



Proposed Constitution Amendment

Section 34

Background

The Society currently uses receipts and payments accounting as the method for preparation of the Society's accounts. This practice is longstanding and, in the view of the Trustees, provides the most appropriate view of the Society's financial results and position to members and the public.

The alternative method of reporting is by accruals accounting. This method is required for charities with a gross income of greater than £250,000, which does not currently apply to PNFS. The guidance for this type of accounting is provided in the Charities Statement of Recommended Practice (FRS102)¹ (the SORP).

The Charity Commission provides guidance to charities on preparing their accounts². This guidance highlights the accountability of Trustees to ensure the Society's finances are accurately recorded and reported. In relation to the SORP, the guidance states: "The accounting recommendations of the SORP do not apply to charities preparing receipts and payments accounts."

As a charity with gross income over £25,000, we are required to have these accounts independently examined each year. The Trustees appoint an examiner to undertake this work, and their findings are presented to the membership annually at the AGM.

In seeking to appoint a new Independent Examiner for the current year, it was brought to the attention of Trustees, that notwithstanding our compliance with current charity commission guidance, the Society's constitution currently places the additional burden in Annex C Section 34(2) that the Society prepare accounts in accordance with the SORP.

As the Society currently uses receipts and payments accounting and this type of accounting is not covered in the SORP, it places the Society inadvertently in breach of its constitution.

In the Trustees' view, Annex C Section 34(1) currently details sufficiently the responsibilities of Trustees as contained in the guidance. It is therefore proposed to correct the current anomaly by amending the constitution to remove clause 34(2) from Annex C, as below.

¹ <https://www.gov.uk/government/publications/charities-sorp-2005>

² <https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d/charity-reporting-and-accounting-the-essentials-november-2016-cc15d--2>

Current wording

34. Accounts, Annual Report, Annual Return

- (1) The Managing Committee must comply with the obligations of trustees under the Charities Act 2011 with regard to:
 - (a) the keeping of accounting records for the Society;
 - (b) the preparation of annual statements of account for the Society;
 - (c) the transmission of the statements of account to the Commission;
 - (d) the preparation of an Annual Report and its transmission to the Commission;
 - (e) the preparation of an Annual Return and its transmission to the Commission.
- (2) Accounts must be prepared in accordance with the provisions of any Statement of Recommended Practice issued by the Commission, unless the Managing Committee is required to prepare accounts in accordance with the provisions of such a Statement prepared by another body.

Proposed wording

34. Accounts, Annual Report, Annual Return

- (1) The Managing Committee must comply with the obligations of trustees under the Charities Act 2011 with regard to:
 - (a) the keeping of accounting records for the Society;
 - (b) the preparation of annual statements of account for the Society;
 - (c) the transmission of the statements of account to the Commission;
 - (d) the preparation of an Annual Report and its transmission to the Commission;
 - (e) the preparation of an Annual Return and its transmission to the Commission.
- (2) ~~Accounts must be prepared in accordance with the provisions of any Statement of Recommended Practice issued by the Commission, unless the Managing Committee is required to prepare accounts in accordance with the provisions of such a Statement prepared by another body.~~