANS RECEIVED/RECOVERED (include grants per contra*)			
TRANSFERS FROM ANY OTHER# FUND OF THE UNIT			
ANY OTHER RECEIPTS			
TOTAL NON-REVENUE RECEIPTS B			
(# Attach that Fund's similar Account of Receipts as page AC1A, and so on)			
(*Note: Loan <u>write-offs</u> are 'receipts' here and 'payments' on page AC2)			
TOTAL RECEIPTS (=A+B) C		£	£

Reconciliation:-

NET CHANGE FOR YEAR IN CASH/BANK BALANCE:-			
- REVENUE ITEMS (= A – D from page AC2)	G		
- NON-REVENUE ITEMS (= B – E from page AC2)	H		
- COMBINED (=G+H)			
CASH/BANK BALANCE FROM LAST YEAR-END			
CASH/BANK BALANCE AT THIS YEAR-END		£	£
Page AC1			

THE SEA CADETS
ANNUAL STATEMENT OF ACCOUNT* FOR THE UNIT
RECEIPTS & PAYMENTS ACCOUNT for year ended 31 March 2009

Form SCC A3 (R&P) Apr 2009

(*Units in Scotland: This Statement's form and content and its scrutiny are governed by Regulations – SSI 2006/218)
 (To be forwarded to Area Business & Management Director and as otherwise directed no later than 1 November each year)

Unit Name:	Sea Cadet Unit No:		
Fund-name/purpose (if not held for the Unit's <u>general</u> purposes):-	Notes	THIS YEAR £	LAST YEAR £
<u>REVENUE PAYMENTS –</u>			
FUNDRAISING COSTS (not: Special Events as below)			
INVESTMENT MANAGEMENT COSTS (if any)			
CHARITABLE ACTIVITY COSTS:			
- SPECIAL EVENTS COSTS			
- COMPETITION COSTS			
- TRAVEL COSTS			
- CATERING COSTS			
- TRAINING COURSES COSTS			
- GRANTS (including any charitable loans written off)			
ARTICLES PURCHASED FOR RESALE			
OVERHEAD COSTS FOR:			
- RENT / COUNCIL TAX			
- HEAT, LIGHT & WATER			
- TELEPHONE			
- POSTAGE			
- PRINTING & STATIONERY			
MAINTENANCE COSTS FOR:			
- BUILDINGS			
- BOATS			
- VEHICLES			
- COMPUTERS			
- OTHER EQUIPMENT			
FUEL COSTS			
INSURANCE COSTS			
BANK INTEREST & CHARGES			
SEA CADET UNIT GOVERNANCE COSTS:			
- FOR AUDIT OR INDEPENDENT EXAMINATION			
- FOR UMC EXPENSES			
- FOR LEGAL ADVICE (for constitution or trustees)			
OTHER REVENUE COSTS			
TOTAL REVENUE PAYMENTS D			
<u>NON-REVENUE PAYMENTS –</u>			
FOR INVESTMENTS PURCHASED			
FOR OTHER FIXED ASSETS (including any <u>improvements</u>)			
LOANS MADE/REPAID			
TRANSFERS TO ANY OTHER [#] FUND OF THE UNIT			
ANY OTHER PAYMENTS			
TOTAL NON-REVENUE PAYMENTS E			
TOTAL PAYMENTS (=D+E) F		£	£
(# Attach that Fund's similar Account of Payments as page AC2A, and so on)			Page AC2

THE SEA CADETS

ANNUAL STATEMENT OF ACCOUNT* FOR THE UNIT

STATEMENT OF BALANCES & ACCOUNTS NOTES for year ended 31 March 2009

Form SCC A3 (R&P) Apr 2009

(*Units in Scotland: This Statement's form and content and its scrutiny are governed by Regulations – SSI 2006/218)

(To be forwarded to Area Business & Management Director and as otherwise directed no later than 1 November each year)

Unit Name:	Sea Cadet Unit No:		
In E&W: STATEMENT OF ASSETS & LIABILITIES	Name of Fund	THIS YEAR	LAST YEAR
(English/Welsh Units: <u>No</u> valuations/costs or accounts notes required)	<i>if restricted</i>	£	£
Assets -			
CASH/BANK BALANCE(S) AT YEAR-END (from page AC1)			
CASH/BANK BALANCE(S) AT YEAR-END (from page AC1A)			
BANK DEPOSITS (if any) not included above			
LOANS RECOVERABLE			
OTHER DEBTS (total recoverable – exclude any “accruals”)			
*STOCKS OF ITEMS FOR RESALE (total cost)			
INVESTMENTS (present value of securities &c)			
INVESTMENTS (ditto – belonging to a Restricted Fund, if any)			
*OTHER FIXED ASSETS:			
- LAND & BUILDINGS			
- BOATS			
- VEHICLES			
- COMPUTERS			
- OTHER EQUIPMENT			
*For all these items (including any gifts at estimated value when given) state their total <u>present value</u> here if lower than as above		[]	[]
Liabilities -			
LOANS REPAYABLE			
OTHER CREDITORS (total payable – exclude any “accruals”)			
CONTINGENT LIABILITIES (estimated total amount)			

[Scottish] ACCOUNTS NOTES* (if not within Annual Report)	[Amounts]	Particulars
For any <u>separate</u> Receipts & Payments Account included in this Statement of Account: the nature and purpose of each Fund accounted for and the legal restrictions on its use	Give page no(s). - or say if none	
Total number and amount of any grants paid to (i) individuals and (ii) institutions, analysed by type of activity or project	[]	
Amount of trustee remuneration (inc. to connected persons) paid and the legal authority for it	(or say if none) []	Authority:
Amount of any trustee expenses reimbursed and for how many trustees	(or say if none) []	For how many:
Amount and nature of any other trustee-transactions (including with connected persons, stating the relationship) - together with any amount owing at the year-end (say if none)	[]	Nature:
Any further information that ‘may reasonably assist’ a reader’s understanding	Give page no(s).	- or say if none
(*Show details on an extra attached (numbered) page if necessary)		Page AC3

Signed on[date] as authorised by the Unit’s Management Committee:

..... Unit Treasurer

..... Unit Chairman

THE SEA CADETS
ANNUAL STATEMENT OF ACCOUNT* FOR THE UNIT

Form SCC A3 (R&P) Apr 2009

TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2009

(*Units in Scotland: This Statement's form and content and its scrutiny are governed by Regulations – SSI 2006/218)
 (To be forwarded to Area Business & Management Director and as otherwise directed no later than 1 November each year)

Unit Name:	Charity No:
Other name by which Unit is known:	
Unit address (or address for correspondence):-	
Unit Management Committee members (the 'Sea Cadet Unit trustees') at date of signing Report:-	
Names of any other persons who were Sea Cadet Unit trustees of the Unit at any time in the financial year:-	
Name of any person who is now (or was, in the financial year) a 'trustee for the Sea Cadet Unit' - i.e., holding or in possession of any assets belonging to the Unit (includes Holdings, nominees &c) [<i>not: Scotland</i>]:-	
Nature and date of the Unit's constitution (governing document):- Sea Cadet Regulations	
The method(s) adopted for recruiting new trustees, and how trustees are elected or otherwise appointed (and by whom) in accordance with the Unit's constitution, are as follows:-	
UMC members are elected annually at the Annual General Meeting (AGM). UMC members are elected from the membership of the Sea Cadet Unit which is drawn loosely as being those with an interest in the unit. In the event of a vacancy arising during the year (known as a casual vacancy), The UMC have the power to appoint a new UMC member. The UMC member appointed will serve until the date of the next AGM, after which the post will be filled by election.	
The Unit's charitable purpose(s) as set out in its constitution is/are:-	
To help young people towards responsible adulthood by encouraging valuable personal attributes and high standards of conduct, using a nautical theme based on the customs of the Royal Navy.	
The Unit's main activities and achievements in the financial year were:-	
The Sea Cadet Unit trustees acknowledge with thanks the extra support of the Ministry of Defence by way of grants in aid, loan of equipment and services of personnel to the Unit during this financial year.	
Public benefit	
The UMC continue to give due regard to the public benefit provided by the Unit in relation to the charitable purpose of the Sea Cadet movement as set out in the activities and achievements as outlined above. The aim is to promote the development of young people in achieving their physical, intellectual and social potential as individuals and responsible citizens in a safe environment. In order to achieve this the Unit takes young people from all backgrounds, including where possible those with disabilities and develops their skills and abilities by:	
<ul style="list-style-type: none"> • Regular and structured activities with a nautical theme. • Allowing young people to take part in activities connected with the wider Sea Cadet movement such as seaborne activities, events and competitions at district, area and national levels. • Availability of formal educational achievements whilst taking courses to earn badges and promotions. 	
Contributions are kept low in order to ensure all those who wish to take part in the activities of the Unit may do so.	

THE SEA CADETS
ANNUAL STATEMENT OF ACCOUNT* FOR THE UNIT
TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2009 (Cont'd)

Form SCC A3 (R&P) Apr 2009

Reserves policy

The Sea Cadet Unit trustees' policy aims to maintain unrestricted reserves at a level equating to [.....] months' revenue payments, in order to safeguard the Unit's ongoing activities from any unexpected fluctuations in income. Year-end reserves amounted to £ , equal to [.....] months' on that basis.

[Delete this section if not applicable] The Unit holds [£] in designated funds representing [£] for future projects to be carried out in [month/year as currently planned/expected].

[Delete this section unless the Unit has a Restricted Fund in deficit]

A restricted fund held for the purpose of [.....] was in deficit to the extent of [£] as at the year-end as a result of the following circumstances, and the steps being taken to rectify it are:-

During the financial year the Unit received the following donated facilities/services [not: E&W Units]:-

The Unit and/or its trustees held the following assets for the Sea Cadet Unit/ies named below, whose charitable purposes are as set out hereunder. Special arrangements for the safe custody of those assets and their segregation from the Unit's own assets are as set out below [E&W Units: Delete this section if not applicable; Units in Scotland: This disclosure is not mandatory]:-

Signed on[date] as authorised by the Unit's Management Committee:

..... Unit Treasurer

..... Unit Chairman

APPENDIX B1 – ENGLAND & WALES

**Independent examiner's
report on the accounts**

**Report to the trustees/
members of**

**On accounts for the year
ended** **Sea Cadet Unit no
(if any)**

Set out on pages

**Respective responsibilities
of trustees and examiner** The Charity trustees consider that an audit is not required for this year (under section 43(2) of the Charities Act 1993 (the Act)) and that an independent examination is needed.
It is my responsibility to

- examine the accounts (under section 43 of the Act),
- to follow the procedures laid down in the General Directions given by the Charity Commission (under section 43(7)(b) of the Act), and
- to state whether particular matters have come to my attention.

**Basis of independent
examiner's statement** My examination was carried out in accordance with General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by the Charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the accounts.

**Independent
examiner's statement** In the course of my examination, no matter has come to my attention (other than that disclosed below *)

1. which gives me reasonable cause to believe that in, any material respect, the trustees have not met the requirements to ensure that:
 - proper accounting records are kept (in accordance with section 41 of the Act); and
 - accounts are prepared which agree with the accounting records and comply with the accounting requirements of the Act; or
2. to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

** Please delete the words in the brackets if they do not apply.*

Signed: **Date:**

Name:

**Relevant professional
qualification(s) or body (if
any):**

Address:

Disclosure section

Only complete if the examiner needs to highlight material problems.

Give here brief details of any items that the examiner wishes to disclose.

APPENDIX B2 – SCOTLAND

Independent Examiner's Report to the Trustees of "ABC" Trust

I report on the accounts of the charity for the year ended xx xxxx 200x which are set out on pages xx to xx.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

The charity trustees consider that the audit requirement of Regulation 10(1) (d) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under section 44(1) (c) of the Act and to state whether particular matters have come to my attention.

Basis of independent examiner's statement

My examination is carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

Independent examiner's statement

In the course of my examination, no matter has come to my attention [other than disclosed below*]

1. Which gives me reasonable cause to believe that in any material respect the requirements:

- to keep accounting records in accordance with Section 44(1) (a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations, and
- to prepare accounts which accord with the accounting records and comply with Regulation 9 of the 2006 Accounts Regulations have not been met, or

2. To which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Name:

Relevant Professional qualification/professional body:

Address:

Date: