



SCOTTISH EXECUTIVE

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Consultees

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Your ref:
Our ref: CLD/004/008

11 April 2005

Dear consultee,

Consultation on the Charity Accounting Regulations.

I am pleased to enclose a copy of the consultation paper Charity Accounting Regulations published today. The consultation paper outlines the Scottish Executive's proposals for the accounting regulations which will follow the implementation of the Charities and Trustee Investment (Scotland) Bill.

This consultation is your opportunity to have your say about these plans before the regulations are drafted and laid before the Scottish Parliament. Although we have posed specific questions on the proposals, your views on any aspect of the proposals within this document are welcome. Further copies of all the enclosed documents are available from the address above, or on our website at <http://www.scotland.gov.uk/consultations>. Additional background information is available on our website at www.scotland.gov.uk/viu.

The consultation has been copied to all those individuals and organisations who responded to the consultation on the Bill. It has also been forwarded to a range of key stakeholders in charity law reform.

Please respond to this consultation in writing or by email, attaching also a completed responsee information form, to the address above by **4 July 2005**. It is Scottish Executive policy on public consultations that we will publish all responses (for which we have permission to publish) on our consultation website in due course. However, if the responsee form is not returned completed with the response, we are not able to make your response public. Thank you for your valuable engagement in the on-going debate on charity law reform in Scotland.

Yours faithfully

Richard Arnott
Head of Charity Law
Voluntary Issues Unit



Charity Accounting Regulations

Consultation Paper

**Scottish Executive
April 2005**

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1. INTRODUCTION

In November 2004 the Executive introduced the Charities and Trustee Investment (Scotland) Bill to the Scottish Parliament. The Bill improves and strengthens the regulation of charities operating in Scotland in a way that builds on the value that charities bring to Scottish society.

This consultation paper sets out our proposals for the accounting regulations that flow from the Bill. The Bill provides an ideal opportunity to update and modernise the existing regulations to reflect current UK accounting practice and to ensure that the requirements are proportional to the sizes of charities. Our proposals are intended to help to maintain public confidence in the sector without placing undue burdens on charities. The partial Regulatory Impact Assessment (pp. 31 of this document) sets out what we think the impact of our proposals on charities will be.

The consultation is your opportunity to have your say about these plans before the regulations are drafted and laid before Parliament. Although we have highlighted key areas for comment, your views on any aspect of the proposals within this document are welcome.

You are invited to respond in writing to:

Fiona Warne

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Please reply by 4 July 2005

This consultation, and all other Scottish Executive consultation exercises, can be viewed online at <http://www.scotland.gov.uk/consultations>. You can telephone Freephone 0800 77 1234 to find out where your nearest public internet access point is.

The Scottish Executive now has an email alert system for SE consultations (SEconsult at <http://www.scotland.gov.uk/Consultations/seConsult>). This system allows stakeholder individuals and organisations to register and receive a weekly email containing details of all new SE consultations (including web links). SEconsult complements, but in no way replaces SE distribution lists, and is

designed to allow stakeholders to keep up to date with all SE consultations activity, and therefore be alerted at the earliest opportunity to those of most interest. We would encourage you to register.

Handling your response

We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. Please complete and return the **Respondent Information Form** which is enclosed with this consultation paper as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Executive are subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

Next steps in the process

Where respondents have given permission for their response to be made public (see the attached Respondent Information Form), these will be made available to the public in the Scottish Executive Library and on the Scottish Executive web pages by 25 July 2005. We will check all responses where agreement to publish has been given for any potentially defamatory material before logging them in the library or placing them on the website. You can make arrangements to view responses by contacting the SE Library on 0131 244 4565. Responses can be copied and sent to you, but a charge may be made for this service.

What happens next?

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us reach a decision on the charity accounting regulations. We aim to issue a report on this consultation process by the end of September 2005

Comments and complaints

If you have any comments about how this consultation exercise has been conducted, please send them to the address above.

THE SCOTTISH EXECUTIVE CONSULTATION PROCESS

Consultation is an essential and important aspect of Scottish Executive working methods. Given the wide-ranging areas of work of the Scottish Executive, there are many varied types of consultation. However, in general, Scottish Executive consultation exercises aim to provide opportunities for all those who wish to express their opinions on a proposed area of work to do so in ways which will inform and enhance that work.

The Scottish Executive encourages consultation that is thorough, effective and appropriate to the issue under consideration and the nature of the target audience. Consultation exercises take account of a wide range of factors, and no two exercises are likely to be the same.

Typically Scottish Executive consultations involve a written paper inviting answers to specific questions or more general views about the material presented. Written papers are distributed to organisations and individuals with an interest in the issue, and they are also placed on the Scottish Executive web site enabling a wider audience to access the paper and submit their responses¹. Consultation exercises may also involve seeking views in a number of different ways, such as through public meetings, focus groups or questionnaire exercises. Copies of all the written responses received to a consultation exercise (except those where the individual or organisation requested confidentiality) are placed in the Scottish Executive library at Saughton House, Edinburgh (K Spur, Saughton House, Broomhouse Drive, Edinburgh, EH11 3XD, telephone 0131 244 4565).

All Scottish Executive consultation papers and related publications (eg, analysis of response reports) can be accessed at: **Scottish Executive consultations** (<http://www.scotland.gov.uk/consultations>)

The views and suggestions detailed in consultation responses are analysed and used as part of the decision making process, along with a range of other available information and evidence. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented

Final decisions on the issues under consideration will also take account of a range of other factors, including other available information and research evidence.

¹ <http://www.scotland.gov.uk/consultations>

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.

2. Background

In 2000 the Scottish Executive established the Scottish Charity Law Review Commission (the McFadden Commission) in 2000 to consider reforms to charity regulation. We responded to the commission's recommendations in December 2002, agreeing to take them forward, although legislative time was not available at that point.

On 15 November 2004 the Charities and Trustee Investment (Scotland) Bill was introduced to Parliament following extensive consultation. (<http://www.scottish.parliament.uk/business/bills/index.htm>) The changes in charity regulation that the Bill puts in place are designed to support and encourage charitable activity in Scotland, while reassuring the public that their money is being well used and that support is being properly provided. The proposed accounting regulations outlined here are integral to this.

As stated in the consultation paper issued with the draft Bill in June 2004², the Bill is motivated by the Executive's belief that there is a clear public interest in the effective regulation of charities in Scotland. For regulation to be effective, it must promote five key principles³. It must be:

independent
proportionate
accountable
transparent
consistent.

Our proposals for the accounting regulations are intended to follow those principles.

The Home Office is also currently taking forward reforms to charity legislation in England and Wales including revising their accounting regulations. For more details of Home Office plans and a copy of their draft charities Bill and proposed accounting regulations visit their website at www.homeoffice.gov.uk/comrace/active/charitylaw/index.html.

Consistency with UK Accounting Standards

The way in which UK accounting standards apply to the accounts of charities is set out in Statements of Recommended Practice (SORPs) endorsed by the Accounting Standards Board. SORPs supplement the accounting standards and legal requirements and conform to the Accounting Standards Board's (ASB) code

² <http://www.scotland.gov.uk/consultations/social/dctib-00.asp>

³ Independent Regulators, Better Regulation Task Force Report, October 2003 (www.bruf.gov.uk)

of practice. They are developed for specialist sectors and provide recommendations on accounting practices. SORPs have been issued which cover the special accounting needs of institutions of Higher and Further education and registered social landlords. Outside these specialist needs, the SORP “Accounting and Reporting by Charities” (the Charities SORP) is the relevant embodiment of UK accounting standards for charities. The Charity Commission recently published the exposure draft of the revised Charities SORP, which has now been adopted by the ASB. This revised SORP reflects the changes in accounting practices and the drive for charities to be more open and accountable in their reporting, providing a clearer link between their objectives, activities and results.

It is important that the regulations are flexible enough to adapt to the changes within the sector and to accounting practices and we propose that the regulations rely on the charities SORP to accommodate this. The principles of openness and accountability encompassed in the Charities SORP are a key part of the proposed charity regulation in Scotland and we believe they are essential to the future development and prosperity of the sector. By adopting the charities SORP the regulations will meet accepted standards of best practice in accounting and will adapt as accounting practices change.

The charities SORP applies to charities producing fully accrued accounts and so our proposals include specific provision for smaller charities that choose to produce accounts on a simpler receipts and payments basis.

Current Requirements

The current accounting requirements for charities are set out in the Charities Accounts (Scotland) Regulations 1992 under the powers in the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990. They apply to all Scottish based charities except designated religious bodies and registered and unregistered companies. Certain exemptions were granted by the Charities (Exemption from Accounting Requirements)(Scotland) Regulations 1993.

The regulations provide that charities with an income of less than £25,000 may produce a simplified statement of accounts otherwise charities must produce fully accrued accounts. If a charity’s income or expenditure exceeds £100,000 then a full audit is required, for all other charities their accounts should be subject to independent examination by someone the trustees reasonably believe “to have the requisite ability and practical experience to carry out a competent examination”⁴. The examination of the accounts by somebody who is independent and competent is the key issue here and the definition is not

⁴ The Charities Accounts (Scotland) Regulations 1992

restricted to qualified accountants. We intend to continue to use this definition in the new regulations.

For those charities with an income of over £25,000 the statement of accounts must include:

- i. an income and expenditure account
- ii. a balance sheet
- iii. notes to the accounts
- iv. an annual report

Charities with an income less than £25,000 the statement must include:

- i. a receipts and payments account
- ii. a statement of balances
- iii. notes to the accounts
- iv. an annual report.

Charitable companies are subject to the accounting provisions in the Companies Act 1985 and must provide annual accounts which include:

1. an income and expenditure account
2. a balance sheet
3. an auditors report (if appropriate)
4. a directors report

Charitable companies with an income of less than £250,000 may choose to have an accountants report instead of an audit. Those with an income of less than £90,000 are exempt from having their accounts audited.

Reasons for change

While roughly 67%⁵ of the charities sector have an income of less than £25,000 requiring all charities with an income over this to provide fully accrued accounts is extremely onerous on those still relatively small charities that are caught by this threshold. It also means that a large proportion of the fully accrued accounts are not subject to audit which is only compulsory over £100,000. We do not believe this is desirable as it is unduly burdensome for the sector and does not provide transparency or reassurance for the general public.

The current regulations have failed to keep up with changes in accounting practice. The Charities SORP requires a Statement of Financial Activities, which replaces the Income and Expenditure Account. The regulations have continued to require an Income and Expenditure Account, causing unnecessary duplication.

⁵ Figure from SCVO report "Analysis of Scottish Charity Sector" February 2004.
http://www.scvo.org.uk/research/reports/Charities_Statistics.pdf

The introduction of the Charities and Trustee Investment (Scotland) Bill provides an opportunity to ensure that the accounting regulations for charities are relevant to the shape of the sector and meet current practices and standards.

3. Summary of proposals and questions.

Thresholds

Chapter 4 sets out our detailed proposals for the accounting regulations. They set the income threshold below which a charity may produce receipts and payments accounts at £250,000. This is also the threshold set for auditing purposes. Setting the same thresholds for both the form of accounts and the audit requirements keeps the regime simple and consistent. Increasing this threshold from £25,000 to £250,000 is a major deregulating move. We believe that the preparation of fully accrued accounts requires a level of expertise unlikely to be readily available to a charity as small as £250,000 and that they will rarely have transactions of a complexity that would make receipts and payments accounts misleading. The proposals only include an asset threshold for dormant charities. We believe that adding an asset threshold for active charities may be confusing and problematic and would force charities not otherwise over the threshold to undertake a valuation of assets to establish that it is below the asset threshold. We feel that this goes against the principles of a simple and proportionate regime.

Charities with an income of over £250,000 will have to produce a statement of accounts which includes:

- i. A statement of financial activities
- ii. A balance sheet
- iii. Notes to the accounts
- iv. An annual report

Those charities with an income or expenditure over £250,000 must be audited.

Charities with an income of under of less than £250,000 which are not companies, limited liability industrial and provident societies or SCIOs may opt instead to produce a statement of accounts on a receipts and payments basis which includes:

- i. A receipts and payments account
- ii. A statement of balances
- iii. Notes to the accounts
- iv. An annual report

Charities with an income or expenditure under £250,000 whose accounts are not required by their constitution to be audited must have their accounts approved by an independent examiner. An independent examiner is any independent person who is believed by the trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts.

We believe that the threshold of £250,000 for both fully accrued accounts and audit is appropriate to the sector in Scotland. However there is little evidence available for the income of the sector and we would welcome any information you can provide on this as well as your views on the appropriateness of the thresholds proposed.

There is no proposal to exempt very small charities from independent examination. Providing that all charity accounts are independently scrutinised is an important part of providing transparency and accountability and there is a concern that adding in another threshold below which independent examination is optional creates confusion. However there have been suggestions that charities with an income less than £10,000 should be exempted from the requirements for independent scrutiny of their accounts and we are seeking your views on both these options.

We would like your views on whether the proposed thresholds are the right ones and whether there should be a third category of charity for which independent examination is optional.

Table 1 Income distribution of Scottish Charities⁶

Income Range	Number of Charities	Percentage of Known
Less than £12,500	4580	59.0%
£12,501 - £25,000	609	7.8%
£25,001 - £50,000	862	11.1%
£50,001 - £100,000	572	7.4%
£100,001 - £200,000	415	5.3%
£200,001 - £300,000	141	1.8%
£300,001 - £400,000	99	1.3%
£400,001 - £500,000	56	0.7%
£500,001 - £600,000	32	0.4%
£600,001 - £700,000	30	0.4%
£700,001 - £800,000	19	0.2%
£800,001 - £900,000	22	0.3%
£900,001 - £1,000,000	18	0.2%
£1,000,001 - £2,000,000	99	1.3%
£2,000,001 - £5,000,000	99	1.3%
£5,000,001 - £10,000,000	54	0.7%
Over £10,000,000	55	0.7%

Figures are for those charities which SCVO has income information and represent approximately 27% of the sector in Scotland.

⁶ SCVO's report "Analysis of the Scottish Charity Sector" February 2004.
http://www.scvo.org.uk/research/reports/Charities_Statistics.pdf

UK Charities

The differing audit thresholds between England and Wales and Scotland mean that some smaller UK wide charities would be subject to audit because of the Scottish regulations that would not if they operated solely in England and Wales.

In response to the consultation on the draft Bill some UK wide charities raised concerns that they would be required to produce separate accounts for their Scottish activity, others preferred to separate their Scottish activity for accounting purposes.

We propose that for English charities that register their Scottish operations, charities will choose between registering a separate charity operating in Scotland, for which Scotland-only accounts would be required, or registering the English based charity with OSCR for its Scottish operations, for which OSCR would require the accounts of the UK charity. Any adjustment of the charity's accounts to meet these regulations should be minimal as these regulations reflect UK recommended practice.

Do you think the approach taken to UK wide charities in the proposals is the right one?

Exemptions

To avoid imposing unnecessary burdens on charities, we have proposed that charities that are subject to other Statements of Recommended Practice are exempted from the regulations in so far as they conflict with the other SORP. The exempted charities are Registered Social Landlords and Higher and Further education institutions. The significant increase in the threshold for fully accrued accounts is thought to obviate the need for further specific exemptions.

We propose that OSCR has a discretionary power to grant specific variations from the regulations where there is a conflicting requirement placed by a statutory authority.

We seek your views on whether this is the right approach and whether the right charities are given exemptions.

Designated Religious Charities

Currently, designated religious bodies (DRBs) are exempt from the 1990 Act's provisions requiring charities to keep accounting records (section 4 of Act) and parts of section 5 on the preparation of Annual Accounts and report.

The provisions in the new Charities Bill are designed to provide a roughly equivalent but updated regime for those religious charities that seek the new designated religious charity (DRC) status. DRCs will not be exempt from requirements to maintain accounting records and prepare annual accounts and will no longer be exempt from the accounting regulations. Following discussions we believe that their accounting practices mean the removal of the exemption will not cause problems for the current DRBs. The increase in the thresholds for producing fully accrued accounts and for audit purposes mean that small congregations will not be subject to overly onerous regulation and it is important for transparency and confidence in the charity “brand” that all charities produce clear publicly, accessible accounts.

Do you agree with the proposal that DRCs follow the same accounting regulations as other charities in Scotland?

Charitable Companies

The proposals are that charitable companies meet the requirements of charity law and company law by following the procedures laid out in the charities SORP. Charitable companies do not to require to have any form of audit if their annual income is less than £90,000 under company law. However we propose that under the charity accounting regulations they will have to have their accounts independently examined. This was the position in the Charities Accounts (Scotland) Regulations 1992, which will be repealed by the Charities and Trustee Investment (Scotland) Bill. Although Company Law is reserved the setting of the audit thresholds for charitable companies is devolved. The Westminster Charities Bill proposes that the audit threshold for English and Welsh charitable companies is raised from £250,000 to £500,000. This increase will not apply to Scottish charitable companies and we propose that the audit threshold for Scottish Charitable Companies remains at £250,000. This will ensure that all charities in Scotland are subject to the same thresholds.

Do you agree with the proposals that the audit threshold for charitable companies remains at £250,000, providing a consistent accounting regime for all charities in Scotland?

Accounting Periods

We propose that charities are allowed to specify their own period end date subject to permission from OSCR for successive or frequent changes to that date. The period for submitting the Annual Report and Accounts to OSCR has been reduced from within 10 months to within 7 months of the period end date. If

a charity fails to do this OSCR may make the default public, launch an inquiry into that charity and appoint a person to complete the accounts at the charity's expense.

Do you agree with the proposals on the accounting periods, the timeframe for submitting accounts and the actions available to OSCR if a charity fails to do so?

Accounts in Gaelic

The proposals state that the accounts must be in English but that charities may also produce versions in Gaelic for issuing to members and enquirers who prefer this.

Is this the right approach? Should all accounts and reports be in English? Should OSCR be prepared to accept the annual report and accounts in Gaelic?

The Charities SORP

It is our intention to ensure that these regulations are fully consistent with the Charities SORP. In doing this we had three options:

1. To have no detailed regulatory requirements but simply require those accounts which are on the accruals basis to follow the recommendations of the SORP
2. To have certain clear requirements for Scottish charities set out, particularly in respect of format and disclosure, but refer to the methods and principles in the SORP
3. To have comprehensive detailed requirements, ensuring there is no conflict with the SORP but essentially re-presenting it as regulations

The proposals are intended to reflect the second of these options, in that the regulations for the preparation of fully accrued accounts should rely on the charities SORP but list specific requirements. This will ensure that the regulations are tailored to meet Scottish regulatory needs, whilst meeting current accepted practice and reducing the possibility of conflicting accounting requirements. Reference to the SORP will provide increased flexibility allowing the regulations to adapt as accounting practices change.

Do you agree that the regulations take the right approach to adopting the SORP?

The Draft Regulatory Impact Assessment (RIA)

The RIA examines the impact of the new reporting regime on charities and OSCR. It takes into account the intention to update existing requirements to obviate conflicts, and to de-regulate by raising thresholds. We anticipate that charities that are meeting the existing requirements of the 1992 Regulations and the appropriate SORP will face little or no additional burden.

Does the RIA provide an accurate picture of the impact of the new regulations? Do you have any comments on the RIA?

4. Proposals

Duty to keep accounting records

For every charity, the charity trustees must ensure that accounting records are kept which are sufficient:

- i. to show and explain the charity's transactions, including, but not limited to:
 - o For all sums of money received day to day, the source of the money and the purpose for which it was paid to the charity
 - o For all sums of money expended day to day, the person or body to which it was paid and the reason for the payment
 - o Records of the assets and liabilities of the charity
- ii. to disclose with reasonable accuracy at any time the financial position of the body and its various funds at that time, and
- iii. to enable the charity trustees to produce a statement of accounts for each accounting period in compliance with the regulations.

The records are to be kept for six years.

If a charity ceases to operate, the trustees must make arrangements for the safe storage of the records for six years after cessation, and inform OSCR where they are.

The charity must take all reasonable steps to protect its accounting records from risk of corruption by fire, flood etc., and from loss of access due to IT failure or obsolescence, loss of passwords etc.

Accounting periods

Charities should be required to fix for themselves an accounting year end date. A charity must disclose its accounting date to any enquirer. A charity should be able to change its year end date by decision of the trustees with the proviso that in the following situations they must seek permission from OSCR:

- i. Any accounting period longer than 18 months plus one week
- ii. Three accounting periods greater or less than a week either side of twelve months, ending in any period of five years.

Permission would only be granted in unusual circumstances, a clear case having been made on grounds of practicality.

Charities which cease their activities must arrange for accounts to be prepared covering all transactions up to the cessation.

Trustees Annual Report and Accounts

The trustees must ensure that for every accounting period there is produced a Trustees' Annual Report and Accounts.

The annual report and the accounts should either be together in one document, or in separate documents which each refer to the other as being necessary to form the whole. If in two separate documents, both must be provided on request to any enquirer who requests a copy of the accounts, or the annual report and accounts.

Any summarised accounts which the charity may prepare and publish for its own purposes must include reference to the full accounts and where they may be obtained.

A charity which has one or more subsidiary undertakings (whether charitable or not) must produce group accounts, except where FRS2 provides for the exclusion of the subsidiaries, the gross income of the group is below £250,000, the results or assets or liabilities of the subsidiary are not material to the group. All according to the methods and principles of the SORP.

Each recognised charity must prepare its own set of compliant accounts and Trustees' Annual Report. The exceptions to this are:

- i. Where more than one charity is managed and controlled by the same trustees the accounts and reports may be grouped in a single document, provided that document contains all the information required by the regulations and meets the requirements pertaining to the largest charity so grouped for all the charities.
- ii. Where a charity is the subsidiary of another charity which has prepared group accounts and is wholly owned and controlled by charities, it will not require a Trustees Annual Report, provided all the required information on the charity is given in the group accounts, and provided the accounts of the subsidiary charity indicate how a copy of the group report may be obtained.

Thresholds for accounting requirements and audit are to be pro-rated for the accounting period length if this differs from one year.

The accounts must comprise a Statement of Financial Activities, a balance sheet, and notes sufficient to provide, together with these main statements, a true and fair view, and the information required to be disclosed by virtue of these regulations. Where required by UK accounting standards that pertain for the time being a charity must also provide a cash flow statement formulated according to the guidance in the Charities SORP.

Where the charity is a company it must meet the needs of charity reporting, and also meet the requirements of company law, by way of the methods set out in the SORP.

The accounts must show the duration of the accounting period, and of the previous period.

Every item disclosed in charity accounts must include the corresponding amount for the previous period.

The accounts must be approved by the trustees and signed by a trustee at the foot of the balance sheet or statement of balances, giving the date of approval. The trustee's Annual Report must also be approved by the trustees and signed and dated by a trustee to signify this. All copies of both must show the name of the person who signed, and the date of approval.

Smaller Charities

If the charity's total incoming resources are less than £250,000 and group accounts are not required, the trustees may elect to produce accounts on one or both (if applicable) of the following simpler formats:

- i. The accounts may be prepared on a "receipts and payments" basis, comprising a receipts and payments account, and a statement of balances which may in particular circumstances be integrated in the same statement. The sections below on the Statement of Financial Activities, the Balance Sheet and Other notes to the accounts do not apply if this option is taken. See the section headed "accounts prepared on a receipts and payments basis" below. Charities which are companies, limited liability industrial and provident societies or SCIOs may not select this option
- ii. The trustees may elect to produce fully accrued accounts (or be required to as companies, I&P societies or SCIOs), but not allocate costs by activity category, as explained further under "Statement of Financial Activities".

Reporting to OSCR

The Trustees Annual Report and accounts which comply with these regulations must be submitted with original trustees' and auditors'/ independent examiner's signatures to OSCR within seven months after the charity's accounting date.

If a charity fails to provide these within seven months, OSCR may:

- i. Make the default public by indicating on its website charities which have not submitted compliant accounts
- ii. Launch an inquiry into that charity
- iii. Give notice for completion, after which OSCR may appoint a person or firm to complete the charity's accounts at the charity's own expense and with a statutory right of access, information and explanations. The person will report to OSCR on the charity's accounting records and any other findings of regulatory interest.

The accounts must comprise the whole assets, liabilities and transactions of the charitable body, wherever situated.

The accounts must be denominated in pounds sterling if the charity is domiciled in the UK, otherwise the currency of the state where the charity is domiciled, or pounds sterling or Euros.

The trustees' annual report and accounts must be available, and submitted to OSCR, in the English language. The trustees may also produce a duplicate version of the charity's report and accounts in Gaelic for issue to members or enquirers who express a preference for that language. The Gaelic version must include a statement by the auditor or independent examiner that it is a faithful translation of the accounts submitted to OSCR.

Dormant Charities

The trustees of a charity which becomes dormant (ie has no activities and no transactions in an accounting period other than receipt of interest on bank or building society deposits) must submit to OSCR each year a statement of its assets.

Trustees' Annual Report Contents

The Trustees Annual Report must include:

Mandatory for all charities

- i. All names used by the charity, making clear the name by which it is registered with OSCR
- ii. The Scottish charity registration number
- iii. The address of the principal office or contact point
- iv. The names of all the trustees on the date the report was approved up to 50, including those who are office bearers (by permission of OSCR names may be omitted to protect personal safety, with the reason for non disclosure being given in the report. *Company law prevents such an omission in respect of directors*)
- v. All other trustees who served during the accounting period
- vi. The person in charge of day to day management where this is delegated by the trustees
- vii. The nature of the governing document
- viii. Relationships and transactions with related organisations
- ix. A summary of the charity's purpose and objectives
- x. The activities of the charity in the accounting period
- xi. A review of the financial results and position shown by the accounts
- xii. Explanation of salient items in the accounts

Optional for charities below £250,000

- xiii. The names and addresses of the principal bank, and the auditor/independent examiner
- xiv. The method of appointment of trustees
- xv. The charity's organisational structure
- xvi. Explanation of policies which pertain to the charity's main activities, for example grant making, use of volunteers, risk management, employee relations, equal opportunities

- xvii. Policies on reserves, designation of funds, investment
- xviii. Plans for future periods, including developments since the accounting date
- xix. Other relevant matters as recommended in the SORP.
- xx. For group accounts the disclosures above for the group as a whole indicating clearly where activities pertain to individual organisations in the group, plus a note of the activities of each group organisation.

Statement of Financial Activities

The Statement of Financial Activities (SOFA) must show all incoming resources and resources expended in the accounting period on all the charity's funds. The statement must show in columns the movements on the charity's different types of funds, distinguishing at a minimum between unrestricted income and funds, restricted income and funds, and endowment funds. There must be a column showing total funds, and a prior year comparative total funds against each line.

All items must be measured, calculated and categorised according to the definitions, methods and principles in the Charities SORP.

The following categories of transaction must be shown in total for each type of fund in the SOFA, and analysed further as appropriate in the notes to the accounts:

- i. Voluntary income, including gifts, donations, legacies, membership subscriptions, sponsorships and grants which are not tied to the performance of a service
- ii. Income from activities for generating funds, including fundraising events, sponsorships with an element of exchange, shop income, providing services other than for the benefit of the charity's beneficiaries, trading income (particularly for group accounts), and rents from surplus property
- iii. Investment income, excluding gains and losses in the value of investments, and income from subsidiaries (except in a group SOFA)
- iv. Incoming resources from charitable activities, including any incoming resources which are a payment for goods and services provided for the benefit of the charity's beneficiaries. This includes trading activities undertaken in furtherance of the charity's objects ("primary purpose trading"), the sale of goods or services made or provided by beneficiaries, rents from property let for an activity that furthers the charity's objects,

- contractual payments from government or public authorities and grants which are tied to the performance of a service.
- v. Other incoming resources, including gains on the disposal of fixed assets that were held for the charity's own use.
 - vi. Total incoming resources
 - vii. Costs of generating voluntary income, including related administrative costs
 - viii. Fundraising trading costs (all costs related to the trading activity) , including related administrative costs
 - ix. Investment management costs including related administrative costs
 - x. Other costs of generating funds, (not including the negotiation of contract or performance related grant funding) , including related administrative costs
 - xi. Total cost of generating funds (vii to x)
 - xii. Resources expended on charitable activities, including the cost of administrative support for the carrying out of activities, which must itself be disclosed either in the notes or in the SOFA. The SOFA or notes must distinguish between
 - the cost of its own activities, and
 - the amount and support cost of grants or donations made in furtherance of the charity's objects.
- If grants and donations made total over 5% of total resources expended an analysis is required, distinguishing between grants to individuals and to institutions, by purpose giving numbers of grants as well as amounts as further described in the Charities SORP. All significant grants to institutions should be listed.
- xiii. Governance costs, comprising the costs which relate to the general running of the charity as opposed to the management of the functions of generating funds and carrying out charitable activities. This includes strategic planning, audit, accounts and trustee meetings.
 - xiv. Total resources expended
 - xv. Transfers between funds, shown gross
 - xvi. Gains and losses on investment assets

xvii. Net movement in funds

xviii. Funds brought forward and carried forward, to equal the Balance Sheet

Charities with total incoming resources below £250,000 who choose or have to produce fully accrued accounts, may elect not to apportion or allocate their administration, property, depreciation and other shared costs between the SOFA categories, and instead analyse such costs according to natural classifications.

For all charities, further disclosure must be given in the notes to the accounts as stipulated in the Charities SORP. In particular, the following must be disclosed:

- i. Details of the types of activities undertaken to generate voluntary funds and fundraising and trading income, giving corresponding analysis of the incomes and costs.
- ii. Analysis of the costs and related incomes of charitable activities sufficient to enable understanding of the financial scale and effect of each major category of activity
- iii. Analysis and explanation of costs, transfers and other items, sufficient to enable understanding
- iv. Disclosure of transactions with related parties, as prescribed in the Charities SORP
- v. Disclosure of any remuneration of trustees, and expenses, as prescribed in the charities SORP
- vi. Any use of the charity's funds for the purchase of trustees' indemnity insurance
- vii. Gross wages and salaries, employer's national insurance costs and pension costs, and an estimate of the average number of full time equivalent employees, providing subcategories consistent with the analyses of costs and incomes. Also the emoluments of any higher paid employees in bands of £10,000 above £50,000 as prescribed by the SORP.
- viii. The costs of audit or independent examination, and of services provided by the auditor or independent examiner
- ix. Any *ex gratia* payment that is not an application of funds for a charitable purpose

Balance Sheet

The balance sheet must provide an analysis of the charity's assets and liabilities, and the balances of all its categories of funds (at a minimum between unrestricted, restricted and endowment funds), at the end of the accounting period.

All items must be measured, calculated and categorised according to the definitions, methods and principles in the Charities SORP.

The charity's assets and liabilities must be categorised, where present, as follows:

- i. Intangible assets
- ii. Tangible assets
- iii. Heritage assets
- iv. Investments which are fixed assets
- v. Total fixed assets
- vi. Stocks and work in progress
- vii. Debtors
- viii. Investments which are current assets
- ix. Cash at bank and in hand
- x. Total current assets
- xi. Creditors: amounts falling due within one year
- xii. Net current assets or liabilities
- xiii. Total assets less current liabilities
- xiv. Creditors: amounts falling due after more than one year
- xv. Provisions for liabilities and charges
- xvi. Net assets or liabilities excluding pension asset or liability
- xvii. Defined benefit pension scheme asset or liability
- xviii. Net assets or liabilities including pension asset or liability

- xix. Endowment funds
- xx. Restricted income funds
- xxi. Share capital
- xxii. Unrestricted income funds
- xxiii. Revaluation reserve
- xxiv. Unrestricted income funds excluding pension asset or liability
- xxv. Pension reserve
- xxvi. Total unrestricted funds
- xxvii. Total charity funds

Further disclosure must be given in the notes to the accounts as stipulated in the Charities SORP. In particular, the following must be disclosed:

- i. Tangible fixed assets must be categorised between
 - Freehold land and buildings
 - Leasehold and other interests in land and buildings
 - Plant and machinery including motor vehicles
 - Fixtures fittings and equipment
 - Payments on account and assets in the course of construction.
- ii. A note summarising all the material changes in fixed assets and accumulated depreciation
- iii. Both fixed asset investments and current asset investments divided between UK and outside the UK, and between
 - investment properties, investments listed on a recognised stock exchange
 - Investments in subsidiary or associated undertakings, or in companies which are connected persons
 - Other unlisted securities
 - Cash and settlements pending

- Any other investments
- iv. Debtors analysed between long term and short term, and between:
 - Trade debtors
 - Amounts due from subsidiary and associated undertakings
 - Other debtors
 - Prepayments and accrued income
 - v. Current and long term liabilities analysed between:
 - Loans and overdrafts
 - Trade creditors
 - Amounts due to subsidiary and associated undertakings
 - Other creditors
 - Accruals and deferred income
 - income
 - vi. Particulars of any material provisions
 - vii. A list of all material fund balances, indicating the purpose of each fund and the nature of its restriction or designation, as appropriate
 - viii. All material guarantees given by the charity, and the conditions under which a liability might result
 - ix. Any financial derivative products
 - x. Contingent liabilities and assets
 - xi. Particulars of loans, and of assets which may be subject to mortgages or charges.
 - xii. Details of any expenditure commitments not accrued in the accounts

Other notes to the accounts

Accounts must include notes on the material accounting policies applied in their preparation. These must include:

- i. A statement of compliance with these regulations, and, if applicable, with the appropriate Companies or Industrial and Provident Societies Act
- ii. A statement of compliance with the Charities SORP and any other relevant SORP
- iii. Historic cost basis has been used, except for investments
- iv. Description of any departure from the above, including the reasons and the effect on figures in the accounts, where this is needed in order to give a true and fair view.
- v. Policies on incoming resources, including:
 - When a legacy is regarded as receivable
 - Basis of recognition of gifts and intangible income, grants receivable, and subscriptions
 - The basis of any deferral of incoming resources
- vi. Policies on resources expended, including:
 - Policies for recognition of liabilities
 - Policy for including items within the categories on the SOFA (cost of generating funds, charitable activities and governance costs) and methods and principles of allocation and apportionment
- vii. Policies on fixed assets, including:
 - Valuation method for each class of asset
 - The value below which assets are not capitalised
 - Policies on heritage assets
 - Depreciation policies
 - Policies on impairment review
- viii. Policies on the valuation of investments

- ix. Basis for inclusion of realised and unrealised gains and losses on investments
- x. Basis for inclusion of stocks and work in progress
- xi. A description of the different types of fund, and the policy for determining designated funds

Requirements for accounts prepared on a Receipts and Payments basis

The Receipts and payments account must group the charity's receipts and payments in the accounting period in the same way as the incoming resources and resources expended are required to be categorised in a Statement of Financial Activities (see above), but staff and administrative costs may be stated separately as a natural classification.

The Receipts and Payments Account must show total receipts, total payments, and the excess of receipts over payments (or converse) for each fund and in total. There must be comparative figures from the previous period for the total of each category on the account.

There must be a statement of balances that indicates the opening and closing cash and bank balance. This may be at the foot of the receipts and payments accounts, forming effectively a single statement.

If there are material debtors or creditors, these must be estimated and disclosed in notes.

If the charity owns assets, these must be described in the notes with an estimate of their value. Any investments must be analysed in the same way as is required in the notes to a balance sheet.

Grants and donations made must be analysed in the same way as is required in the notes to a Statement of Financial Activities.

All matters required to be disclosed in the notes to a statement of financial activities must be disclosed in the notes to the receipts and payments account, if there is anything to disclose.

If there is more than one fund, the nature of the different funds, including their purposes and any restrictions on their use must be described.

Requirements for audit

An audit by a registered auditor (in accordance with auditing standards set by the Auditing Practices Board, or equivalent international standards) is required where total incoming resources exceed £250,000, or where either the charity's founding document or other statutory provision requires an audit.

The auditor shall report as to whether in his/her opinion the accounts have been properly prepared, and whether they give a true and fair view of the financial activities and the state of affairs at the end of the financial year, comply with these regulations, with any other relevant statute, with appropriate accounting standards, and with the appropriate statement of recommended practice.

The auditor should report as to whether the information in the Trustees Annual Report is consistent with the financial statements, and with any other information of which he/she has become aware in the performance of his/her functions.

The regulations will continue the detailed requirements regarding auditors contained in the current regulations.

In all cases where an audit is not required, there should be an independent examiner, all as per section 8 of the existing 1992 regulations. At present the 1985 Companies Act does not require accounts to be audited if income is below £90,000. However the regulations will require charitable companies to have their accounts independently examined if their annual income is below £250,000. The Charities Bill for England and Wales proposes that the audit threshold for charitable companies is raised from £250,000 to £500,000 we propose that for charitable companies registered with OSCR the limit of £250,000 set by the regulations applies.

Where a charity is dormant (as referred to above) there should be no need for an independent examination or audit unless the founding document requires it or it has assets of over £25,000.

Exemptions

In addition to the reduced requirements for small charities there are other charitable bodies that are required to follow another specialist SORP (eg RSLs Higher and Further education institutions). To avoid these bodies having to produce two different sets of accounts containing similar information we propose that RSLs and the Higher and Further education Institutions are exempted from the regulations in so far as they conflict with their specialist SORP. This would mean they would prepare an income and expenditure account instead of the statement of financial activities and allow them to file the same accounts with OSCR as they produce for other supervisory bodies. OSCR will have the power to authorise specific variations from the regulations where there is a conflicting requirement placed by statutory authority.

Partial Regulatory Impact Assessment

This draft Regulatory Impact Assessment aims to provide information on the options considered in relation to the accounts regulations for charities operating in Scotland, and their likely impact on the charitable sector. Under Scottish Cabinet rules, any piece of legislation which will create or extend a regulatory regime must include a consideration of the impact of regulation on the relevant sector. We would welcome your comments on the assumptions made here, in order to revise this RIA and improve its accuracy.

Purpose and intended effect of regulation

(i) The objective

The Scottish Executive is committed to reform the regulatory regime for charities, in order to support the charities sector and to safeguard the public interest in relation to charities. The Charities and Trustee (Scotland) Bill is currently being considered by the Scottish Parliament. This draft Regulatory Impact Assessment (RIA) forms part of the consultation paper setting out the Executive's proposals for the accounting regulations which will follow the Bill if enacted.

This RIA provides background information on the options which were considered developing the proposals, and the probable impact and cost of these options. We would welcome views on the issues considered in this RIA, which will be amended and published in final form when the regulations are laid before the Scottish Parliament.

Devolution: The regulations will only apply to charities operating in Scotland.

(ii) The background

In 2004 the Scottish Executive introduced the Charities and Trustee Investment (Scotland) Bill to the Scottish Parliament. The Bill followed the recommendations made in 2001 by the Scottish Charity Law Review Commission (the McFadden Commission) and had been consulted on during the summer of 2004.

Section 45 of the Bill confers powers on Ministers to make regulations setting out the detailed accounting requirements for all charities registered with OSCR. The current regulations are made under sections 4 and 5 of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 and will fall when the Bill is passed and these sections of the 1990 Act are repealed. The new Bill provides us with the opportunity to update the accounting requirements for charities to meet current accounting standards and best practice.

In 2004 the Charity Commission reviewed the Statement of Recommended Practice: Accounting and Reporting by Charities (the charities SORP) in line with the Accounting Standards Board (ASB) code of practice. The proposals for the new regulations follow the new Charities SORP to ensure that recommended best practice and the law are compatible. The principles adopted in the SORP of improved transparency and accountability are consistent with those driving the Bill and it is therefore felt to be appropriate for the regulations to rely on the Charities SORP. The regulations seek to deliver a system that is fit for purpose and protects the public interest without being over burdensome or more costly than necessary.

(iii) Risk assessment

The new regulations are an essential part of the implementation of the Bill. Without the new regulations, the accounts provisions of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 and Charity Accounts (Scotland) Regulations 1992 cannot be repealed.

These regulations do not take account of the new Charities SORP and do not meet current accounting practice. The inconsistency between the regulations and the SORP would increase the possibility for confusion and encourage the development of inconsistent approaches. This would severely hamper the attempts to provide a transparent and straightforward regulatory framework for charities in Scotland and undermine the principles of the Charities and Trustee Investment (Scotland) Bill.

Options

Option 1: Do nothing

This is not a viable option as when the accounting sections in the Charities and Trustee Investment (Scotland) Bill are commenced the current regulations will fall. This would leave no detailed accounting requirements for charities in Scotland and would seriously undermine the principles of clarity and transparency which underpins the Charities and Trustee Investment (Scotland) Bill.

Option 2: No detailed regulatory requirements and require accounts produced on an accruals basis to follow the SORP.

By relying on the SORP charities will be able to meet changing accounting practices inline with the SORP without being forced to meet conflicting statutory obligations. This option would allow for the adoption of the updated accounting practices. There would be no clarity as to how receipts and payments accounts should be compiled.

Option 3: Set out clear requirements in regulations which refer to the methods and principles in the SORP.

This option will ensure the regulations meet Scottish needs and meet current accepted accounting practice, reducing the possibility of conflicting requirements. Referring to the principles and methods in the SORP provides the increased flexibility of allowing the regulations to adapt as accounting practices change. The requirements for receipts and payments accounts are clearly laid out.

Option 4: Implement regulations which re-state the requirements in the charities SORP.

This option would allow for the adoption of current accounting practices and ensure that the thresholds could be easily altered if necessary. It would however mean that the regulations lose the flexibility of adapting to changing accounting practices by referring to the SORP.

Benefits

Option 1: Do Nothing

There are no benefits to this option as there will be no clear regulations for charity accounts. This would cause confusion among charities as to what they were required to do to comply with the provisions in the Charities and Trustee Investment (Scotland) Bill and would not provide clarity for the general public.

Option 2: No detailed regulatory requirements and require accounts produced on an accruals basis to follow the SORP.

This option would allow for the adoption of the updated accounting practices and allow the flexibility to adapt to changing practices but there would be no clarity as to how receipts and payments accounts should be compiled. Stating the thresholds in regulations instead of Primary legislation allows them to be altered more easily as circumstances change.

Option 3: Set out clear requirements in regulations which refer to the methods and principles in the SORP.

This option will ensure the regulations meet Scottish needs and meet current accepted accounting practice. Allowing the regulations to adapt as accounting practices change and the requirements for receipts and payments accounts will be clearly laid out. Stating the thresholds in regulations instead of Primary legislation allows them to be altered more easily as circumstances change.

Option 4: Implement regulations which re-state the requirements in the charities SORP.

This option would allow for the adoption of current accounting practices but would mean that the regulations lose the flexibility of adapting to changing accounting practices by referring to the SORP. Stating the thresholds in regulations instead of Primary legislation allows them to be altered more easily as circumstances change.

Business sectors affected

All existing charities operating in Scotland will be affected by the proposals in the attached consultation paper. Currently non-charitable voluntary organisations may also be affected, since they may gain access to charitable recognition for the first time, under the revised definition of charity contained in the Bill.

Of the 27% of the sector for which we have information approximately 33% have an income over £25,000 and are currently required to provide fully accrued accounts. Increasing the threshold to £250,000 will mean approximately 8% of Scottish charities will have to produce fully accrued accounts, allowing the vast majority of charities to produce simplified accounts on a receipts and payments basis⁷. All charitable companies will have to produce fully accrued accounts to comply with company law.

Charitable RSLs and Higher and Further education institutions will be required to provide accounts to OSCR but will be allowed to follow their more specialist SORPs where these conflict with the charities SORP.

Issues of equity and fairness

The proposals will introduce a proportionate and consistent regulatory regime for all charities operating in Scotland. Regulatory requirements will be greater for larger charities, and do not aim to increase burdens on smaller organisations.

A proportionate approach has been taken to those charities covered by other specialist accounting procedures. The proposals also introduce a requirement on the charity regulator to seek to work in partnership with other existing regulators, to reduce the regulatory burden on charities.

UK charities operating in Scotland with an income between £250,000 and £500,000 will be required to have their accounts audited despite not having to in

⁷ Figures from SCVO's report "Analysis of the Scottish Charity Sector" February 2004.
http://www.scvo.org.uk/research/reports/Charities_Statistics.pdf

England and Wales. We believe that all charities operating in Scotland should be subject to the same audit requirements.

Compliance Costs

Increasing the threshold for producing fully accrued accounts from £25,000 to £250,000 means that roughly an extra 27% of charities will now be able to choose to produce accounts on a receipts and payments basis. Increasing the audit threshold from £100,000 to £250,000 will allow around 7% more charities to opt for independent examination instead of audit. These figures are taken from SCVO's "Analysis of the Scottish Charities Sector" and are based on the 7762 charities they have financial information on. Assuming there are 28000 charities in Scotland this means an extra 7560 charities could choose to produce simplified accounts with an extra 1960 able to have their accounts independently examined. This is a de-regulating move which will simplify accounting procedures for a sizeable number of charities.

We have been unable to obtain a representative estimate of how much it costs charities to produce fully accrued accounts or those produced on a receipts and payments basis. It would be helpful if respondents could provide an indication of these costs.

It is extremely difficult to assess the cost of auditing to charities as they vary greatly depending on circumstances. However increasing the number of charities which can have their accounts independently examined should reduce costs for those charities as it is possible to have an independent examination for free. The proposed regulations therefore have the potential to reduce the accounting costs for a number of charities.

Training Costs

There will be additional training costs when the regulations are brought in to allow charities familiarise themselves with the new procedures. These costs include the adoption of the revised accounting procedures contained in the charities SORP which charities would have to consider whether or not new regulations are introduced.

The larger charities with an income of over £1m will probably employ their own Finance staff to produce the accounts. The Home Office has estimated that these charities will need to give staff 2 days of private study time to assimilate the changes made by the SORP and that charities with:

- an income of over £10m would train 2 members of staff who would both attend a training course.

- An income of between £1m and £10m would train 1 member of staff who would attend a training course.

The smaller charities are likely to rely more on their auditors and independent examiners to ensure compliance but some training will be necessary along

It is estimated that:

- charities with an income of £300k - £1m will send 1 member of staff to a training course in addition to 1 day private study
- half the charities with an income of £25-£300k will send a member of staff to a training course in addition to 1 day private study
- charities with an income of under £25k will use ½ a day private study

Cost of half day training seminar	£125
Cost of staff time per day (over £10m)	£200 (assuming salary of £50,000 per annum)
Cost of staff time per day (£1m - £10m)	£140 (assuming salary of £35,000 per annum)
Cost of staff time per day (£300k - £1m)	£100 (assuming salary of £25,000 per annum)
Cost of staff time per day (£25k - £300k)	£80 (assuming salary of £20,000 per annum)
Cost of staff time per day (under £25k)	£75 (assuming salary of £15,000 per annum)

Income bracket	Number of known charities	Study days	Private study costs	Course days	Staff costs of attending course	External course costs	Total cost	Average cost per charity
Over £10m	55	220	£44,000	55	£11,000	£6,875	£61,875	£1125
£1m - £10m	252	504	£70,560	126	£17,640	£15,750	£103,950	£412.50
£300k - £1m	276	276	£27,600	276	£27,600	£34,500	£89,700	£325
£25k - £300k	1990	1990	£159,200	664	£53,120	£83,000	£295,320	£148.40
Less than £25k	5189	2594.5	£194,587.5	N/A	N/A	N/A	£194,587.5	£37.50
Total known charities	7762⁸	5584	£495,947.5	983	£95,560	£122,875	£714,382.5	

Consultation with small business: the Small Firms' Impact Test

The regulations only apply to charities we therefore do not expect that they will have an impact on small firms or micro-businesses.

Competition Assessment

The accounts regulations for charities as set out in the consultation paper are not expected to have any impact on competition. It will make charities' activities and finances more transparent, and clarify the legal requirements of charities. However it will not distort or restrict competition within markets in which charities operate.

Enforcement and sanctions

The provisions will be enforced by the Office of the Scottish Charity Regulator (OSCR).

⁸ Income figures from SCVO's report "Analysis of the Scottish Charity Sector" February 2004. http://www.scvo.org.uk/research/reports/Charities_Statistics.pdf

The regulations provide that if a charity fails to provide OSCR with a copy of its accounts then OSCR may publish the name of that charity on the OSCR website. The Bill provides that OSCR may appoint a suitably qualified person to produce the accounts at the expense of the charity.

If OSCR believes that the failure to provide accounts is an indication of other problems they may also launch an inquiry into that charity. The Bill provides that charity trustees must ensure that the charity complies with the duties imposed by the act. If following an inquiry OSCR is satisfied that there has been misconduct it may suspend a trustee, restrict the transactions the charity can enter into or freeze the charities assets for 6 months. OSCR may also apply to the Court of Session to have the sanctions made permanent.

There will be a right of appeal to an Appeal Panel (or direct to the courts) against any of these sanctions.

Monitoring and review

The regulator will be tasked with reviewing implementation of the legislation and regulations, and advising the Executive of any need for change. The Executive will review the impact of the regulations within ten years of it coming into force.

Consultation

The Charities and Trustee Investment (Scotland) Bill was developed following extensive consultation. This draft RIA and the proposals for the accounting regulations contained in the accompanying consultation paper is now produced for comment. It has been distributed to a range of key stakeholders, including national and local voluntary sector intermediary organisations, representative bodies of particular groups of charities, professional bodies, local authorities, and all those organisations which have responded to previous Executive consultations on charity law reform.

It is also available on the Scottish Executive website consultations page.

We would value your comments on this RIA, along with your responses to the consultation **by 4 July 2005**

Contact

Any queries about this RIA should be addressed to:

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Summary and recommendation

Option	Cost	Benefit
2: No detailed regulatory requirements and require accounts produced on an accruals basis to follow the SORP	One off training cost: £148.40 - £1125 per charity	Allows for the adoption of current best practice. Flexibility to adapt as accounting practices change. No specific Scottish consideration. No detail of the requirements for receipts and payments accounts.
3: Set out clear requirements in regulations which refer to the methods and principles in the SORP.	One off training cost: £37.50 - £1125 per charity	Allows for the adoption of current best practice. Flexibility to adapt to changing practices. Allows for specific Scottish consideration.
4: Implement regulations which comply with but don't refer to the SORP.	One off training cost: £37.50 - £1125 per charity	Allows for adoption of current best practice and amendment of thresholds if necessary. No flexibility to adapt as best practice changes.

Based on the cost/benefit analysis above, we recommend option 2.

The consultation paper has been prepared based on this approach.

We encourage you to submit comments on this approach, and any evidence on costs and benefits that may inform the legislative process.