

Charities SORP Committee Minutes

Date	12 March 2020	
Venue	CIPFA Offices, 160 Dundee Street, Edinburgh	
Joint Chair	Laura Anderson Nigel Davies	<i>Office of the Scottish Charity Regulator Charity Commission for England and Wales</i>
Members present	Caron Bradshaw Michael Brougham Yui Chit Daniel Chan Tony Clarke Tom Connaughton Diarmaid Ó Corrbuí Tim Hencher Gareth Hughes Noel Hyndman Joanna Pittman Carol Rudge Max Rutherford Jenny Simpson Neal Trup	<i>Charity Finance Group Independent Examiner PWC Clarke & Co Accountants (by phone) The Rehab Group (by phone) Carmichael Centre for Voluntary Groups Scottish Council for Voluntary Organisations Down and Connor Diocesan Trust (by phone) Queen's University Belfast Sayer Vincent Grant Thornton Association of Charitable Foundations Wylie + Bissett LLP Neal Howard Limited</i>
In attendance	Gillian McKay Sarah Sheen	<i>CIPFA, Secretariat to the SORP Committee CIPFA, Secretariat to the SORP Committee (by phone)</i>
Observers:	Maureen Mallon Claire Morrison Jenny Carter Jelena Griszenko	<i>Office of the Scottish Charity Regulator Office of the Scottish Charity Regulator Financial Reporting Council Charities Regulator, Republic of Ireland</i>
Apologies:	Myles McKeown	Charity Commission Northern Ireland

1 Welcome, apologies for absences and declarations of interest

Action

- 1.1** The Chairs welcomed members and observers to the first meeting of the SORP Committee. The Chairs expressed the hope that the new engagement process for the development of the Charities SORP format would harness the enthusiasm, experience and knowledge of the new committee and others through the engagement strands.

Don Peebles also welcomed the new committee to the meeting and to the CIPFA Scotland offices and indicated that CIPFA looked forward to working with the new Committee and providing support to the new development process for the SORP. OSCR's Chief Executive, Maureen Mallon and OSCR's Accounting Advisor Claire Morrison were also welcomed to the meeting as observers.

2 Member aspirations and points of clarification regarding the new committee

Members were invited in turn to share their perspective on the SORP and their aspirations for the process. Aside from a shared interest in high quality reporting and a belief that the SORP plays a very important role, members identified a number of points for the process going forward:

- That reporting moves on to have more of a performance focus with attention to outcomes and achievements
- Narrative reporting needs to have more of a future focus and be able to better explain the challenges faced by and actions taken by trustees
- The report and the accounts both need to be accessible but robust as something stakeholders can rely on but also should be underpinned by the accounting principles and standards set out in FRS 102 / UK GAAP
- Smaller charities need more support
- The importance of narrative reporting to charities telling their story
- In order to frame charity reporting, we need to be clearer as to whom charities are being accountable and for what
- The SORP site needs developing further to assist smaller charities with examples, webinars and signposting training and support for smaller charities, volunteer examiners and practitioners
- With the global not-for profit accounting initiative, now is the key opportunity for a rethink and also an opportunity to look for changes in FRS 102 where these are needed to better reflect charity reporting needs
- Accounts need to be simplified with a focus on the important elements that tell the story.

- 2.1** Clarification was sought as to whether future developments at the FRC would impact on the work of the committee. In response the FRC representative commented that any changes to the FRC would not affect the SORP development process. Any changes that are introduced to the FRC are not expected to focus on the UK and Ireland accounting standard setting function of the FRC.

The next periodic review of FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* was expected to commence in approximately one year's time. There will be an opportunity for the committee to feed into this review process.

2.2 International Financial Reporting for Non-Profit Organisations

Humentum have secured funding for the International Financial Reporting for Non-Profit Organisations (#IFR4NPO) project. The project has commenced as a joint one with CIPFA. The governance structure has established a Technical Advisory Group (TAG) which has met monthly since October 2019 and the Practitioner Advisory Group (PAG) which meets to discuss advisory input and feedback on the development of guidance.

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The project is seeking to develop financial reporting guidance for non-profit organisations. Committee members welcomed the initiative but noted that the project will not directly impact on UK charity financial reporting in respect of the next SORP as it is not a financial reporting standard. The initiative may impact charity reporting to the extent it is adopted in future UK-Ireland Generally Accepted Accounting Practice.

The committee requested that a link to the #IFR4NPO information on the Humentum website to be circulated.

2.3 Impact of coronavirus (COVID-19) on financial reporting

The committee sought the views of the joint SORP-making body on whether guidance could be issued to support charities on control and financial reporting issues as a result of the impact of coronavirus (COVID-19). It was agreed that guidance should be produced urgently for the sector to assist them with dealing with the reporting issues and uncertainties introduced by the pandemic.

The pandemic will introduce challenges for measurement which may require additional work for charities with overseas subsidiaries, investment portfolios and foreign exchange transactions as a result of fluctuating values and potential loss of control.

The pandemic will also affect charities financial reporting not only for March year-ends in 2020 but also for the following year. It was noted that the Charity Finance Group and the National Council for Voluntary Organisations have, as a part of a coalition across the sector, written to the government requesting support for the sector.

The regulators will also consider what action they could take to issue advice and the implications of the situation for late filing of accounts.

Chairs

3 Discussion of Paper 1 – Engagement

Following a presentation by the Chairs on the feedback from the interview process on the challenges and the opportunities identified by applicants for the new engagement process, the committee was asked to consider how to work going forward, issues to consider included questions such as:

- How to best work with the engagement partners.
- What type of engagement would work, for example, a matrix structure?
- What resources do participants need?
- Should engagement be on a jurisdiction basis?

3.1 Engagement Partners

The committee considered the details of the engagement partners who have come forward. It was recognised that there is an uneven distribution of partners across strands and jurisdictions.

Members noted that to be effective the engagement will need to be a two way process from the outset and so participants in the engagement strands as engagement partners and committee members need a shared understanding of the process and respective roles to avoid misunderstandings.

During the recruitment process the most common issue raised by applicants had been the issue of the level of commitment that would be required. It is hard at this stage to define what the commitment would be until it is known how the strands and process will work out.

After debate it was agreed that it might be useful to go back to the engagement partners and ask whether there are any other strands that they would be interested in working on. In addition consideration can be given to whether there are specific individuals or groups which the joint SORP-making body may wish to approach and ask directly whether they wish to participate.

Chairs

3.2 Smaller charities

It was observed that there was not much representation from small charities amongst those organisations that have applied. Though it was recognised that there were applications from representatives and individuals who work with small charities. Small charities naturally face the additional challenge of less resources and so reaching out to them might be a better approach, for example, through focus groups.

In hindsight the use of the term SORP may have been a barrier to many, the process is better framed around charity reporting and accounting than the SORP as talk of SORP may put off the less technically minded who need a voice in the process.

It may be useful to continue to work with organisations which engage with smaller charities, such as the Small Charities Coalition. Furthermore, as already noted, many of the existing members and partners do work with small charities.

Chairs

3.3 Approach to working with engagement partners

The committee considered that the approach to working with engagement partners needed to consider which organisations have applied. Ideally, engagement partners can work as a 'sounding board' to consider the concepts, issues and ideas raised.

The committee concluded that it will be necessary to remain flexible in how the engagement strands work. Larger groups may prefer a more formal structure whereas smaller strands may wish to meet and engage more informally. For

credibility, the right participants need to be involved and so consideration should be given to reaching out to larger charities or missing organisations to complement the process. It was thought that once convenors are appointed for each strand, this would be a matter for them to consider.

3.4 Convenor role

The committee supported the idea of there being a convenor for the engagement strands, it was considered that this role might evolve.

The committee considered other issues relating to the convenor role:

- Would the convenors be jurisdiction based or across jurisdictions in the UK and the Republic of Ireland? The consensus view of the committee was that the convenor should function across jurisdictions.
- What criteria are required to select the convenor? There needs to be an active appointment rather than simply relying on someone to come forward as it such a key role. Convenors needed to be clear about the commitment required and what resources were available to help them.
- Will the convenor role function differently across strands? For example, with strands with a small number of engagement partners and members the convenor role can communicate directly with the other engagement strands/partners. But this will require a different approach for engagement strands with more partners.

The committee raised the issue of how members would liaise with convenors? The general consensus from the committee was that individual committee members will liaise as individuals with the engagement strands on topics relevant to their interests and experience.

4 Discussion of Paper 2 – Support and Induction

Members of the committee who had also been on the previous SORP committee noted that the previous induction process and support provided to committee members had worked well but needed to be improved. The previous committee on inception had been a smaller group, the work was very focussed, involved detail but was very productive. It had been a useful opportunity for some members to appreciate how the financial standard setting process works.

It was noted that the new SORP Committee arrangements are such that members are also participating as representatives of an organisation rather than as individuals (ie on a personal basis). It was recognised that one of the outcomes of this was that committee members need to consider when it is appropriate to use members' networks and social media channels and when it is not.

Members were reminded that there may be external pressures which may attempt to influence the outcomes of the committee. Members therefore need to remain resilient to such pressures. Committee meeting discussions should be candid, confidential and respectful.

Committee members were asked to consider what resources they would need both for induction and ongoing support. The committee was of the view that the recruitment process has ensured that members are reasonably aware of what is required as a member but information was needed on the framework, the roles of the FRC, chairs, members and the new engagement partners.

5 Update by CIPFA – information sheet development and other financial reporting issues

5.1 Information Sheet 5 – Irish Charities – Merger Accounting and Republic of Ireland Company Law

The committee noted that information sheet 5 was in the very latest stage of production. All that remained in drafting terms was the clarification of one paragraph.

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5.2 Information sheet 6 – The Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, as applied to Charitable Companies

The committee noted a first draft of this information sheet had been prepared.

Information Sheet 6 will be circulated to committee members for their comments prior to the April meeting. Going forward members would be asked to consider the readability of the information sheets for both technical accuracy and whether they have framed the topic for the charity sector.

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5.3 Development of FRS102 Interest Rate Benchmark Reform

The committee’s early view was that an information sheet or other guidance was unlikely to be needed for this change to FRS 102. It is a highly specialised area. Any member with a special interest was invited to contact the Secretariat. If necessary a focus group would be formed.

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6. Verbal Update from the Irish Charity Regulator

6.1 The Republic of Ireland is considering new Accounting and Reporting Regulations for charity accounts. These Regulations are likely to require charities to adopt the SORP.

Certain amendments to the Charities Act 2009 are needed before the new Accounting and Reporting Regulations can be introduced. These amendments will ensure that the new Regulations apply to all charities (incorporated and unincorporated). In their current form, the draft Regulations would not apply to charitable companies. No date has been set for the issue for making of the Regulations. Around 10% of charities have adopted the SORP voluntarily.

7 Dates of future meetings

The joint chairs noted that it would be important to space committee meetings across the calendar year. They were of the view that the next meeting should be

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after Easter, ideally late April or early May. These meetings will take place by means of a telephone conference call.

Members were asked to contact the Secretariat with suggestions for agenda items for the next meeting. Suggested items could be:

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- Topics for information sheets.
- Any issues regarding the existing SORP.
- Ideas for future working groups.

8 AOB

- 8.1 The committee discussed the need for a digital SORP. It was considered that digital methods may encourage more interest in the consultation on SORP developments.
- 8.2 Example accounts templates may also be considered to assist preparers in the preparation of charity accounts. Committee members commented that they were happy to review any proposed templates.