

## **Charities SORP Committee - Governance Review 2018**

### **Terms of reference**

#### **Aim**

To review the constitution and composition of the SORP committee and the SORP-making process with a view:

- to gaining assurance that the SORP-making process commands confidence and addresses the transparency and public confidence challenges facing charities in explaining
  - how they spent the funds raised
  - being accountable for the use of charity assets and
  - demonstrating that they made a difference to their beneficiaries in furthering their charity's objectives.
- to assuring the Financial Reporting Council (FRC) that any revised arrangements adhere to the FRC Policy on developing SORPs.

#### **Oversight**

The governance review will be overseen by an Oversight Panel comprising an observer representative nominated by the FRC and a representative from each of the four charity regulators. The panel will be assisted by the staff of the Charity Commission for England and Wales and the Office of the Scottish Regulator. The work of the panel will be overseen by an independent Chair retained by the SORP-making body. The panel agree with the chair any changes to their initial brief and jointly determine the panel's own procedural processes. This shall be determined by consensus where possible and otherwise by a majority vote. In the event of a hung vote the Chair shall have the casting vote.

#### **Scope**

Within scope is the constitution of the SORP committee, its membership, the balance of representation between stakeholders and jurisdictions, the processes of the development of a SORP, the consultation processes undertaken to maintain and develop the SORP and the information provided on the SORP-making body's activities via the dedicated SORP website: [www.charitysorp.org](http://www.charitysorp.org)

The charity regulators have identified that as a minimum the governance review shall consider the following matters:

- The composition of the advisory SORP Committee with particular reference to the representation of key stakeholders
- Identification of, and engagement with, key stakeholders in the SORP development process and to identify any necessary changes to the process to ensure their inclusion
- The extent to which the views of key stakeholders have been recognised in the process and to identify any changes to the SORP development process needed to more effectively address their information and reporting needs
- To consider what changes to membership of the SORP Committee would be needed were the FRC to extend the remit of the SORP to make recommendations covering

non-statutory financial reporting by charities. (The remit of the SORP is defined by the matters falling within the ambit of the FRC and the requirements of regulations made under charity law in the four jurisdictions. Any such change in the SORP remit would be subject to the outcome of the review by John Kingman of the FRC.)

### **Limitations on scope**

The FRC have confirmed that outside of scope are the formulation of accounting standards, the role of the SORP itself in relation to accounting standards, the creation of SORP-making bodies and the FRC's policy on developing SORPs as these are all matters reserved to the FRC.

In particular the FRC policy states:

'SORPs are sector-driven recommendations on financial reporting, auditing practices and actuarial practices for specialised industries, sectors or areas of work, or which supplement FRC standards and other legal and regulatory requirements in the light of special factors prevailing or transactions undertaken in that particular industry, sector or area of work that are not addressed in FRC standards. SORPs also address matters that are addressed in FRC standards, but about which additional guidance is considered necessary. Where there are policy options in FRC standards, a SORP may recommend the most appropriate option to the particular industry or sector Specific matters for consideration'.

'SORPs should be developed in line with current FRC standards and best practice. The provisions of a SORP cannot override the provisions of the law, regulatory requirements or FRC standards'.

The scope shall be subject to review by the Oversight Panel in the light of feedback from stakeholders obtained during the process.

### **Panel process**

The governance review shall be conducted in such a manner that the Oversight Panel considers will fulfil the stated aim. The panel may at its absolute discretion engage one or more non-voting observer members to advise the panel.

The governance review will be conducted in a manner that is consistent with the 'FRC Policy on Developing Statements of Recommended Practice'.

The views and experience of the existing SORP Committee will be considered along with the views of the charity regulators, the FRC as standard setter, and those stakeholders approached as part of the review together with feedback from any consultation exercise that the Oversight Panel may require the SORP-making body to undertake.

The governance review will be undertaken during 2018 and the conduct of the review, the taking of evidence, publicising of the process, and the identification and invitation of participants, and any other relevant matter shall be determined by the Oversight Panel.

### **Reporting of outcomes**

The outcome of the governance review will be determined by the Oversight Panel with its recommendations and conclusions formally reported to a meeting of the Technical Advisory Group convened by the FRC.

### **Implementation**

Subsequent to approval by the FRC to those actions that do not fall within the prerogative of the SORP-making body the outcome of the governance review will be put into effect by the SORP-making body and a summary of the outcome and actions published on the SORP website: [www.charitycorp.org](http://www.charitycorp.org)

Any recommendations requiring change to the composition of the advisory SORP Committee and the SORP development process will be taken forward by the SORP-making body in 2019 in time for the development of the next full SORP.