

SORP Committee

Minutes of the SORP Committee Meeting of 7 February 2013 (Approved at the 26 February 2013 SORP Committee Meeting)

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

Present:

Laura Anderson, Joint Chair of the SORP Committee
Debra Allcock- Tyler
Tidi Diyan
John Graham
Noel Hyndman
Ray Jones
Carol Rudge
Paul Spokes
Sam Younger, Joint Chair of the SORP Committee

In attendance:

Caron Bradshaw (observer member)
Nigel Davies, Secretary to the SORP Committee
Joanna Spencer, Accounting Standards Board (observer member)

Apologies:

Pesh Framjee
Peter Gotham
Keith Hickey
Tris Lumley
Frances McCandless (observer member)
Lynne Robb
Catriona Scrimgeour
Kate Sayer

Item 1: Opening remarks and declarations of interest

1.1 Laura Anderson opened the meeting by recording the Committee's thanks to Grant Thornton for hosting the meeting. She invited any declarations of interest to be declared. No declarations of interest were made.

1.2 Laura Anderson explained that the Committee now had the full suite of core modules in front of them for review and it was important to focus on the most critical modules given the time constraint of the meeting. She noted that as the Statement of Financial Activities, Trustees' Annual Report and Balance Sheet modules had been updated to reflect recent Committee discussions, it would be helpful to check that the Committee were content with the resulting amendments.

Item 2: Approval of the minutes and matters arising

2.1 The minutes of the meeting of the 12 December 2012 were considered and approved.

2.2 Nigel Davies advised the Committee that he understood that the Chief Executives of the CCAB accountancy bodies had agreed at their February meeting to fund a research project to identify the extent of the need for an international not-for-profit accounting standard. The Committee noted that Charity Finance Group and MHA MacIntyre Hudson continue to be actively engaging in taking forward a not-for-profit accounting standard.

Item 3: Review of the SORP core modules

3.1 Nigel Davies introduced this item by referring to paper 2. He noted that the drafting stage of the SORP development process was now drawing to a conclusion. He noted that the next steps involve a consultation on the draft SORP and then its subsequent approval by the Financial Reporting Council and the making of the necessary accounting regulations in the jurisdictions covered by UK-Irish Generally Accepted Accounting Practice (GAAP).

3.2 Paper 2 identified, by core module the major drafting amendments made by the SORP Secretariat and made reference to the Committee meeting and minute relating to each significant amendment made to a module. In introducing the paper, Nigel Davies highlighted as the main substantive changes: the new introduction, the changes made to the trustees' annual report to assist smaller charities, the new format for the statement of financial activities, the definition of current asset investments in the balance sheet, the recognition of legacy income, and the clarification of when timing of expenditure could be regarded as a performance condition in income recognition.

3.3 Sam Younger advised the Committee that it was intended that a trustees' guide to the SORP would be released to accompany the issue of the new SORP. The guide would provide a short introduction for trustees setting out what the SORP is intended to do and the main areas covered by the SORP.

3.4 The Committee noted that the Accounting Council would expect the SORP to provide relevant cross references to the Financial Reporting Standard for Smaller Entities and the Financial Reporting Standard applicable for the UK and Republic of Ireland (FRS 102) so that users of the SORP are aware of the wider context of GAAP.

3.5 The Committee debated the content of the core modules. Although significant progress had been made in bringing greater clarity to the drafting, the Committee noted that the text would be professionally proof read and edited. It would also be professionally type set prior to its submission to the Financial Reporting Council (FRC) for review initially by its Committee on Accounting for Public Benefit Entities (CAPE).

3.6 Laura Anderson asked Committee members to provide any simple typographical or grammatical comments or suggested changes to Nigel Davies by email within a week to allow for updating the text prior to the meeting of 26 February.

3.7 The Committee agreed that the following changes should be made to the core modules:

- **two new sections should be added to the introduction to explain for whom the SORP is written and for whom the report and accounts are prepared with particular attention to the needs of donors and beneficiaries;**
- **the introduction to the trustees' annual report (TAR) should emphasise for whom the report is being written and emphasise the two strands of financial accountability for the use of funds and performance accountability for what is achieved;**
- **note that the preparer can adapt the TAR content headings to meet their own requirements;**
- **the term 'larger charities' should replace that of 'auditable charities';**
- **relocate the text on the provision of 'other information' to the end of the 'all charities' section of the TAR module;**
- **elaborate more on the financial review required of smaller charities without introducing a significant extra reporting burden;**
- **the text on going concern should more clearly distinguish what smaller charities must say from those factors that they need to consider;**
- **require all trustees serving or current to be named in the TAR;**
- **drop the reference to an indicative value for volunteers as this is dealt with in another module as a note to the accounts;**
- **the introduction to the statement of financial activities (SoFA) module should explain for whom the SoFA is being prepared;**
- **the sections on the disclosure of income and expenditure in the notes should be at the end of the module;**
- **ensure that the disclosure of governance costs is required as a component of support costs when the SoFA is prepared on an activity basis;**
- **add to the 'transfers section' of the SoFA that the transfer line must always net to nil for the reporting period;**
- **heritage assets should include intangible assets if the FRC approved FRS 102 permits this treatment;**
- **the term 'economic benefits' should be added to the glossary;**
- **the glossary could benefit from a further review for clarity; and**
- **in general, consideration should be given to helping the user of the SORP more clearly identify the 'must' requirements from the 'should' and 'may' which offer illustrative approaches to particular recommendations.**

Item 4: Update from the FRC

4.1 Joanna Spencer advised the Committee that FRC's Board had considered the Financial Reporting standard applicable for the UK and Republic of Ireland (FRS

102). The Board decided more time was needed to consider FRS 102 and so had deferred the decision on approving FRS 102 until its March meeting.

Item 5: Any other business

5.1 There being no other business the meeting closed