

POLICY NOTE

THE CHARITIES ACCOUNTS (SCOTLAND) AMENDMENT REGULATIONS 2017

SSI 2017/284

1. The above instrument is made in exercise of the powers conferred by section 44(4) and (5) of the Charities and Trustee Investment (Scotland) Act 2005. The instrument is subject to the negative procedure.

Policy Objectives

Independent examination

2. The purpose of this instrument is to amend regulation 11(2)(a) of the Charities Accounts (Scotland) Regulations 2006 (“the 2006 regulations”) to add the Institute of Financial Accountants (IFA) to the list of organisations whose members may independently examine a charity’s statement of account under that regulation.
3. Under section 44 of the Charities and Trustee Investment (Scotland) Act 2005, all charities in Scotland are required to prepare a statement of account each year and to have that statement of account independently examined or audited before submitting it to the Office of the Scottish Charity Regulator (OSCR).
4. Independent examination is a form of external scrutiny which offers an assurance that nothing has been found in the charity’s accounts that needs to be brought to the attention of the readers of the accounts. An independent examination is less rigorous and less costly than an audit.
5. There are detailed rules setting out the type of accounts that must be prepared and whether these must be audited or independently examined. The type of external scrutiny which is required depends upon the gross income of the charity; what is said in the constitution of the charity and in any relevant legislation; whether the charity is a company; the value of assets held by the charity for the accounting period and any relevant decision of the charity trustees.
6. For charities with statements of account which require to be independently examined, the independent examination must be carried out by the Auditor General for Scotland, a person appointed by the Accounts Commission for Scotland, a full member of the Association of Charity Independent Examiners or a member of one of the organisations listed at regulation 11(2)(a) of the 2006 regulations.

The IFA

7. The IFA is an internationally recognised professional accountancy membership body and has 200 members in Scotland. Its members are currently listed as individuals who can undertake independent examinations of charities’ accounts in England and Wales and Northern Ireland.

8. Many of the IFA's members in Scotland have charity clients, but they are currently unable to undertake independent examinations of statements of account prepared in accordance with regulation 8 of the 2006 regulations (or statements of account which are deemed to have been prepared under regulation 8 by virtue of regulation 14(5)). The IFA accordingly made a request to the Scottish Government to update the 2006 regulations to bring the position in Scotland into line with that in England, Wales and Northern Ireland.
9. The Scottish Government considers that it would be appropriate for members of the IFA to be added to the 2006 regulations, given its internationally recognised status, the high quality training it provides to its members and the fact that IFA members are permitted to undertake independent examinations of accounts elsewhere in the UK.
10. In addition, the Scottish Government is aware that many charities struggle to find an independent examiner for their statement of account, particularly where this has been prepared (or deemed to have been prepared) in accordance with regulation 8 of the 2006 regulations for the first time. Adding members of the IFA to the list of individuals who may serve as independent examiners in Scotland will hopefully lessen this problem.

Commencement date

11. The commencement date for these regulations is 3 November 2017.

Consultation

12. There is no statutory requirement to consult on an amendment to regulation 11(2) of the 2006 regulations. However the Scottish Government has sought views from OSCR, which is supportive of this amendment.

Impact Assessment

13. No Impact Assessments have been carried out in connection to this instrument as it will not have any impact on business, equality, privacy or children's rights.

Financial Effects

14. There are no financial implications associated with this instrument.

Scottish Government
Directorate for Local Government and Communities