

## 1. Introduction

In Scotland, more than two thirds of charities are ‘small’ – that is, they have an annual income of less than £25,000. OSCR recognises that it can sometimes be challenging for such charities to understand and comply with formal requirements and therefore publishes specific guidance to assist and support the small charity. This guidance booklet aims to be a comprehensive package, providing information and practical guidance on both the preparation of accounts and external scrutiny and is designed particularly for smaller charities although a number of best practice elements are also applicable to larger charities.

All Scottish charities are required to prepare annual accounts. These consist of numerical information and also a Trustees’ Annual Report which is narrative information providing details that cannot be expressed in financial terms. This is important for a full understanding of the charity, its purpose and the activities that it carries out in seeking to achieve this. It is often the case that readers of the accounts who are not familiar or confident with numerical data will find the Trustees’ Annual Report an invaluable source of information.

A charity’s accounts are a means of communication that the charity can use to its own advantage. Anyone who has ever given time or money to a charity will have an interest in understanding how the charity uses that money.

OSCR has already published specific guidance on how to prepare accounts – this can be found in two publications which are available from the OSCR website at **[www.oscr.org.uk](http://www.oscr.org.uk)**:

- Scottish Charity Accounts: A Guide to the 2006 Regulations
- Scottish Charity Accounts: OSCR Receipts and Payments Accounting Workpack

Under statutory requirements, the accounts of Scottish charities must also be externally scrutinised. That is, someone who is independent of the charity has reviewed the accounts and produced a report, attached to the accounts, that highlights any issues to the reader. As such, external scrutiny is an important component of the overall regulation of charities in Scotland, a scheme designed to ensure transparency and public accountability by charities.

This guidance booklet is about independent examination, which is one of the two forms of external scrutiny that may be carried out under the statutory provisions in Scotland, and is particularly appropriate for smaller charities. It aims to explain, in broad terms:

- how to understand what form of external scrutiny is applicable to different charities
- what independent examination involves
- what responsibilities and duties are attached to the role of the independent examiner.