



Response to Draft Charity Accounting Regulations Consultation

The Guide Association Scotland, operating as Girlguiding Scotland, welcomes the opportunity to respond to the consultation on the draft charity accounting regulations and paper circulated by the Scottish Executive on these.

Girlguiding Scotland itself is a charity and is the largest female voluntary youth organisation in Scotland and includes within its membership, a large number of individual local Units, as well as other administrative levels, which are separately recognised as charities by the Inland Revenue in Scotland. The size and financial position of these other charities varies, but in the main they are very much smaller than Girlguiding Scotland in all respects, and are exclusively managed by volunteers, with no office facilities or paid staff to carry out administrative, financial or other functions.

Girlguiding Scotland supports the principle of updating and modernising the existing regulations and ensuring the requirements are proportional to the size of charity affected. We also recognise the need to have one consistent set of rules with clear guidance on how these should be applied. In an age of increasing compliance in other areas (e.g. child protection) the overall impact of numerous or inconsistent regulatory codes on volunteers is to create additional administrative and legal burdens, which can result in volunteers in requiring more support, simply being unwilling to commit to a volunteering role at all.

Girlguiding Scotland therefore recognises that a balance requires to be struck between the concept of regulation to ensure proper management, security and transparency, and at the same time having a regulatory code which is appropriate and proportionate to the size of the charity. Our response to this specific issue raised is therefore based not only on the view of Girlguiding Scotland with regard to its own position, but also that of the Girlguiding Units within Scotland operating at local level which are charities. We would advise as follows:-

1. **Proposed thresholds** – we confirm that the proposed categories determining the type of accounting examination are appropriate. We do not feel that there should be any lower exemption limit from examination requirement. The internal requirements of Girlguiding specify that all accounts (whether having an income of less than £10,000 or otherwise) have a minimum independent examination requirement.

2. **UK Charities Approach** – we agree that the proposal by the Scottish Executive seems a sensible and acceptable proposal
3. **Exemptions** – this issue does not affect us
4. **Designated Religious Charities** – again this does not affect us
5. **Charitable Companies** – again this does not affect us although we would agree that the audit threshold for charitable companies should remain at £250,000 to provide a consistent accounting regime for all charities in Scotland
6. **Accounting Periods** – we would agree that proposals on the accounting periods, the timeframe for submitting accounts and the actions available to OSCR in the event of failure appear reasonable. It is important that the general public has confidence in the regulatory system which should appear open and transparent and effective. However, we would recognise the impact on organisations such as our own, on having to provide advice and support for volunteers concerned about compliance issues is considerable, and would hope that the Scottish Executive will be able to consider the resourcing implications of this.
7. **Accounts in Gaelic** – Girlguiding Scotland has a Scotland wide membership, including Gaelic speakers. We feel that the suggested approach of producing accounts in English on a mandatory basis, with the option of producing additional versions in Gaelic appears to be fair, reasonable and inclusive. We assume that a charity would only spend resources in producing accounts and documentation in an additional language if it was felt to have a benefit proportionate to the time and cost involved. We ourselves have no record of ever having been asked for accounts in Gaelic.
8. **Charities SORP** – we support the recommendation that there should be clear requirements for Scottish Charities set out in the regulations, particularly in respect of format, which refer to the methods and principles of SORP.
9. **Draft Regulatory Impact Assessment** – Girlguiding Scotland has concern about the impact of the requirement to include a trustee report within the annual accounts for every charity, regardless of the size.

The contents of the report appear fairly extensive, with twelve mandatory items to be included. Whilst most are not difficult to produce some could cause an additional significant burden to smaller local Units registered as charities. (A considerable number of local Units within Girlguiding Scotland have been registered as charities only for the purposes of Gift Aid recovery)

We already know, from the high level of queries we have had, in response to the OSCR Annual Return Form, that the completion and submission of such paperwork can cause stress and concern to volunteers, and would hope that the minimum required contents of a report could be kept as simple as possible. For example, the requirement to report on “relationships and transactions with related organisations” will almost certainly raise concerns about interpretation amongst some local leaders, who would not be sure what this might include and how to meet this requirement. We would anticipate this having a significant impact on the willingness of volunteers, who are also responsible for Charity compliance.

Additionally we would comment on the accounting record retention (page 19) which suggests that charities would require to retain records for six years although other various regulations, covering different areas, specify different periods (e.g. invoices for capital goods ten years, sales ledger ten years, payroll seven years) it might be appropriate to consider some consistency across these areas and also to recognise again the impact of the storage and accessibility where volunteer leaders with no office space may, for example, serve as a leader and hence as a trustee of a charity for a relatively short period of time e.g. two or three years.

We would also mention the overall relationship issue raised in the recent OSCR Annual Return Form, which might be affected by the consolidation requirement mentioned on page 20. It would be helpful if guidance could be given as to whether a “parent” charity, as specified in the OSCR return should be consolidating the accounts of any “children” charities. (It is assumed that a “parent” charity relationship is not necessarily the same as the relationship between a charity and its subsidiary.)

Our overall view is that the draft regulations are worthwhile, and the proposals contained in the paper are generally acceptable but we have concerns about the impact on volunteering and management issues generally, and would urge the Scottish Executive to provide good guidance, support and resourcing to mitigate any negative impact on volunteers who, such as in our local Girlguiding Units, have been required to assume additional reporting and compliance responsibilities for the Unit, as Trustees, by virtue of their desire to utilise Gift Aid as a source of income.

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