

Charities SORP Committee Minutes

Date	21 May 2020	
Venue	Online TEAMS meeting	
Joint Chair	Laura Anderson	<i>Office of the Scottish Charity Regulator (OSCR)</i>
	Nigel Davies	<i>Charity Commission for England and Wales (CCEW)</i>
	Sarah Finnegan	<i>Charity Commission for Northern Ireland (CCNI)</i>
Members present	Caron Bradshaw	<i>Charity Finance Group</i>
	Michael Brougham	<i>Independent Examiner</i>
	Daniel Chan	<i>PwC</i>
	Tony Clarke	<i>Clarke & Co Accountants</i>
	Tom Connaughton	<i>The Rehab Group</i>
	Diarmaid Ó Corrbuí	<i>Carmichael Centre for Voluntary Groups</i>
	Tim Hencher	<i>Scottish Council for Voluntary Organisations</i>
	Noel Hyndman	<i>Queen's University Belfast</i>
	Joanna Pittman	<i>Sayer Vincent</i>
	Carol Rudge	<i>Grant Thornton</i>
	Max Rutherford	<i>Association of Charitable Foundations</i>
	Jenny Simpson	<i>Wylie + Bissett LLP</i>
	Neal Trup	<i>Neal Howard Limited</i>
	Gareth Hughes	<i>Down and Connor Diocesan Trust</i>
In attendance	Gillian McKay	<i>CIPFA, Secretariat to the SORP Committee</i>
	Milan Palmer	<i>CIPFA, Secretariat to the SORP Committee</i>
	Sarah Sheen	<i>CIPFA, Secretariat to the SORP Committee</i>
Observers	Jenny Carter	<i>Financial Reporting Council</i>
	Jelena Grisckenko	<i>The Charities Regulator in Ireland</i>

- 1. Welcome, apologies for absences and declarations of interest** **Action**
- 1.1 The Chair welcomed SORP Committee Members to the meeting.

There were no declarations of interest.
- 2. Minutes of the meeting of 30 April 2020 and matters arising**
- 2.1 The draft minutes of the previous committee meeting were approved subject to a number of amendments. Some concern was expressed over their length and the emphasis made on some of the points.

2.2 **Matters arising**

2.3 **Definition of income**

- 2.4 The joint SORP-making body had considered the possibility of using a different definition of 'turnover' in respect of one of the conditions of the Companies Act 2006 definitions of a 'large' company following a suggestion from one of the committee members.

On reflection the joint SORP-making body was of the view that the definition included in [Information Sheet 3: The Companies \(Miscellaneous Reporting\) Regulations 2018 and UK Company Charities](#) is an appropriate interpretation of the normal operating income of a charity and it was not minded to revisit the definition. It was considered that practitioners would need to take their own decisions on this interpretation by the joint SORP-making body.

2.5 **Working group for smaller charities on the reporting requirements of the COVID-19 pandemic**

- 2.6 The joint SORP-making body had also reviewed the suggestion to establish a working group to consider the reporting requirements emanating from the COVID-19 pandemic (which could usefully focus on the needs of smaller charities). The joint SORP-making body was of the view that these issues are implementation issues for accounts preparers and not matters concerning interpretation of the SORP. A further proposal was to liaise with the ICAEW who may have existing materials for smaller charities. The joint SORP-making body could include signposts to such work.

The Chair confirmed that if any materials were signposted they would have to be consistent with the joint SORP-making body's position. It would also be important that the language and tone of any guidance would be consistent with that published by the joint SORP-making body.

It was noted that many charities don't have ICAEW members involved in their charity and would value guidance and endorsement of materials from the joint SORP-making body.

The Chair indicated that CIPFA would request members to signpost emerging resources which provided relevant guidance (SORP committee members were requested to be mindful whether they are adaptable for smaller charities).

CIPFA

2.7 **FRC Update**

- 2.8 It was noted that the FRC had updated its guidance on the COVID-19 pandemic but this related more to bodies applying IFRS rather than FRS 102 though this could be read across to those bodies applying FRS 102.
- 2.9 The IASB is considering amendments to the leasing standard regarding rent waivers during the COVID-19 pandemic. The FRC is considering whether any action is required in relation to FRS 102. This may be relevant to some charities/charity shops in receipt of discounted rents.

2.10 It was noted the periodic review of FRS 102 is timetabled to commence in spring 2021.

3. Briefing from the Chairs regarding arranging meetings of the engagement strands and appointing convenors

3.1 The Chair updated the committee on developments following the last meeting with regard to communication with engagement strands and next steps in appointing convenors. The Chairs had looked at the bullet points in the report considered at that meeting on the role of the convenor. This was developed into a briefing document to be sent to each engagement partner to determine whether they would be interested in becoming a convenor.

3.2 The Chairs had examined engagement across the various strands. It was noted that the engagement strands had been discussed at the previous meeting, they were recognised as highly variable in both numbers and stakeholders across each strand. As a result it seemed sensible, at least in the initial stages, to combine some of the strands. To this end it noted that the following strands would initially be combined:

- funders and donors with government and public bodies
- academics and regulators with proxies for public interest

Furthermore, for practical reasons the professional, audit and technical strands would be split into two because there was a large number of volunteers in that strand.

As the work progresses there is likely to be further flexibility in how the strands operate. The model adopted is unlikely to remain the same all the way through the SORP development process, and mixing the strands is likely to become a feature of the process in order to enrich discussion.

There are currently 69 individuals and organisations who have identified the strands they wish to contribute to, it is possible that all of these may be able to contribute to more than one strand. So it is now important to understand how many participants would wish to contribute to more than one of the strands.

3.3 The Chairs have now written to all who wanted to contribute to the engagement strands providing them with an outline of the convenor role and how this would work within the strands including the provision of support to the strands.

The Chairs have allowed a short period to see who is interested in the convenor role and which other strands they may also be interested in. Once the convenors for each grouping has been established then it is planned to hold a virtual meeting with the convenors to ensure they feel supported. The role may appear quite daunting, and the Chairs are clear that they will need to ensure that support is given to the convenors.

3.4 The Chairs sought views regarding the proposed approach and the following questions were raised by committee members:

1. How will selection be managed if more than one organisation/person puts themselves forward for the convenor of a strand?

When considering candidates suitability, the Chairs will be looking at the skills of that person in relation to the convenor profile. Specific criteria for this process have yet to be established. The joint SORP-making body is, however, considering the need to develop a matrix to have a clear decision-making process to make this choice.

2. Is there a risk that some richness of discussion may be lost from the audit and technical group by reducing the number of volunteers in the group?

The Chair conceded that there is a possibility that this might be the case. However, it was important to be realistic about the size of the strand and the dynamic of meetings i.e. how many people you can have in a virtual or face to face situation. It is planned to split the group initially. However, this can be reviewed and re-examined over time to ensure that the debate at the engagement strand remains effective. The engagement strand approach has not been adopted before and if something isn't working then there is an ability to change or flex things.

The Chair commented that this approach was supported by the SORP governance review recommendation relating to the size of the committee which was 12. Experience shows more confident members do well in groups regardless of size, although this is not true of everyone else. There are about 23 to 24 people in the audit or technical strand, which would be quite a substantial group.

3. Has the uptake of volunteers for the convenor role been affected by the COVID-19 pandemic?

The Chairs have no information on this at the moment. It will become clearer over the course of the next week whether the position of the original applicants for convenors of strands has changed.

4. What is the closing date to express an interest in the convenor role and when will decisions regarding the convenors be made?

The Chair confirmed that participants have been given a week to consider whether they still wish to volunteer to be a convenor having received the brief. The date has yet to be fixed as to the timing of the Chairs' decisions on appointment. Plans are to make a decision as soon as possible once the deadline has passed.

The Chair confirmed that most of the emails to applicants to be convenors were sent on 20 May 2020 with a small number of others being sent on 21 May 2020 though it was noted that all applicants received the same information. A comment was made that one member's organisation appeared not to have received the email though it was acknowledged that this could be due to the volume of emails. The Chair confirmed that appropriate checks would be made.

It was recognised that the volume of emails and the impact of bank holiday may reduce the response rate. The Chairs confirmed that they would keep this under review and if the response rate is low they can consider extending the deadline.

5. When participants are interested in more than one engagement strand are they asked to state a preference?

The Chair confirmed that they had not been requested to state a preference. This would allow interested participants to put themselves forward to be an engagement partner in a new strand.

6. Does merging of the engagement strands effect the geographical spread in any way?

The Chair indicated that it is hoped that this doesn't have an adverse effect but this would be kept under review. The current approach to meeting virtually should substantially mitigate against any geographical issues.

4 Induction arrangements

- 4.1 The Chair informed the committee that following the discussion on induction materials at its March 2020 meeting they were currently being developed. The induction materials would be issued to committee members over the summer period. In the meanwhile if members considered they needed any specific support, they were invited to contact CIPFA who would arrange a video catch-up.

Committee

- 4.2 Committee members were also invited to submit any suggestions for future agenda items. The Chairs would welcome presentations in the form of reports or verbal items.

Committee

5. Call for research

- 5.1 The October meeting will include an item on research. CCEW will be looking at previous reviews of charity reports and accounts conducted with an interest to identifying any ways in which the SORP may be reshaped. It is anticipated that the agenda item will include a 15 minute PowerPoint presentation of the findings.

Members were also invited to put forward any research they were aware of regarding charity/not for profit financial reporting. Members who wished to do this were requested to provide a short presentation or a paper to summarise the research.

The October discussions on research should enable the committee to identify any themes and topics on the development of the SORP and charity reporting.

If members wish to present any research to the October meeting they were requested to signal this by September.

A member highlighted that within the sector there were problems with doing quality research on charity reporting and accounting in that it is very

difficult to get research funded. An example of this was ongoing work with Italian partners which has demonstrated that it is actually very hard to identify resources for this kind of research.

Committee

It was noted that Power to Change has previously funded relevant research and may be interested in funding future research. It was proposed that they would be invited to the October meeting as an Observer and this might provide an opportunity to discuss future research.

6.0 Update on information sheets

6.1 Information sheet 5: Irish Charities - Merger Accounting and Irish Republic of Ireland Company Law [Note the sequencing changed and this is published as Information Sheet 6]

6.2 CIPFA commented that the draft of Information Sheet 6: Irish Charities - Merger Accounting and Irish Republic of Ireland Company Law has now been finalised. The Bulletin extends paragraph 27.4A of the SORP which focuses on the impact of merger accounting and company law to Republic of Ireland charities. It comments on those entities where merger accounting is not prohibited by company law including an explanation of non-UK and registered companies (now including the Republic of Ireland). This has been sent to the Chartered Accountants Ireland where a working group has been assisting with the review of this information sheet. This working group will be invited to consider the final set of changes.

CIPFA

6.3 Information Sheet 6: The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, as applied to Charitable Companies [Note the sequencing changed and this is published as Information Sheet 5]

6.4 Information Sheet 5: The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, as applied to Charitable Companies was considered by the Committee at its last meeting. Subsequently two members have provided comments. Where possible/relevant changes have been made to the draft information sheet.

CIPFA provided some feedback on the comments, for example, a suggestion had been made to include the impact of non-compliance in the information sheet. CIPFA commented that it would be unusual to do this in any form of guidance because all forms of reporting included consequences of non-compliance. Additionally at the last meeting a member had requested more guidance on the then paragraph 4.10 on information being not practical to obtain. CIPFA indicated that no additional guidance was available in either the Regulations or the associated guidelines. Any further commentary would be an interpretation which risked being at odds with the Regulations. CIPFA also referred to the earlier decision of the joint SORP-making body on the interpretation of 'turnover' see minute 2.4 above.

CIPFA thanked the committee for providing their comments which were very useful in finalising the development of the information sheet.

7. AOB

- 7.1 The Chairs invited any final comments from committee members.
- 7.2 A member asked the Chairs about the potential effects of the pandemic on the committee's timetable, including the expected timing of the engagement work. (The original timetable had anticipated that the exploration stage of work was to be completed in September. This timescale appeared difficult to meet at this juncture). The member also asked whether the joint SORP-making body may have to consider any impact that working virtually might have on the timetable?

The Chairs recognised the impact of the COVID-19 pandemic on the proposed timetable. It was considered that some of the impact may be mitigated by the ability to meet virtually as, for example, the reduced travel requirements reduced the time commitment for members. At present it is hard to predict precisely how the pandemic may impact on the timetable. However, it is hoped this will become clearer once the convenors are appointed.

- 7.3 A committee member enquired when the information sheets were due to be issued.

CIPFA commented that there were no definite dates yet. Information Sheet 5 was with Chartered Accountants Ireland to confirm that they were content and the joint SORP-making body would hopefully be able to take their final decisions on both in the near future.

- 7.4 The committee noted that at its 30 April 2020 meeting there had been discussion about updating the illustrative accounts. If this took place there may be an opportunity to demonstrate the presentation of the reporting of some of the issues created by the COVID-19 pandemic.

It was noted that the revised templates were subject to their final review.

The CCEW team are exploring the idea of including a solvency example (resulting from the COVID-19 pandemic) in the revised version. This is currently being considered. However, it was not possible to commit to this example being included in the template.

Committee members mentioned that if CCEW are considering drafting example trustee report disclosures then they may be able to suggest good examples.

Members were invited to propose online examples and send them to CIPFA.

Committee

- 7.5 A member enquired whether there could be clarification of serious incident (SI) reporting requirements and the impact of the COVID-19 pandemic. Many charities are experiencing falls in income in excess of 25% which would normally require a SI report.

The Chairs noted the concern and that SI or notifiable event reporting had different definitions and requirements in different jurisdictions. It is not relevant in the Republic of Ireland where the charity reports and accounting regulations are yet to be formally adopted into law.

In all of the jurisdictions where SI reporting applies, the regime had not been intended to cover the impact of pandemics. In Scotland research has been undertaken into the impact of the pandemic on charities. Further consideration will be given to issuing clarification for charities, auditors and independent examiners on this soon.

8 Dates of future meetings

8.1 These are:

- 2 July 2020 - Microsoft Teams meeting
- 22 October 2020 - London
- 17 November 2020 - Dublin.