

Charities SORP Committee Minutes

Date	23 March 2016	
Venue	CIPFA Offices, 77 Mansell Street, E1 8AN	
Joint Chair	Laura Anderson Nigel Davies	<i>OSCR Charity Commission in England and Wales</i>
Members Present	Sarah Anderson Richard Bray Michael Brougham Pat Dennigan Mark Hill Geoff Hunt Carol Rudge Joe Saxton Darren Spivey Mark Spofforth	<i>Deloitte LLP Cancer Research UK ACIE Focus Ireland Regeneris Limited Wolfson Foundation Grant Thornton nfpSynergy Royal National Lifeboat Institution Spofforths Chartered Accountants</i>
In attendance	Jenny Carter Pesh Framjee Alison Scott	<i>FRC Crowe Clark Whitehill, Technical Advisor to CIPFA Secretariat CIPFA, Secretary to the SORP Committee</i>
Apologies	Simon Ling Caron Bradshaw Tom Connaughton Noel Hyndman Fiona Muldoon Kenneth McDowell Una Ní Dhubhghaill Jenny Simpson Sheila Nordon	<i>National Association of Almshouses CFG The Rehab Group Queen's University, Belfast Charity Commission Northern Ireland Saffery Champness Charity Regulatory Authority Wylie + Bissett LLP ICTR</i>

Action

1 Welcome, Apologies for absences and declarations of interest

- 1.1 The Joint Chairs welcomed members to the meeting, noting that more apologies than normal had been received because this was an additional meeting organised at relatively short notice.
- 1.2 Contributions from Caron Bradshaw and Kenneth McDowell were tabled at the meeting.
- 1.3 Mark Hill explained his new role to the Committee.
- 1.4 There were no declarations of interest from members of the Committee.

2 Approval of the minutes of the meeting of 3 February 2016 (Paper 1)

- 2.1 The draft minutes of the previous meeting were approved, subject to the following amendments.
- Paragraph 5.5
- 2.1 Add bullet point explaining that other forms of narrative reporting than the trustee report were available.
- Paragraph 5.3
- 2.3 The reference to the inclusion of fixed assets should read "in net assets"
- Paragraph 5.7
- 2.4 Remove stray "as" in penultimate line.
- 2.5 Turning to matters arising, it was suggested that the IFAC would be the appropriate sponsoring body for a global not for profit accounting standard.
- 2.6 Alison Scott and Pesh Framjee briefed the Committee on the meeting of international standard setters and on the need to await IASAB feedback on responses to their consultation.
- 2.7 Laura provided an update on the new Scottish regulations that would apply to reporting periods from 1 January 2016.

3 Update on SORP Micro Site

- 3.1 Nigel Davies confirmed that the SORP Bulletin was now on the microsite but added that Charity Commission is currently working on an upgrade to allow users to select the bulletin when relevant according to their approach to financial reporting. This would be done through an option based navigation system.

4 Verbal Updates from FRC

- 4.1 Jenny Carter opened her update by explaining that some changes to FRS102 had been agreed, but these would only affect financial institutions.
- 4.2 She then continued by explaining that a press release had just been issued, seeking feedback on FRS 102 that could then be fed into the tri-annual review. Comments are to be submitted by October and taken into account in the drafting of the Exposure Draft. Comments received after that date will be accepted but will only be taken into account in a later stage of the process.
- 4.3 A new SORP Policy has been issued, with the main change being to a widening of its scope to cover audit and actuarial standards. The statement now also addresses consistency with FRCs broader objectives so the key impact of the changes will be to promote consistency with FRC published guidance as well as the standards.
- 4.4 Where there are changes to accounting standards there is a new shorter route to updating the SORP that only applies where SORP changes are merely to reflect standards and legislative changes that would apply anyway.

5 Draft Invitation to Comment (Paper 2)

- 5.1 Nigel Davies talked the Committee through the draft ITC and explained how it sought to take into account the themes and issues considered at the previous committee meeting.

Section 1

- 5.2 The Committee drew attention to the position of people who are still doing SORP accounts for the first time during the consultation period. Nigel explained that the timetable is being driven by the need to feed into the FRC's FRS102 triennial

review consultation in time for an Exposure Draft anticipated for 2017. But Nigel would amend the wording to show that the implications of the timetable are acknowledged and that the aim is to get feedback whilst the changes are fresh in people's minds. The introduction would also be amended to provide more reassurance by making the likely application date of the new SORP more explicit.

Section 2.

- 5.3 Section 2 was noted to be very long so it was suggested that a summary should be included in the main body of the text of the ITC and the full text included as an annex. The element on the purposes of the SORP is one that should be included in the body text. More generally, hyperlinks throughout the document would also be a valuable aid to the reader.

Section 3.1

- 5.4 A number of committee members commented that the structure is successful as it works for leading a group discussion or for prompting consideration of the issues.
- 5.5 It would be productive to include an open question about practitioners overall experience of recent changes.
- 5.6 It was suggested that references should be made to the "new" rather than "modular" SORP so as to ensure that the emphasis is on the content rather than the format.
- 5.7 A question should be included as to whether the small charity first approach has been achieved – although this would perhaps fit better in 3.5

Section 3.2

- 5.8 The Committee judged that understanding the issues arising from first time use was an issue that should be more prominent in the text. The phraseology needs to be wide enough to ensure its scope is wide enough, e.g. "issues identified when implementing new requirements". There would also be merit in a question that sought evidence about the differences in the SORP interpretation that may have arisen.
- 5.9 It was suggested that a useful split may be made between interpretation and value for money cost of compliance. Specific examples would be of value in informing the review from these sometimes different perspectives.

Section 3.3.

- 5.10 Nigel Davies explained that he was especially interested in the Committee's judgement on whether the issues have been identified and correctly clustered.
- 5.11 The Committee felt that it needed to be made clearer that extra-large charities are a distinct category. Some additional contextual background should be added to explain this aspect of the consultation.
- 5.12 The key facts summary was acknowledged in debate that its inclusion did stem from a Committee suggestion that the user should be provided with a simple summary of key information. Its focus should be on the key management facts and should be included in the consultation given that it is something on which there had been debate within the Committee.
- 5.13 It was suggested that the format may be improved if the questions were integrated into the text – but this should be tested before proceeding on this basis in the final ITC.

- 5.14 One improvement to the structure may be to Q5 to under the section about largest charities.
- 5.15 The Committee thought that the difficulty of striking the right balance between "detail" and "clear and concise" – and thus the need for consultation responses on the issue – should be made more prominent. One solution that could be canvassed is to have a simpler SoFA and have the detail reported separately.
- 5.16 One alternative to dropping the fund raising and support costs question completely would be to ask whether the distinction should be dropped or whether instead there was a possibility of improving consistency of reporting.

Section 3.4

- 5.17 In respect of risk management, the review of effectiveness should be separated from the question about specific risks. It is for each organisation to determine which risks are relevant but the consultation could enquire whether there are common risks that all should consider.
- 5.18 As accounting standards require disclosure of material uncertainties regarding 'going concern' and the guidance in this area is being reviewed by the FRC the consultation responses on this topic may be premature. Regardless, the terminology should tie up with accounting standards. Care is also needed as too much disclosure on 'going concern' may become a self-fulfilling prophecy as users of the accounts may read too much into the prominence given to it.
- 5.19 The risk management section should either use language more accessible to smaller charities or be specific if it only applies to larger charities
- 5.20 The Committee thought that the wording of the question about the position of new disclosures about who funds the charity gives the misleading impression that the decision on making these disclosures had already been made.
- 5.21 Given that the financial statements can do no more than confirm that the appropriate governance arrangements are in place, the second bullet point of the risk management section the opening sentence "Is the charity managing its finances well" and the subsequent "Is the charity effectively managed operationally" should both be deleted.

Section 3.5

- 5.22 The Committee asked whether there should there be a question about electronic reporting. Nigel Davies explained that it had been scoped out but it could be a picked up again in future discussion. **ND**
- 5.23 The Committee saw merit in their being an additional question addressed specifically at small charities to gauge whether they found the SORP helpful (or otherwise).

Section 3.6

- 5.24 The Committee advocated that one section should tackle the search for appropriate simplification. For that reason section 3.6 could be combined with section 3.5.

6 Committee Assistance in the SORP Research Consultation

- 6.1 Laura Anderson invited suggestion as to how the coverage and reach of the consultation could be maximised.
- 6.2 Joe Saxton explained that focus groups would take place in May or June, with donors or non-donors, to explore the wider interest and accessibility issues.

- 6.3 Members of the Committee should let Joe Saxton know if they are aware of any accounts prepared under new SORP format that would be suitable case studies for these focus groups. **Cttee**
- 6.4 Members made the following suggestions;
- Darren Spivey would draw it to the attention of RNLI Branch Treasurers. **DS/**
 - Michael Brougham would ensure that the Association of Charity Independent Examiners advises all of its members of the consultation and encourage as many as possible to respond **MB/**
 - Geoff Hunt would promote the consultation with the grant making bodies **GH**

7 The Charity Regulator Update on Account Framework

- 7.1 The items that would have been considered under this agenda item had been covered elsewhere on the agenda

8 Any Other Business

- 8.1 The English and Wales legislation had now been passed so the new regulations including reporting on fundraising would follow.
- 8.2 The Charity Commission for Northern Ireland regulator had just closed its consultation on the inclusion of public benefit reporting in accounting regulations.
- 8.3 The Charities Regulatory Authority was reported to be finalising its regulations.
- 8.4 The dates of the next meeting were confirmed to be:
- Wednesday 6 July- conference call to consider the implementation issues and the FRC consultation
 - Thursday 13 October (London)
 - Wednesday 14 December- tentative (London)
 - A first meeting of 2017 in Scotland- likely to be March