

Renfrewshire Council
Response to Consultation on the Charities Accounting Regulations

Increase in thresholds for audit & full accruals accounting

Proposal

- Charities with an income in excess of over £250,000 will have to adopt a full accruals accounting policy. Such charities must be audited.

Charities with an income less than £250,000, and which are not companies, limited liability industrial and provident societies or SCIOs, may opt to account on a receipts and payments basis. All charities below the £250,000 threshold and which are not required by their constitution to be audited must have their accounts approved by an independent examiner irrespective of volume of turnover.

Question

- **Are the proposed thresholds the right ones and should there be a third category of charity for which independent examination is optional?**

Renfrewshire Response

- *We welcome the rise in threshold from £25,000 to £250,000 and the integration of audit thresholds with accounting thresholds. We support the Executive's view that all charities irrespective of size should be subject to some form of annual independent examination in order to protect trustees, donors and beneficiaries.*

In our capacity as a local authority, we both produce accounts (for the charities that we administer) and inspect accounts (for charities that apply for grant funding etc.)

Our policy is that all organisations we administer must have their accounts independently examined annually and we engage professionally qualified firms for this. We shall continue to account on an accruals basis in line with best accounting practice irrespective of the volume of the charity's turnover.

As a condition of our grant funding, we shall continue to require all organisations, including charities, with income over £5,000 to supply independently examined accounts. It may be worthwhile for the Executive to review its own policy on the audit conditions of its grant funding to ensure non-charitable organisations are not disadvantaged.

We attach a note of the charitable organisations which we administer in response to your survey request.

Audit requirements for English based charities operating in Scotland

Proposal

- In order to deal with differing audit thresholds between England and Scotland, English based charities may account separately for their Scottish operations to OSCR.

Question

- **Do you think the approach taken to UK wide charities is the right one?**

Renfrewshire Response

- *We agree. This is reasonable.*

Charitable bodies subject to other SORPs

Proposal

- Charities that are subject to other Statements of Recommended Practice should be exempted from the regulations in so far as they conflict with other SORP. The exempted charities are Registered Social Landlords and Higher and Further Education institutions.

Question

- **Is this the right approach and are the right charities being given exemption?**

Renfrewshire Response

- *The Common Good Funds (Paisley, Renfrew and Johnstone) that Renfrewshire Council administers are all registered Scottish charities. But in terms of accounting, all three Funds are accounted for within the annual accounts that Renfrewshire Council produces and are subject to the Code of Practice on Local Authority Accounting in the United Kingdom (The Local Authority SORP).*

This Code of Practice has been developed by the CIPFA/LASAAC Joint Committee in accordance with the Accounting Standards Board's (ASB) code of practice for the development of Statements of Recommended Practice in accounting (SORPs). The Common Good Fund are audited by the auditor appointed by the Accounts Commission for Scotland.

Our recommendation is that Common Good Funds continue to be subject to the separate SORP, in a similar way to the other bodies above. We would welcome your input.

Closure of exemption for designated religious charities (DRCs)

Proposal

- DRCs will no longer be exempt from requirements to maintain accounting records and prepare annual accounts.

Question

- **Should DRC's follow the same accounting regulations as other charities in Scotland?**

Renfrewshire Response

- *We agree. This is reasonable.*

Audit Threshold for Charitable Companies

Proposal

- Charitable companies will be required to have their accounts independently examined regardless of turnover (current upper limit for no examination is £90,000) and in line with Scottish Charity thresholds. This is not consistent with the proposed increase in threshold from £250,000 to £500,000 for English charitable companies.

Question

- **Should the audit threshold for charitable companies remain at £250,000?**

Renfrewshire Response

- *We agree with the proposal. There should be a consistent policy for audit thresholds for all charities in Scotland.*

Accounting dates, submission of accounts and penalties for non-compliance

Proposal

- Charities may determine their own year-end date, subject to approval from OSCR for successive changes. Accounts must be submitted to OSCR within seven months of the year-end. In the event of non-compliance, OSCR may launch an inquiry and appoint a person to complete the accounts.

Question

- **Do you agree with these proposals?**

Renfrewshire Response

- *We support the proposals. The OSRC requirement is that the submitted accounts are independently examined. This will require us to review our audit arrangements.*

Accounts In Gaelic

Proposal

- Accounts must be in English but charities may also produce versions in Gaelic.

Question

- **Should OSCR be prepared to accept accounts in Gaelic?**

Renfrewshire Response

- *We concur with the proposal. This is consistent with Local Authority reporting. The Western Isles produces its accounts in both English and Gaelic within the same document.*

Compliance with the Charities SORP

Proposal

- The regulations for Scottish charities for fully accrued accounts will rely upon the Charities SORP but list specific requirements.

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Question

- **Is this the right approach for defining comprehensive detailed requirements?**

Renfrewshire Response

- *We support this proposal. We agree that this gives sufficient flexibility to permit the regulations to respond as the Charities SORP is changed and to reduce the possibility of conflicting accounting requirements.*

Impact of change upon Scottish Charities

Assessment

- The changes proposed to the regulations will place little or no additional burden on charities per the Regulatory Impact Assessment document enclosed in the consultation document.

Question

- **What will be the effect for the charities you administer?**

Renfrewshire response

- *We consider that the changes will place very little additional burden on the Council. We already account on a full accruals basis. The relaxation for small charities will be of helpful assistance to the number of very small trust funds that we administer. The larger charities already comply full with the Charities SORP.*

We will require to research further whether our Common Good Funds should adopt the reporting requirements of the Charities SORP to comply with the spirit of the regulations and best practice (although the Funds would be continue to be subject to the Local Authority SORP within Renfrewshire Council's Annual Accounts). This would require additional work for the first year. We would welcome your input.

We will also require to review our audit arrangements to ensure that the audited accounts are submitted within seven months of the year end.

We estimate that this will require a "one off" two days training for two members of staff plus four days to reformat the accounts in a Charities SORP style. The cost can be absorbed within our existing budget.