

SORP Committee

Minutes of the SORP Committee Meeting of 17 October 2008 held in Dundee (Approved at the March 2009 SORP Committee Meeting)

Contact: Nigel Davies, Secretary to the SORP Committee
01823 345470
Nigel.davies@charitycommission.gsi.gov.uk

Present:

Andrew Hind, Chair of the SORP Committee
Kirsty Gray, Deputy Chair of the SORP Committee
Debra Allcock Tyler
Tidi Diyan
Chris Harris
Noel Hyndman
Ray Jones
Tris Lumley
Kate Sayer
Carol Rudge
Catriona Scrimgeour
Paul Spokes

In attendance:

Nigel Davies, Secretary to the SORP Committee
Alan O'Connor, Accounting Standards Board
Laura Anderson, Accounts Advisor, OSCR

Apologies:

Pesh Framjee
Peter Gotham
John Graham
Keith Hickey
Lynne Robb

Item 1: Opening remarks and matters arising

1.1 The Deputy Chair opened the meeting and welcomed the Committee to the Office of the Scottish Charity Regulator's office in Dundee.

Item 2: Approval of the minutes and matters arising

2.1 The minutes of the meeting of the 13 June 2008 were considered and approved.

2.2 Matters arising from the minutes were:

- There is a need to educate Local Authorities and other statutory funders about SORP and the information already available to them to reduce monitoring in the light of the NPC/ Office of the Third Sector report: 'Turning the tables' reports in both Scotland in England.
- It was noted that an action was outstanding (minute 2.2) and that initiatives promoting the reprinted SORP was still needed. In discussion it was agreed

that there was still merit in an article to advertise the publication of the second edition of SORP 2005 with copy to be provided by the Secretariat. Both Tris Lumley and Debra Allcock-Tyler offered to place the copy once available.

Item 3: OSCR presentation – themed study: SORP Compliance

3.1 Kirsty Gray gave an overview of the study undertaken in 2007 by OSCR of charities with an income under £25,000 which found that of the 250 sets examined only one third had a trustees' annual report. Repeating the study with 150 sets of accounts in 2008 found a marked improvement with two thirds now complied and had an annual report.

3.2 Laura Anderson gave a brief presentation on OSCR's most recent themed study which was on the extent of SORP compliance by charities required to prepare accruals accounts. The major findings coming out of the 2008 review were:

- While some results were encouraging, there is still scope to improve
- Of the annual reports, 37% were poor or very poor and this category included 10 charities with an income exceeding £10m
- Some charities seemed to miss the opportunity to use the annual report as a vehicle to promote the charity
- Risk statements were often bland general statements giving little insight
- There was evidence of template reporting with text inappropriately carried over unaltered and evidence that trustees were not writing these reports.
- Of charities indicating deferred income, 9% accounted incorrectly.

3.3 OSCR would be repeating the SORP compliance study in two years time and hoped to see further improvement in the quality of charity reporting. It was noted that in a change to OSCR's monitoring policy for 2008 OSCR will be returning the report and accounts and requiring resubmission where any of the primary statements (SOFA/ Receipts and Payments Account or Balance Sheet/Statement of Balances) are missing. This policy is applicable to accounts for years ending on or after 31 March 2008.

3.4 In discussion it was agreed that the value of statutory reporting, would increase if funders, like the Big Lottery Fund and others, could be encouraged to value that reporting and make more active use of it in place of bespoke reporting. Ideally the Annual Review and Annual Report would be combined.

Item 4: OSCR presentation – the work of OSCR

4.1 Kirsty Gray, Marieke Dwarshuis, Lisa McGhee and Laura Anderson presented some of the key aspects of the work of OSCR and current challenges.

4.2 The key development of the modern regime was the Charities and Trustee Investment (Scotland) Act 2005 which requires charities operating in Scotland to register with OSCR. OSCR as a non-ministerial department has a statutory brief and a Board of 8 people. To date 23,375 charities are registered of which 450 are dual registered with the Charity Commission.

4.3 Regarding cross border regulation, the law differs between England and Wales and Scotland. To be a charity in Scotland an organisation must be registered with

OSCR whereas in England and Wales it need only have purposes charitable in English law. There is no excepted or exempt charity status in Scotland.

4.4 OSCR is undertaking a rolling review of the register with 30 charities in the initial phase. The results of this phase will be announced shortly.

4.5 OSCR is collaborating with the Commission concerning cross border issues and plans to issue dual registered charities with a standard annual return, and a specific information return for completion and submission with a set of UK accounts. The dual registered charities should not find the return too burdensome as it will be piloted as part of a current consultation and at 3 sides of A4 it is anticipated to take no more than 60 minutes to complete.

4.6 OSCR is collaborating actively with CIPFA/ LASAAC to assist local authorities effectively manage their charities to comply with the law. Local Authorities have 450 charities including 8 common good funds and an important principle is ensuring local authorities do not consider charitable assets to be corporate property.

Item 5: Update on the future of SORPs under International Financial Reporting Standards (IFRS)

5.1 Andrew Hind, Chair, reported back on a helpful update meeting which had taken place with the Accounting Standards Board on 17 September. Andrew met Ian Mackintosh, Chair, Andrew Lennard, Research Director and Alan O'Connor, Project Director to hear the ASB share some initial ideas on the future of UK Generally Accepted Accounting Practice (UK GAAP) and where SORPs might fit if the framework is revised.

5.2 The Committee concluded that:

- **A future paper should be prepared by the Secretariat setting out an overview of the distinctive features of accountability for charities and the significant aspects of reporting and accounting that justify a charity specific solution, so that the Committee may consider what the future charity reporting and accounting framework might look like under a future GAAP.**
- **The Committee should actively support the ASB in its plans to consult on the future of UK GAAP and its intention to explore the scope for a not-for profit framework.**

Item 6: Initial Roundtable Feedback

6.1 Nigel Davies gave an overview of the roundtables to date and the plans for further roundtables. The initial roundtable with the Large Charities group of CFDG (formerly the Charities Consortia), was followed by one in Northern Ireland roundtable. Both had been very well received and had provided very useful comments and feedback. Delegates at the Northern Ireland event particularly welcomed the SORP.

6.2 Future roundtables included plans for a joint event with the Compact Commission to reach funders in central and local government. To supplement the roundtables interviews were being carried out with individual funders, analysts and donor intermediary organisations. To date 12 interviews had occurred and the initial findings included an observation that funders desired a common reporting and accounting regime for all charities.

6.3 In discussion it was noted that terminology could be clarified, especially in the primary financial statements and that much standard information that is currently required might be better separated from the report. The option of standing data being on a charity's website rather than in the statutory report was an option.

6.4 The Committee concluded that:

- **The Committee should see the feedback from and analysis of the roundtables as an agenda item at the next meeting. A separate paper on the interviews with funders should be given**
- **Publication of findings should be after the Committee has seen and considered them.**
- **All findings should go to the relevant Technical Working Group first for consideration and only referred on an exception basis to the Committee where a Committee steer on the issue is necessary.**

Item 7: Technical Working Groups

7.1 Ray Jones set out the plans for Technical Working Group meetings to consider the areas the ASB required as part of the research programme. Membership would vary depending upon the topic, member preferences and to avoid over burdening members. The Technical Working Groups would consider the initial six topics with the aim of providing an interim response to the ASB. Initial dates had been circulated to members. He noted that the issue of the consolidation of charities into the accounts of non-charitable public bodies had been identified for debate with the development of the new Financial Reporting Manual (FReM) by HM Treasury.

7.2 The Committee concluded that:

- **Co-opted members could join the Technical Working Groups where needed.**
- **The Technical Working Groups should develop an initial response to the ASB and caveat that response so that additional feedback can be given where applicable once the roundtables have concluded.**

Items 8: Heritage assets – ASB consultation

8.1 Ray Jones tabled the submission to the ASB. The draft had been previously circulated for comment and the consultation had now closed but if needed a supplementary submission could be made.

8.2 The Committee expressed disappointment at the proposed standard (FRED42) and observed that the earlier consultation on accounting for heritage assets had provided a better solution that had more sector confidence.

8.3 Alan O'Connor provided the Committee with an update on the ASB's project on heritage assets. The comment period for FRED42 was now closed and 30 responses had been received. An analysis of those responses and the options for taking the project forward would be put to the ASB in November.

Items 9: Dates of meetings in 2009

9.1 The date of the first Committee meeting in 2009 was to be confirmed as February or March with three other meetings scheduled for June, September and November.

Items 10: Any other business

10.1 IPSASB had issued a consultation paper on developing a public sector conceptual framework and the ASB's Committee on Accounting for Public-benefit Entities anticipated that the four public benefit SORPs may wish to consider the framework and respond. CIPFA would be co-ordinating a UK response and may hold roundtable events.

10.2 The Committee expressed its thanks for the warm welcome and hosting of the meeting by OSCR.