



CHARITY COMMISSION
FOR ENGLAND AND WALES

OSCR
Scottish Charity Regulator

CIPFA

Mrs Jenny Carter
Director of UK Accounting Standards
Financial Reporting Council
8th Floor
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30 March 2017

Dear Jenny,

Charities SORP Annual Review 2016

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 October 2016 the SORP-making body sought approval from the FRC to defer the annual review 2016 until the second quarter of 2017 to allow the results of the SORP research exercise to be included within it.

The research exercise was undertaken to reflect on the usefulness and desirability of the current SORP and identify necessary changes for its future development. The timing of the exercise was synchronised with the FRC's triennial review of UK and Ireland accounting standards, in order to allow users' feedback to inform the review of the SORP in light of changes to FRS 102 in 2019. The '[Invitation to Comment](#)' posed 15 questions which sought the views of users on five specific areas of development:

- The SORP's structure, format and accessibility
- Implementation issues that require improvements to the SORP
- SORP Committee member suggestions for changes to the SORP
- Charity regulator themes for making changes to the SORP
- Users' ideas for items to remove, change or add to improve the SORP

The content of the consultation was developed by the joint SORP-making body and Committee, with the assistance of Mei Ashelford and yourself, and our Secretariat provided by CIPFA. It was open for 31 weeks, from 4 May to 11 December 2016.

The research exercise was widely promoted to gather the views of the users of charity reports and accounts, practitioners, commentators and the accountancy profession. Representatives from the SORP-making body and members of the committee participated in 15 interactive workshops, seminars and similar events where they spoke to approximately 960 attendees in order to promote and gather

stakeholders' views on the consultation. The exercise was also supported by 16 articles originated by the SORP-making body or drawing on, or referring to press releases or briefings made by the SORP-making body.

There were 172 written responses received to the consultation, with a high level of response to each question. Feedback was also received in the form of notes taken at consultation events. A profile of the written responses is given in [Annex B](#).

The analysis of the written responses and event feedback was undertaken in the first quarter of 2017. The findings provide an overview of what is working well and what needs changing within the current SORP.

There was unanimous support for the continuation of a SORP for the charity sector, reflecting the needs of a 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 new modular format introduced in SORP (FRS 102) was welcomed by the majority of respondents. Respondents also made a variety of suggestions of how the structure and format of the SORP could be improved.

The majority of respondents believed more could be done to assist smaller charities to identify those requirements that are relevant to them. Some of the suggested changes to the reporting thresholds and exemptions available to simplify the current reporting requirements for smaller charities fall outside of the remit of the SORP and SORP-making body.

There was a large range of suggestions for changes to the existing reporting framework. Respondents focused on areas where the SORP is ambiguous and problematic to follow in practice, highlighting where greater guidance is needed. Respondents also identified a number of disclosures predominantly originating from FRS 102 that were considered to provide information of limited benefit to users of the report and accounts.

The remainder of the analysis detailed respondents' support or otherwise for the suggested themes and specific items proposed by the SORP Committee and Charity Regulators.

There was an initial discussion of the detailed findings from the analysis by the Committee at their March meeting but further time is required to fully consider the feedback and it will be an agenda item for the May and subsequent meetings. These discussions and consideration of the research findings will help inform the future development of the SORP and also the joint-SORP making body's response to the FRC's triennial review of UK and Ireland accounting standards.

During the remainder of 2017 the SORP-making body intends to:

- Respond to the proposals improvements and clarifications to FRS 102 within Financial Reporting Exposure Draft (FRED) 67;
- Determine those areas emerging from the feedback where amendments are required to be made urgently to the SORP and those which can be made as part of the next update;

- Decide when the next full SORP will be produced;
- Continue to keep the SORP under review with respect to compliance with UK-Irish GAAP.

This will be done in consultation with the committee and in line with our work plan for the period.

The SORP-making body is committed to transparency and openness in our work. Once the analysis of the feedback from the research exercise has been fully considered by the Committee it will be published. 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.charitycorp.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 Membership (April 2017)

Name	Organisation	Job Title	Jurisdiction
Joint Chairs:			
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
Sector Bodies:			
Caron Bradshaw	Charity Finance Group	Chief Executive	England & Wales
Simon Ling	National Association of Almshouses	Accountant	England & Wales
Sheila Nordon	Charities Institute Ireland	Executive Director	Republic of Ireland
Funders/Commentators/Academia:			
Mark Hill	Regeneris Limited	Consultant	England & Wales
Noel Hyndman	Queen's University Belfast	Professor	Northern Ireland
Joe Saxton	nfpSynergy	Driver of Ideas	England & Wales
Finance Directors:			
Pat Dennigam	Focus Ireland	Director of Finance & Property	Republic of Ireland
Preparers/Practitioners:			
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
Auditors/Independent Examiners:			
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

Annex B

Written responses to the Research Exercise on Charities SORP (FRS 102) grouped by respondent category

Respondent category	No.	As a %
Auditors & audit firms	18	10%
Professional bodies	5	3%
Sector umbrella bodies	14	8%
Charity finance directors	60	35%
Charity finance staff	38	22%
Charity Chief Executive or equivalent	6	3%
Trustees	10	6%
Honorary treasurers	5	3%
Other preparer/ practitioner	2	1%
Independent examiners	2	1%
Academic	1	1%
Funder, funding or commissioning body	1	1%
General user of accounts	5	3%
Charity Fundraiser or fundraising consultant	4	2%
Think Tank	1	1%
Total	172	100%