

Analysis of Research Exercise responses - discussion by the Committee

Committee	Charities SORP Committee
Venue	CIPFA's Offices, London
Date	29 June 2017
Author	Secretariat to the Charities SORP Committee
Subject	Analysis of responses to the research exercise for discussion by the Committee

1 **Background**

- 1.1 The Committee discussed the analysis of the consultation responses at its meetings in March and May 2017. This analysis is contained in Paper 2.2, and remains unchanged from the version circulated in advance of both these meetings.

2 **Proposed order of discussion**

- 2.1 It is suggested that the committee consider the research exercise responses in the order set out in Table A overleaf at its June 2017 meeting. Tables B and C set out the topics which were covered by the Committee at its May and March 2017 meetings.
- 2.2 The Committee is asked to consider the responses received and any advice it wishes to make to the SORP making body regarding how the issues raised are taken forward.

TABLE A: Analysis of Research Exercise responses - *Proposed order of discussion*
Meeting: 29 June 2017

Discussion topic	Relevant pages of Paper 2.2
Charity regulator suggested themes for making changes to the SORP (Questions 10 & 11)	
THEME D: Enhanced analysis of expenditure 4. Staff pay disclosures	Pages 83 – 84
THEME E: Disclosure of who funds a charity 1. All charities could identify by name and amount any material individual/ corporate/ government/ organisation donations and/or contracts 2. Disclosing for whom is the charity acting	Page 85 Pages 86 – 89 Pages 90 – 91
Implementation issues that require improvements to the SORP & Your ideas for items to remove, change or add to improve the SORP	
Questions 5 & 13 5. Do you have any suggestions as to the changes needed to address issues on implementation or in meeting the SORPs requirements? If so, please explain what they are and where possible please give examples. 13. Are there any items in the report or accounts which could be changed to improve the information provided to the user ? If so, which items would you change, what would the change be, and how would it improve the information to users of the report and accounts?	Pages 22 – 23 Pages 102 – 103 Appendix 2
Questions 12 & 15 12. Are there any items in the report or accounts which could be removed ? If so, what are they and what are your reasons for removing them? 15. Are there any disclosures in the notes to the accounts that you believe can simply be removed altogether? If so please state the disclosure, the relevant SORP paragraph(s) and give your reasons as to why this disclosure is not useful to the user of the report and accounts?	Pages 99 – 101 Appendix 3
Question 14 Are there any items you would like to add in to the report or accounts? If so, what are these items and how would their inclusion help the user of the report and accounts?	Pages 104 – 105 Appendix 4

TABLE B: Analysis of Research Exercise responses - *Topics discussed at 2 May 2017 meeting*

Discussion topic	Relevant pages of Paper 2.2
Charity regulator suggested themes for making changes to the SORP (Questions 10 & 11)	
THEME A: Making a difference for the public benefit	Pages 52 – 55
THEME B: Risk management <ol style="list-style-type: none"> 1. Service disruption to the charity’s beneficiaries 2. Internal financial controls 3. Risk of fraud 4. Effective governance arrangements 	Pages 56 – 58 Pages 59 – 60 Pages 61 – 62 Pages 63 – 64 Pages 64 – 65
THEME C: Going concern <ol style="list-style-type: none"> 1. All charities could be required to explain why the charity is a going concern. 2. Where there are material uncertainties as to going concern, a requirement on all charities explain their plans for addressing these uncertainties. 3. All charities could be required to provide more discussion of the implications of pension liabilities as part of their going concern disclosures. 4. Where there are uncertainties about going concern all charities could be required to provide disclosure in the report as a ‘must’ not a ‘should’ 	Pages 66 – 68 Page 69 Page 70 Page 71 Page 72
THEME D: Enhanced analysis of expenditure <ol style="list-style-type: none"> 2. Identifying charitable expenditure outside of jurisdiction of main registration 3. Executive pay disclosures 	Pages 75 – 78 Pages 79 – 82
THEME F: Disclosure of key facts	Pages 92 – 98

TABLE C: Analysis of Research Exercise responses - *Topics discussed at 14 March 2017 meeting*

Discussion topic	Relevant pages of Paper 2.2
The SORP's structure, format and accessibility	
Question 1 <ul style="list-style-type: none"> Do you agree that the new format of the SORP meets the needs of all those preparing accounts using the SORP, including smaller charities? If not, what improvements should be made and why? 	Pages 6 – 8
Question 2 <ul style="list-style-type: none"> Is more assistance required to help smaller charities? If so, please explain what is needed and why. 	Pages 9 – 13
Question 3 <ul style="list-style-type: none"> Is the use of the terms 'must', 'should' and 'may' successful in distinguishing between those requirements that have to be followed to comply with the relevant accounting standard and the SORP from those recommendations which are good practice and those that simply offer advice on how a particular disclosure or other requirement might be met? If not, what alternative format should be adopted and why? 	Pages 14 – 17 Appendix 1
Question 4 <ul style="list-style-type: none"> Given the requirements for financial reporting that are now explained in FRS 102, is the retention of a SORP still necessary in the charity sector? Please give reasons for your answer. 	Pages 18 – 21
SORP Committee member suggestions for changes to the SORP	
Questions 6 & 7 Reporting by the largest charities	Pages 24 – 30
Question 9 The accounts (financial statements) <ul style="list-style-type: none"> A. SoFA – more specific definitions of support costs and fundraising costs B. The mixture in the SoFA between 'revenue' and 'capital' items needs to be considered 	Pages 43 – 47 Pages 48 – 50
Question 8 Trustees report / Narrative reporting <ul style="list-style-type: none"> A. Better integration of the report with the accounts B. Detail of reporting D. Reserves definition and guidance 	Pages 32 – 34 Pages 35 – 37 Pages 38 – 41