

## **RESPONSE TO SCOTTISH EXECUTIVE CONSULTATION ON CHARITY ACCOUNTING REGULATIONS**

**Thresholds:** Proposals agreed. There should not be a third optional category.

**UK Charities:** Agreed; English charities can choose.

**Exemptions:** Agreed. OSCR will have discretionary power to exempt.

**Designated Religious Charities:** Agreed they should follow other charities.

**Charitable Companies:** Agreed the audit threshold should be a consistent £250,000.

**Accounting Periods:** Agreed the periods, the timeframe and the OSCR actions.

**Accounts in Gaelic:** Disagree. The currency is unaltered. The language can vary.

**The Charities SORP:** Option 2. The SORP are "recommended practices", with an option to diverge or expand where experience recommends. The discipline of required legal compliance with a nationally adopted set of rules should not be lost.

**Regulatory Impact Assessment:** No comment.

### **INDIVIDUAL COMMENT ON THE ACCOUNTING REGULATIONS**

**Trustees Annual Report and Accounts:** Where a charity has incorporated a non-charitable subsidiary company to undertake its primary objectives, this often means the company has the use, occupation and operation of the charity's assets. Trustees as directors and shareholders of the subsidiary, will be informed on the detailed results of its undertakings, but members of the charity and the public may be denied on grounds of confidentiality. Although the Trustees Annual Report may give the overall financial impact a subsidiary's transactions, as reflected in the charity group accounts, this is insufficient in into the subsidiary's operational achievements. The attached copy letter on this subject, confirms the Trustees privileged position relative to non-charitable subsidiary companies, and the need for a charity's subsidiary accounts to be available beyond the statutory requirement of the Companies Act..

#### **Per the draft Bill:**

- s 19. Entitlement to receive copy of charity's accounts does not include those of the subsidiary, nor in particular the trading results of using the several charity assets.
- s 20. Sharing information with designated bodies does not include members of the charity or the subscribing public, who are otherwise denied

#### **Per the proposed Regulations:**

Trustees Annual Report and Accounts must be provided on request to any enquirer.  
A charity which has subsidiary undertakings, must produce group accounts.  
The Accounts to comprise a Statement of Financial Activities, a balance sheet and notes.  
The Report to include a review of financial results and position of the group as a whole.

#### **Per the SORP 2005:**

- s 10. Trustees should provide additional information to give insight into charity's activities
- s 48. Significant activities to be analysed in note to the Statement of Financial Activities.
- s 53. Report can contain both qualitative and quantitative information on performance.
- s405. Segmental financial information required if consolidation obscures separate activity.
- s406. Non-charitable subsidiary funds or reserves to be separate in the balance sheet

