

Draft Charity Accounting Regulations Response to Consultation

Generally I am in favour of the draft regulations and in particular the flexible approach of adopting the methods of the SORP as current best practice.

However I have some comments on the proposed thresholds set out on pages 13 – 14.

I suggest that the audit threshold should be set at the same level as for other parts of the UK and the proposed level for charitable companies, namely £500,000. I think it would be confusing to have different thresholds in different parts of the UK, and particularly in the case of cross-border charities. According to the table on page 14 some 92% of Scottish charities have turnover below £250,000 in any case and raising the audit threshold to £500,000 would only exempt a further 2.9%, so a higher threshold would not make a major difference to the number of Scottish charities requiring an audit.

On the other hand I think the threshold for being allowed to prepare receipts and payments accounts is too high at £250,000. From my experience of preparing accounts for smaller Scottish charities, I cannot agree with the statement that these charities *rarely have transactions of a complexity that would make receipts and payments accounts misleading*. For example there are often quite a number of restricted funds and significant items of accrued and prepaid income or expenditure...and it is important to be able to assess the solvency position by having an accurate balance sheet. Generally I think the principles of the SORP (which already has simplifications for smaller charities built in) should be applied to many of these charities and I would propose a threshold of £100,000 for the option of receipts and payments accounts.

At the same time I suggest that there should be a requirement for the independent examiner of any charity accounts prepared on an accruals basis under the SORP to have an accountancy qualification in order to ensure that the SORP is properly applied on a consistent basis.

Finally I suggest that there should be a lower threshold below which independent examination is not required for very small charities...eg somewhere in the range £10,000 to £25,000. Since these charities are now to be monitored by OSCAR on an annual basis, it seems an unnecessary burden to require a further tier of examination. OSCAR should be able to require an examination to be carried out in any case of concern. This could ease the regulatory burden for some 3,000 to 5,000 very small charities.

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Note: Our firm acts as auditors, independent examiners or accountants to some 60 small to medium size Scottish charities.