

**SCOTTISH COMMUNITY FOUNDATION**  
**Statement of Policy on**  
**Independent Inspection of Applicants' Accounts**



The Scottish Community Foundation has introduced a new policy related to the independent inspection of organisations' annual accounts. This policy will come into effect from 1 January 2009 and will involve two changes to our current application process for our Scotland-wide programmes.

1. All applicants will be required to submit their annual accounts when applying for a grant. (Previously, applicants for up to £1,000 didn't have to send us accounts.) New organisations that have not yet produced a set of annual accounts will be required to submit a projection of their anticipated income and expenditure for their first year of operation.
2. All applicants submitting annual accounts *with a financial year end date of 31 December 2008 or later* will be required to demonstrate that their annual accounts are subject to some form of independent inspection.

**Why are we introducing this policy?**

Since the recent introduction of a new regulatory framework for Scottish charities, any registered charity – no matter how small its income – will already be required to subject its annual accounts to some level of independent inspection. Registered companies must do likewise, in accordance with Companies House requirements.

Unincorporated organisations that are not registered charities will not necessarily need to have their accounts inspected – although many will do so either because their constitution requires it or as a matter of good practice. However, there is arguably a trend towards greater scrutiny and accountability within the voluntary and community sector linked to raising the credibility and status of the sector as a whole.

We believe that the requirement to have someone independent look over their accounts promotes good practice amongst community groups – promoting transparency and confidence in local organisations and thereby building stronger communities.

**How many applicants will be affected by this change?**

Around 30% of the organisations that apply to our Scotland-wide grants programmes are neither charities nor companies and so will potentially be affected by this change, although some will already have their accounts independently inspected.

**What does the Scottish Community Foundation mean by an independent inspection?**

By **inspection**, we mean that your accounts and financial records have been looked at by a suitably competent person. The purpose of the

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inspection is to check that your accounts are consistent with the financial records of your organisation. The person carrying out the inspection should provide your organisation with a brief statement confirming that this is the case.

By **independent**, we mean that the accounts of your organisation have been inspected by someone with no connection to the management committee of the organisation that would inhibit their ability to undertake an objective and impartial inspection. This means that the person undertaking the inspection should not be:

- A member of the management committee or anyone else closely involved in the administration of the organisation,
- A major donor or beneficiary of the organisation,
- A close relative, spouse, partner, business partner or employee of any of the above.

We will ask you to provide details of the independent person who has inspected your most recent accounts on the application form that you complete when applying for a grant.

By **competent**, we mean that the person conducting the inspection should be sufficiently familiar with financial record keeping of a similar level of complexity. We envisage that, for smaller organisations, a competent individual may be someone such as:

- The Treasurer of another group
- A Bank Manager or Accountant, or someone retired from those professions
- A community support worker
- An individual with appropriate experience of financial record keeping

Please note that for larger unincorporated organisations without charitable status and with an annual income of £100,000 or more, we would expect a higher degree of external scrutiny to be applied to the accounts e.g. at least an independent examination by a suitably qualified professional person, such as an accountant.

**How will organisations be able to demonstrate that they have complied with the new policy?**

For established organisations with annual accounts with a year end date of 31 December 2008 or later:

- The accounts submitted with the application must be signed by an independent competent person, with a brief statement from the person undertaking the inspection, confirming that they have inspected the accounts and found them to be consistent with the financial records of the organisation.
- Details of the independent person will also need to be given on the application form used when applying for the grant.

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Note that applicants whose last annual accounts were for a year ending before 31 December 2008 will not need to have those accounts inspected in order to apply. We do not wish to apply the policy retrospectively to previous accounting years. The intention is that organisations producing accounts from January 2009 onwards should have them independently inspected if they wish to apply in future to the Scottish Community Foundation.

For new organisations that have not yet produced a set of annual accounts:

- We will require you to sign up to the terms and conditions of any grant award stating that any accounts produced by the organisation in the future will be independently inspected.
- Once we've awarded a grant, we will not accept any further applications for funding from the organisation unless they provide us with a set of accounts that have been independently inspected.

**What does the Scottish Community Foundation expect a statement of independent inspection to look like?**

The accounts should be signed by the person carrying out the inspection with a brief statement stating that they have found them to be accurate. Or a signed statement should be attached to the accounts.

A model statement is available for download from our [website](#).

**Where can I find advice to ensure that our organisation meets the Scottish Community Foundation's requirements?**

Registered charities, charitable companies, Community Interest Companies and other forms of organisation that come under the auspices of a regulator will be expected to comply with the requirement of their regulators and Statements of Recommended Practice (SORP) in the preparation and independent inspection of their accounts.

Advice for these organisations can be found on the websites of their regulators as follows:

[www.oscr.org.uk](http://www.oscr.org.uk)

[www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

[www.cicregulator.gov.uk](http://www.cicregulator.gov.uk)

Additional support and advice for all organisations may be available from your local Council for Voluntary Service (CVS). Details of the CVS network in Scotland can be found on the website of the Scottish Council for Voluntary Organisations:

<http://www.scvo.org.uk/cvsnetwork/Home/Home.aspx>

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**Model Statement of an Independent Inspection**

This statement can be used by a suitably competent and independent person to confirm that they have inspected the accounts of an organisation applying for a grant to the Scottish Community Foundation.

**Basis of Independent Inspector's Statement:**

My inspection includes a review of the accounting records kept by the organisation and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeks explanations from the management committee concerning any such matters.

**Independent Inspector's Statement:**

In the course of my inspection, no matter has come to my attention to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Date: \_\_\_\_\_