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Director of UK Accounting Standards  
Financial Reporting Council  
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27 November 2017

Dear Jenny,

### **Charities SORP Annual Review 2017**

The Charity Commission for England and Wales and the Office of the Scottish Charity Regulator act together as the joint SORP-making body for UK charities and are advised by the Charities SORP Committee. A list of committee members is given in [Annex A](#), attached to this letter.

In March 2017 the SORP-making body presented their annual review for 2016. This was deferred to allow the results of the most recent SORP research exercise to be included within it. Therefore this review covers the 9 months to December 2017.

The 2016 SORP research exercise was undertaken to reflect on the usefulness and desirability of the current SORP and identify necessary changes for its future development. The [analysis](#) of the 172 written responses and event feedback was undertaken in the first quarter of 2017. The discussion of the detailed findings from this analysis took place at the Committee's meetings in March, May and June 2017. We note that the findings and outcomes from this exercise and the proposals for the future development and revision of the SORP were shared with yourself and the FRC's UK GAAP Technical Advisory Group in September 2017. Whilst not replicated here, this review references these findings and the future intentions of the SORP-making body.

In accordance with the FRC's *Policy on Developing SORPs*, we have kept the SORP under review with respect to compliance with UK-Irish GAAP. Work was ongoing during 2017 on the consequential changes required to the SORP resulting from proposed amendments to FRS 102. These amendments have arisen from the FRC's triennial review of UK and Ireland accounting standards. We gratefully acknowledge the assistance of Mei Ashelford and yourself in assisting us, and our secretariat provided by CIPFA, in identifying these changes. We intend to conduct a consultation on these changes during 2018 and issue an Update Bulletin to the SORP which will be mandatory for reporting periods beginning on or after 1 January 2019.

To address implementation issues experienced by users applying the SORP or particular recommendations contained within it, we issued an Information Sheet in April 2017. '[Information Sheet](#)

[1: Implementation Issues](#)’ covering 14 different topics where further guidance or clarification was identified as being necessary by users of the SORP and the SORP Committee. We again gratefully acknowledge the assistance of Mei Ashelford and yourself in assisting us, and our secretariat provided by CIPFA, in issuing this advisory material.

The 2016 research exercise specifically sought information about issues on implementing or meeting the SORPs requirements from preparers of charity reports and accounts. A number of disclosures were identified as causing concern for users of the SORP and were considered to provide information of limited benefit to users of charity annual reports and accounts. These disclosures predominately originated from the requirements of FRS 102. Of those issues which originated from the recommendations of the SORP, none were identified as requiring changes to be made urgently to the SORP. Further work is planned during 2018 to identify those issues which could be addressed in the short-term in an Information Sheet, and those which will be considered as part a future revision to the SORP.

In addition, we continue to review any issues relating to the implementation of the SORP as they arise and are identified by members of the Committee and informal stakeholder outreach. Additional guidance and clarification will be provided on any such issues as necessary.

Changes to the SORP to reflect developments in the charity sector were considered as part of the 2016 research exercise. The exercise gathered the views of users of charity reports and accounts, practitioners, commentators and the accountancy profession about the changes required to address emerging issues in charity sector reporting and accounting in a future SORP. Based on the analysis the Committee identified a number of areas where further discussion and consideration of the changes to the SORP was necessary. From these, four key themes were identified: smaller charities, transparency, tiered reporting and governance disclosures. Each of the themes will be looked at by recently established working groups formed of members of the Committee. The groups’ findings and recommendations will be discussed by the Committee at their meetings in 2018. The membership of these groups is given in [Annex B](#).

The analysis also highlighted concerns over the complexity and pace of change of the current reporting regime for charities across all respondent categories. In order to acknowledge stakeholder’s desire for greater stability, we propose to make the changes arising from the recommendations of the working groups as part of the next full update to the SORP, anticipated in 2022.

The need for a SORP was recently reviewed as part of the 2016 research exercise, which asked if the retention of a SORP was still necessary for the charity sector. The analysis of the responses found unanimous support for the continuation of a SORP, reflecting the needs of a unique and highly diverse sector. Support was seen across all respondent categories, with the SORP considered necessary to interpret FRS 102, address sector specific requirements, and promote consistent and comparable reporting. The consultation on the next full update will include a question as to whether to retain the SORP.

The SORP-making body is committed to transparency and openness in our work and the agenda and selected papers from the SORP Committee meetings are made publically available via a dedicated website for public view which is kept regularly updated: [www.charitySORP.org](http://www.charitySORP.org).

Yours sincerely,



Nigel Davies  
Joint Chair of Charities SORP Committee  
Head of Accountancy Services  
Charity Commission for England and Wales



Laura Anderson  
Joint Chair of Charities SORP Committee  
Head of Professional Advice & Intelligence  
Office of the Scottish Charity Regulator

## Annex A

### Charities SORP Committee Members (November 2017)

Name	Organisation	Job Title	Jurisdiction
<b>Joint Chairs:</b>			
Laura Anderson	Office of the Scottish Charity Regulator	Head of Professional Advice & Intelligence	Scotland
Nigel Davies	Charity Commission for England and Wales	Head of Accountancy Services	England & Wales
<b>Sector Bodies:</b>			
Caron Bradshaw	Charity Finance Group	Chief Executive	England & Wales
Simon Ling	National Association of Almshouses	Honorary Treasurer	England & Wales
Sheila Nordon	Charities Institute Ireland	Executive Director	Republic of Ireland
<b>Funders/Commentators/Academia:</b>			
Mark Hill	Regeneris Limited	Consultant	England & Wales
Noel Hyndman	Queen's University Belfast	Professor	Northern Ireland
<b>Finance Directors:</b>			
Pat Dennigan	Focus Ireland	Director of Finance & Property	Republic of Ireland
<b>Preparers/Practitioners:</b>			
Richard Bray	Cancer Research UK	Finance Regulatory & Taxes Manager	England & Wales
Tom Connaughton	The Rehab Group	Group Internal Auditor	Republic of Ireland
Darren Spivey	Royal National Lifeboat Institution	Head of Corporate Finance	England & Wales
<b>Auditors/Independent Examiners:</b>			
Sarah Anderson	Deloitte LLP	Director and Engagement Lead	England & Wales
Michael Brougham	-	Independent Examiner	Scotland
Kenneth McDowell	Saffrey Champness	Partner	Scotland
Carol Rudge	Grant Thornton UK LLP	Partner - Global and UK Head of Not for Profit	England & Wales
Jenny Simpson	Wylie + Bissett LLP	Partner	Scotland
Mark Spofforth	Kreston Reeves LLP	Partner	England & Wales

## Charities SORP Committee Observer Members (November 2017)

<b>Name</b>	<b>Organisation</b>	<b>Job Title</b>	<b>Jurisdiction</b>
Mei Ashelford	Financial Reporting Council	Project Director	UK & Ireland
James Brooke Turner	The Nuffield Foundation	Finance Director	England & Wales
Pesh Framjee	Crowe Clark Whitehill LLP	Partner - Head of Non Profits/Technical Advisor to the SORP Secretariat	England & Wales
Fiona Muldoon	Charity Commission for Northern Ireland	Monitoring and Compliance Manager	Northern Ireland
Tom Malone	Charities Regulator	Head of Compliance	Republic of Ireland

**Annex B**

## Working Groups Membership (November 2017)

<b>Name</b>	<b>Organisation</b>	<b>Job Title</b>	<b>Jurisdiction</b>
<b>THEME: Governance</b>			
<b>Convenor:</b>			
Carol Rudge	Grant Thornton UK LLP	Partner	England & Wales
<b>Members:</b>			
Sarah Anderson	Deloitte LLP	Director and Engagement Lead	England & Wales
Tom Connaughton	The Rehab Group	Group Internal Auditor	Republic of Ireland
Noel Hyndman	Queen's University Belfast	Professor	Northern Ireland
Sheila Nordon	Charities Institute Ireland	Executive Director	Republic of Ireland
<b>THEME: Smaller Charities</b>			
<b>Convenor:</b>			
Jenny Simpson	Wylie + Bissett LLP	Partner	Scotland
<b>Members:</b>			
Michael Brougham	-	Independent Examiner	Scotland
Mark Hill	Regeneris Limited	Consultant	England & Wales
Simon Ling	National Association of Almshouses	Honorary Treasurer	England & Wales
Mark Spofforth	Kreston Reeves LLP	Partner	England & Wales
<b>THEME: Tiered reporting</b>			
<b>Convenor:</b>			
Kenneth McDowell	Saffrey Champness	Partner	Scotland
<b>Members:</b>			
Richard Bray	Cancer Research UK	Finance Regulatory & Taxes Manager	England & Wales
Michael Brougham	-	Independent Examiner	Scotland
Jenny Simpson	Wylie + Bissett LLP	Partner	Scotland
<b>THEME: Transparency</b>			
<b>Convenor:</b>			
Pat Dennigan	Focus Ireland	Director of Finance & Property	Republic of Ireland
<b>Members:</b>			
James Brooke Turner	The Nuffield Foundation	Finance Director	England & Wales
Caron Bradshaw	Charity Finance Group	Chief Executive	England & Wales
Darren Spivey	Royal National Lifeboat Institution	Head of Corporate Finance	England & Wales