

## **POLICY NOTE**

### **THE CHARITIES ACCOUNTS (SCOTLAND) AMENDMENT REGULATIONS 2014**

#### **SSI 2014/295**

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

#### **Policy objectives**

Chapter 6 of the 2005 Act sets out the duty of charities to keep accounts. It sets out the requirement for charities to prepare for each financial year a statement of account, including a report on its activities in the financial year, to have this statement of account independently examined or audited and to send a copy to OSCR.

Chapter 6 also allows Scottish Ministers to make provision for how the accounts are to be prepared through Regulations and this has been done through the Charities Accounts (Scotland) Regulations 2006 (as amended).

Charities preparing fully accrued accounts are required to do so in accordance with the Charities Statement of Recommended Practice (SORP). There are also Special Case Charities which are required to prepare accounts in accordance with the Statement of Recommended Practice for Further and Higher Education or the Statement of Recommended Practice for Registered Social Housing Providers.

There have been changes to the accounting framework due to the development of new accounting standards in the UK. As a result of these changes, new SORPs have been developed to interpret accounting standards for specialised sectors.

The main aim of these Regulations is to update the specific references to the SORPs within the Regulations to allow for the new SORPs to be correctly applied for accounting periods beginning on or after 1 January 2015 in line with UK accounting standards.

Specifically the amendments will change references to the Statement of Recommended Practice for Accounting and Reporting by Charities, issued by the Charity Commissioners for England and Wales on 4<sup>th</sup> March 2005 with references to the new Charities SORPs which are named ‘the Statement of Recommended Practice for Accounting and Reporting by Charities in accordance with the Financial Reporting Standard for Smaller Entities (the FRSSE), issued by the Charity Commission and OSCR on 22 May 2014’ or ‘the Statement of Recommended Practice for Accounting and Reporting by Charities in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), issued by the Charity Commission and OSCR on 22 May 2014’.

The amendment will also replace reference to the Statement of Recommended Practice; Accounting for Further and Higher Education issued by the Further and Higher Education SORP board on the 24<sup>th</sup> July 2003 with the Statement of Recommended Practice for Further and Higher Education issued by Universities UK on 26 March 2014.

In addition, the amendment will replace reference to the Statement of Recommended Practice; Accounting by Registered Social Landlords issued by the board of the National Housing Association, the Welsh Federation of Housing Associations and the Scottish Federation of Housing Associations on 12 May 2005 with the Statement of Recommended Practice; Accounting by Registered Social Housing Providers issued by the National Housing Federation on 26 September 2014.

### **Consultation**

Given that the proposed changes will provide the necessary framework to implement the changes to UK Generally Accepted Accounting Practice a full public consultation has not been undertaken. OSCR has been fully consulted and is supportive of this instrument. A full public consultation was undertaken by OSCR and the Charity Commission in England and Wales in developing the new SORP's.

### **Financial Effects**

There will be costs to OSCR associated with monitoring compliance and also with regard to training but these were always included in the assumptions and estimates of its running costs and were to be met within existing budgets.