

**RESPONSES TO CONSULTATION
ON
CHARITY ACCOUNTING REGULATIONS**

The following responses are set out using the headings in the consultation paper.

Are proposed thresholds the right ones?

- a) We consider that any setting of thresholds should be consistent with those set for England & Wales in order to create complete transparency and consistency throughout the UK.
- b) If any variance is deemed appropriate, then, in order to achieve this, it may be necessary to define "income", particularly if this is at variance with other UK standards. For example, in order to ensure that the treatment of capital receipts and gifts in kind are uniformly treated throughout the UK.
- c) The proposed threshold of £250,000 would appear to at least exempt some 70% (see table 1) of all charities from having to prepare fully accrued accounts. A threshold of £500,000 would appear to exempt another 2%. The difference is not large and it appears that little would be lost in complying with a UK wide framework.
- d) We are not persuaded by the reasons given to reduce the threshold, and would recommend setting UK wide standards.
- e) The proposed threshold of £10,000 for a complete exemption would cover many charities. The fact that such charities are small should not necessarily allow them to operate without some form of independent scrutiny as this might lead to future problems. If a group of people believe that it is appropriate to form a charity, then is it not reasonable that they comply with some minimal governance, such as independent examination? As it is proposed that a number of persons would qualify for that role it would not appear unreasonable to impose such a requirement.
- f) How is it intended to treat subsidiary companies that have been formed to raise funds for the existing charitable purposes that may not themselves be charities? Are the thresholds for the entity alone or are they to be based upon consolidated figures?

Approach taken to UK wide charities

- a) It is far from clear just why there should be any differentiation at all within the UK.
- b) The imposition of "Scottish only" accounts would appear burdensome and indeed just how transparent and meaningful would they be? For example, how would central costs be allocated?
- c) If such accounts were required to meet UK auditing standards then this would be a double layer of costs for little, if any, public benefit.

Exemptions

We believe the approach taken to be appropriate and Registered Social Landlords and Higher and Further Educational Institutions are appropriate charities to be given such exemptions.

Designated Religious Charities

Subject to complying with UK practices and our earlier comments, we believe that DRCs should follow the same accounting and compliance regulations as other charities in Scotland.

Audit threshold for charitable companies of £250,000

- a) It is unclear how "charitable companies" will be defined. Is it intended to refer to those registered under the Companies Acts and related legislation?
- b) For the reasons advanced above, we see no clear evidence that lowering the audit threshold would provide any additional benefits and would recommend adoption of a UK wide standard.

Accounting periods

- a) It is not clear just what issue the shortening of the time period is intended to address.
- b) A seven month period is only one month more than that applying to publicly quoted companies and appears unduly onerous.
- c) The workload on executive staff of charities is already onerous and setting such a time scale will add to their burden.
- d) If 10 months is deemed appropriate for unquoted companies in the UK then we see no compelling reason to change the time scale.

Accounts in Gaelic

- a) Accepting accounts in another language does not appear to assist transparency or understanding for those who do not speak that language.
- b) There does not appear to be any compelling reason to allow accounts to be filed in a language other than English.

The Charities SORP

- a) As the SORP applies to all relevant bodies in the UK, then adoption of Option 1 appears perfectly reasonable.
- b) Setting comprehensive detailed requirements would inevitable lead to additional work in drafting; additional work in understanding just what it really says as a opposed to what the intentions might have been; the provisions might lead to inadvertent conflicts with other regulatory requirements and possibly there may be other potential conflicts.
- c) The proposals appear to add an unnecessary additional layer of complexity for which no clear case has been stated setting out the practical benefits.
- d) In our opinion, any framework should ensure UK wide compliance.

The Draft Regulatory Assessment ("RIA")

- a) As a general point, we reiterate our view that the regulations should be applicable UK wide and thus to the extent that the RIA contains any divergence we would recommend compliance with UK wide standards.
- b) Our compliance costs for our current reporting framework is £8,049.
- c) The cost of an audit or independent review would not appear to us to be so high as to detract from the benefits to the public at large of requiring compliance with such procedures.
- d) The impact of training might be understated particularly the implications of setting standards that apply only to Scotland. This will require separate training courses and separate training literature.
- e) The initial implementation of new legislation applying only to Scotland in our opinion contains the possibility of throwing up some unforeseen variances. Recent comment on capital gains tax implications highlight this potential eventuality. Consequently, in our opinion, there is a very real likelihood of training and familiarisation costs being much higher than is set out in the paper.