



CONSULTATION ON THE CHARITY ACCOUNTING REGULATIONS RESPONSE BY PAGAN OSBORNE, SOLICITORS

Our comments under the various headings are as follows:-

1. ***Requirement for Independent Scrutiny of Accounts:*** In our view, there should be a third category of charity, for those with income less than a certain figure, which should be exempted from the requirement for independent scrutiny. £10,000 of annual income would be appropriate as the threshold in our view, but we would understand if others pressed for a lower figure, such as £5,000 a year.
2. ***UK Wide Charities:*** We have no strong views on the content of Accounts, since SORPs are in practice usually adopted.
3. ***Designated Religious Charities:*** We see no reason why DRCs should not follow the same accounting regulations. We do not however understand the reference to “small congregations” in the question – they would presumably not be DRCs.
4. ***Charitable Companies:*** We agree that the audit threshold should be the same as for other charities.
5. ***Accounting Periods:*** We do not understand why it is necessary to reduce the ten month period (still the standard for companies) to seven months. In practice, it should not prove too difficult for most charities to comply, but we are unclear why it is the shorter threshold is required.
6. ***Accounts in Gaelic:*** It should be competent for a charity to report to members or other stakeholders in a Gaelic translation if that is convenient, but Accounts and Reports submitted to OSCR should also be certified in English translation if the originals are in Gaelic.
7. ***The Charities SORP:*** The middle ground of stating clear requirements for Scottish Charities, but referring to SORP principles, seems reasonable. Many charities will in practice follow the SORP whether required to or not.
8. ***Regulatory Impact Assessment:*** The arrival of OSCR has a substantial impact, the proposed reference to SORP relatively little.
9. ***Duty to Keep Records:*** We note the requirement to keep records for six years, and would comment only that for Money Laundering purposes a ten year period will usually apply.



10. ***Dormant Charities:*** There should be a threshold below which annual reporting is not required, for example initially assets of less than £25,000. An example would be a Mausoleum Maintenance Fund, established many years ago, with no fundraising activity and minimal activity of any kind. In many cases, there will be a single investment, but that need not be a mere deposit. Government Stocks are commonly held, and the exemption should cover dormant charities holding those and equivalent as well.

11. ***Requirement for Audit:*** If a small charity with income of, say, £10,000 in a normal year, receives in one year a legacy of £250,000, that would be counted in the “total incoming resources” triggering a requirement for formal audit. In our view, it should not, though we appreciate that a regular flow of substantial legacies should not allow the Charity to escape the audit requirement. We wonder whether the test could be either a rolling 3-year average or whether a single year’s legacies should not alone trigger the requirement.

Pagan Osborne

22nd June, 2005