

# EDINBURGH

THE CITY OF EDINBURGH COUNCIL

## FINANCIAL SERVICES

### FINAL DRAFT

Fiona Warne  
Charity Bill Accounts Regulations Consultation  
Voluntary Issues Unit  
Scottish Executive Development Department  
2-G, Victoria Quay  
Edinburgh  
EH6 6QQ

Date: 1 July 2005

Dear Fiona,

#### Charities and Trustee Investment (Scotland) Bill – Accounting Regulations

I write in response to the above consultation, providing a view and a range of comments from the City of Edinburgh Council with regard to the proposed changes in accounting regulation of charitable organisations and other bodies.

This Council has already submitted a range of comments in respect to the main Bill, and our submission reiterates some points, reflecting areas of national policy still requiring clarity.

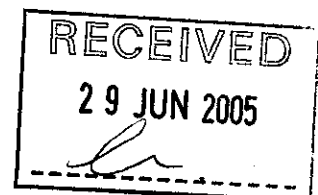
Broadly these proposals, alongside the soon to be finalised new charity governance structures seem to provide a viable and proportionate solution to what have historically been a range of complex matters. It is clear that OSCR will have an enhanced role in scrutinising the financial reports from charities returns, in order to ensure probity and transparency. We do however consider that the objective of public confidence in charitable bodies' ability to management public funds, should be uppermost in supporting the need for increasing the regulatory function.

In considering the proposals connected to revised accounting and reporting practices, the Council welcomes the proposed parity with Company Law accounting requirements in respect of auditing thresholds – this is particularly helpful for companies that have charitable status. However our concerns focus on the following:-

- while recognising the financial benefits for the charitable sector, in raising the threshold from £100,000 to £250,000, it is clear that this places an additional burden upon the independent examination function covering larger sums and therefore risk.
- We would therefore advocate that where an independent examination is carried out, that full details of the independent examiners qualification / experience should be made available within the accounts. This would allow funders and potential funders to assess the degree of risk that their funding faces and allows them to determine whether or not to call for (and resource) a full audit.
- The Council also supports the reduction in time (from ten to seven months) for charitable bodies to produce accounts – as this will aid a more proactive approach to reporting.



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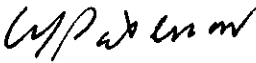
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In considering the Council as a significant public funder, it would be helpful to:-

- clarify or, to receive guidance in respect of OSCR's relationship or range of protocols with public funders – particularly where issues around irregularities are found;
- ascertain the implications for the monitoring of public funding and guidance / communications from OSCR as to whether we are required to raise the thresholds (in line with these proposals) contained within conditions for funding, and;
- receive further guidance on the implications for other types of voluntary / community bodies that receive funding, but are not charitable in nature, or have company status – as this Council funds a range of third parties that have other status.

I hope that the above is satisfactory. Should you wish to discuss directly please contact myself as below.

Yours sincerely,



 Ian Stirton  
Chief Internal Auditor



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