

ATTITUDES TO THE SORP, SORP COMMITTEE AND IT'S FUNCTIONS

By Michael McManus, Senior Researcher, Directory of Social Change, October 2006

BACKGROUND

The Directory of Social Change carried out an online survey in October 2006, asking survey participants two questions in relation to their thoughts and feelings about the SORP developments in the accounting and reporting requirements of charities.

The online survey asked respondents two questions about SORP. The first question asked participants whether they thought the SORP should a) address only critical reporting and accounting issues b) provide a framework for wider issues affecting charities' accounting and reports c) don't know. The second question asked participants whether they thought the SORP committee should a) conduct an interim revision of the current SORP requirements b) develop the SORP to meet the new requirements in 2009 c) don't know.

In addition to these responses, there was an option to leave additional comments on each question if they respondent felt inclined to do so.

RESULTS

QUESTION 1

In response to question 1, there were three possible response options;

- i) Address only critical reporting and accounting issues
- ii) Provide a framework for wider issues affecting charities' accounting and reports
- iii) Don't know

The responses were as follows.

- 25% of participants answered that the SORP should address only critical reporting and accounting issues
- 66% of participants answered that the SORP should provide a framework for wider issues affecting charities' accounting and reports
- 9% of participants answered that they did not know.

Please refer to appendix 1 for the pie chart summary of this data.

Concerning the optional additional comments section, 11.4% (n = 48) of the 422 participants left comments about question 1. However, one "response" was in fact a test response by the survey designer, and another response was "Do not have sufficient knowledge to choose an answer", which is not particularly helpful to the current analysis, and thus these two responses were not used in the calculations.

THEMES OF RESPONSE TO QUESTION 1

Whilst the comments were all wide ranging in both length of response and nature, they could be classified into one of six “themes”

- i) **Red Tape:** comments related to the SORP being a negatively viewed addition to regulation, red tape and bureaucracy
- ii) **Small Charity Impact:** comments expressing concern about the impact of the SORP on small charities
- iii) **Confidence/Transparency:** comments suggesting the SORP would increase transparency and boost public confidence in charities
- iv) **One Stop Shop:** comments suggesting the SORP would be a useful “one stop shop” reference
- v) **Framework:** comments suggesting that the SORP should be part of a broader charity sector reform
- vi) **Miscellaneous:** comments that could not be classified into any of the other five thematic categories

Loosely speaking, the comments of theme i) and ii) were negative towards the SORP, and thus it is helpful to view these groups as having a negative view of it. Comments in themes iii) and iv) were positive towards the SORP, and v) and vi) were either neutral or a mixture of attitudes towards the SORP. This is something of an over simplification purely for analytical purposes, but is useful nonetheless. For instance, a vote for the SORP providing a broader framework may not be positive; the respondent may have felt the SORP by itself was inadequate and needed more assistance, and thus the SORP is not viewed as positively as one might first assume.

Concerning the precise percentage of comments by theme;

- 22% of participants were worried about the impact of the SORP requirements on smaller charities
- 18% of participants felt that the SORP was excessive regulation and red tape
- 5% of participants felt that the SORP would increase transparency and confidence
- 4% of participants felt that the SORP would be a “one stop shop” for their queries
- 7% of participants made comments relating to the framework of the SORP
- 44% of participants made comments that could not be classed under the previous five sub headings

For a pie chart summary of this data, please refer to appendix 2

QUESTION 2

In response to question 2, there were three possible response options;

- i) Conduct an interim revision of the current SORP requirements
- ii) Develop the SORP to meet the new requirements in 2009
- iii) Don't know

The responses were as follows.

- 21% of participants answered that the SORP committee should conduct an interim revision of the current SORP requirements
- 66% of participants answered that the SORP committee should develop the SORP to meet the new requirements in 2009
- 13% of participants answered that they did not know

Please refer to appendix 3 for the pie chart summary of this data.

As with question 1, respondents were invited to leave additional comments in relation to question 2 if they felt inclined to do so. In total, 13.3% (n=56) of the 422 respondents chose to leave comments in response to question 2. However, 5 responses were not included in the final analysis, due to factors which made them unsuitable for analysis (e.g. flippancy).

THEME OF RESPONSE TO QUESTION 2

As with question 1, the comments could be classified into "themes". However, the comments for question 2 were less varied in theme than for question 1.

- i) **Reject interim:** these responses reinforced the respondent belief that there should not be interim revisions to the SORP between now and 2009.
- ii) **Receptive to interim:** These comments were either positive about the idea of interim revisions, or at least receptive to it as an idea
- iii) **Miscellaneous:** comments which were not related to either theme i) or theme ii)

To be precise;

- 38% of comment leavers rejected the notion of interim revisions
- 11% of comment leavers were receptive to the notion of interim revisions
- 51% of comment leavers comments were not related to the topic of interim revisions

For a pie chart summary of this data, please refer to appendix 4.

FURTHER ANALYSIS

Further analysis was conducted, to see if there were any trends in the way participants answered questions. The results provided some interesting findings.

- 51% left comments for question 1 but not for question 2
- 17% participants left comments for question 2 but not for question 1
- 32% participants commented on both questions 1 and 2

For a pie chart summary of this data, please refer to appendix 5.

Concerning the comment leavers voting patterns for question 1;

- 8 participants voted that the SORP should address only critical reporting and accounting issues
- 10 participants voted that the SORP should provide a framework for wider issues affecting charities' accounting and reports

Concerning the comment leavers voting patterns for question 2;

- 16 participants voted that the SORP committee should develop to meet the new requirements in 2009
- 3 participants voted that the SORP committee should conduct an interim revision of the current SORP requirements
- 2 participants voted that they did not know

Concerning how the comment leavers voting patterns related to both questions 1 and 2

- If a participant voted that the SORP should address only critical reporting and accounting issues, then they were more than four times likely to vote that the SORP committee should develop to meet the new requirements in 2009 than vote for the committee to conduct an interim revision of the current SORP requirements.
- If a participant voted that the SORP should provide a framework for wider issues affecting charities' accounting and reports, then they were more than twice as likely to vote that the SORP committee should develop to meet the new requirements in 2009 than vote for the committee to adopt an interim revision of the current SORP requirements.

DISCUSSION AND IMPLICATIONS

Based on the results, it can be seen that the most common attitude amongst the participants was that the SORP should provide a framework for wider issues affecting charities' accounting and reports, and that concerning the SORP committee, it should develop to meet the new requirements in 2009.

Those participants who left comments also provided some additional useful material for analysis, particular in relation to question 1. In particular, it is somewhat worrying that 40% who left comments for question 1 left comments suggesting a negative view of the SORP. This figure could be even higher when one considers the negative responses that were in the "miscellaneous" theme. To be precise, the participants who left comments had two main negative views of the SORP

- 1) That it would/could over burden small charities
- 2) That it was excessive "red tape" and over regulation

In light of this, the SORP committee should consider two things; firstly, if there is any way in which smaller charities can be afforded more leniency with the SORP requirements, for example being given more time to complete them than the larger charities. Secondly, the committee should consider ways that additional professional assistance and guidance could be given to smaller charities to assist their compliance with the requirements. Larger charities probably have access to this assistance anyway.

Secondly, the SORP committee should consider carefully whether or not additional legislation and regulation is needed in the near future. Unless absolutely necessary (e.g. it becomes a legal requirement), then future regulation and "red tape" for charities and the voluntary sector should be put on hold, as there is already a strongly negative depth of feeling concerning about current levels of red tape and regulation, if only amongst the respondents in this study (and one can safely assume they are not alone in the sector).

The SORP committee should also highlight the increased climate of transparency and confidence that the new accounting arrangements can create, with great potential for increasing public confidence in charities, and motivation for giving to them. This benefit should be stressed to all charities, but with particular emphasis on making this clear to smaller charities, who are potentially the most hostile to the new SORP requirements because of its perceived burden. If they can be convinced/re-assured that the SORP has long term benefits to them in this respect, then their fears and can be addressed. They may even become enthusiastic when the additional benefits are made clear, potentially outweighing any potential reservations.

Concerning whether or not there should be interim revisions and measures of the current SORP requirements, the study showed the feeling amongst the majority of respondents was that there should not be interim revisions. The

committee should consider this result carefully before it decides on whether or not to introduce these revisions/measures. If it was to introduce these measures, then it should do so in such a way as to make them small in scope and very simple to comply with, and not so different as to complicate the charities current accounting arrangements. In particular, these requirements should be produced in “plain English” and not technical jargon of the legal and/or accounting professions, so that individuals not from an accounting background can understand the requirements clearly, reducing the possibility of errors or delays in sending accounts to be completed.

It is interesting to note 51% of comment leavers only left comments for question 1, in contrast to 17% of comment leavers who only left comments for question 2. This could be for several reasons. Firstly, it could be that question 1 elicited a stronger urge to respond than did question 2. Alternatively, it could simply be that question 1 was worded more easily than question 2, and thus the participants were better able to understand it, form an opinion and comment upon it.

The latter possibility is probably more likely. This is because the “themes” of comments were much wider and diverse in question 1 than in question 2, suggesting a greater understanding of the different issues related to question 1. This is in contrast to participants who left comments for question 2; 50% of those comment leavers left a comment in relation to the interim report, either underlining their approval of it or stating their thorough opposition to it. The fact such a high percentage commented on this single issue of interim revisions suggests tremendous depth of feeling (in either direction) about whether or not to have interim revisions.