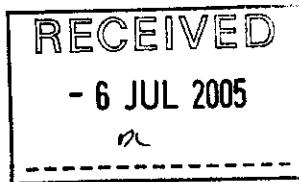




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Fiona Warne
Charity Bill Accounts Regulations Consultation
Voluntary Issues Unit
Scottish Executive Development Department
2-G, Victoria Quay
EDINBURGH EH6 6QQ

Dear Ms Warne

Consultation on the Charity Accounting Regulations

The Robert Gordon University is grateful for this opportunity to comment on the proposed Charity Accounting Regulations and wishes to make the following points:

Exemptions

We welcome the recognition that Higher and Further education institutions are required to follow a SORP other than the Charities SORP, that it would not be appropriate for Higher and Further education institutions to have to produce two different sorts of accounts containing similar information and that, therefore, Higher and Further education institutions should be exempted from the proposed regulations.

We are, however, concerned at the proposed drafting of the Exemptions clause at page 32 of the consultation document, in particular the proposal that '... Higher and Further education institutions are exempted from the regulations in so far as they conflict with their specialist SORP'. The effect of this wording would be to require Higher and Further education institutions to prepare accounts having regard to two distinct sets of accounting regulations. Assuming this can be achieved, the output is unlikely to be coherent or comparable. Preparers, auditors and users of the accounts, including OSCR, would find it difficult to establish whether appropriate accounting principles and standards have been applied given the potential for a selective approach under the two sets of guidance.

The Accounting Standards Board, through its approval of both the Charities SORP and the SORP for Higher and Further education institutions has recognised the distinctive nature of Higher and Further education institutions as a sub-set of organisations with charitable status. The Charities SORP itself states that, where a separate SORP exists for a particular class of charities, that separate SORP should be used in preparing the financial statements of such charities. We find it hard to conceive that an improved presentation of accounts can be achieved by seeking to adopt elements from more than one set of approved regulations. Nor do we believe that this was the intention of the legislation. We understand that the Deputy Minister gave assurances to the Communities Committee that there should not be additional accounting requirements for bodies that are already substantially regulated.

The draft regulations on page 32 of the Consultation suggest that the exemptions 'would allow (Further and Higher education institutions) to file the same accounts with OSCR as they produce for other supervisory bodies'. As the draft stands, this would not be the case. The draft establishes a requirement to have regard to accounting regulations other than the SORP for Higher and Further education which is not currently the case.

We recommend that the qualification 'in so far as they conflict with their specialist SORP' is removed. Higher and Further education institutions would continue to file with OSCR accounts produced in accordance with the SORP for Higher and Further education and relevant accounting standards.

The Charities SORP and Regulatory Impact Assessment

The case put forward for the proposed approach to have specific regulatory requirements for Scottish charities set out, particularly in respect of format and disclosure, with reference to the methods and principles in the SORP appears to rest on the facts that this would allow for specific Scottish consideration and for the requirements for receipts and payments accounts to be clearly laid out.

We would question whether a distinctive Scottish approach is appropriate in this regard and whether comparability with other UK charities and more widely may not be an even more important objective as is the case in the corporate world.

In addition, we would urge strongly that, if the SORP appears to be deficient in terms of its guidance in areas which are agreed to be of importance, which may include the layout of receipts and payments accounts, the approach to be taken would be to seek amendment to the SORP to address such deficiencies. In this way, consistent, considered and authoritative guidance can be made available to all charities which are required to follow the SORP.

It is acknowledged in the consultation that Option 2, which proposes no detailed regulatory requirements but simply to require those accounts which are on the accruals basis to follow the recommendations of the SORP, would achieve the objectives of improved transparency and accountability allowing for the adoption of current best practice and flexibility to adapt as accounting practices change, thereby providing a transparent and straightforward regulatory framework.

For these reasons we do not support the proposal for additional regulatory requirements but instead propose the adoption of Option 2 which would require accounts to be produced on an accruals basis to follow the SORP without the need for additional, potentially conflicting, requirements.

Requirements for Audit

The requirements of the auditor will have to be discussed with the auditing profession to ensure that audit firms are satisfied that they will have the competence to report on compliance and consistency as set out in the proposals.

The Higher and Further Education Funding Councils already require specific assurances of the auditors of Higher and Further education institutions. It should be made clear that Higher and Further education institutions are exempted from any requirements for additional audit assurances in line with their exemption from the regulations as a result of their regulation under the SORP for Higher and Further education.

Please find attached a completed Respondent Information Form.

Yours sincerely


Patricia Briggs
Director of Finance