

Invitation to Comment on Exposure Draft Charities SORP

Do you consent to personal data you provide being held, in accordance with UK GDPR and the Privacy Policy of the Charities SORP making body and its delegated parties? If you select 'no' your name and email address will not be stored, but your organisational data (if relevant) and all consultation responses will be collected.

Yes

Name:

Andrew Charles Machin

Email address:

[REDACTED]

Role (for example, Chair, Trustee, Accountant, Treasurer etc):

Charity Senior Manager

Are you happy for the SORP-making body to contact you if needed to discuss your responses?

Yes

Do you want your response to be treated confidentially by the SORP-making body and not published?

No

Are you responding:

As an individual

Responding on behalf of an organisation/body

If responding on behalf of an organisation or body, please provide its name :

No Response

Please select what best describes the organisation:

No Response

A charity applying FRS 102 and the Charities SORP

What was the last reported gross income as set out in the charity's last annual accounts?

No Response

A user of accounts prepared under FRS 102 and the Charities SORP

In which capacity were you using accounts prepared under FRS102 and the Charities SORP?

No Response

An accounting firm / auditor

How many charity clients do you supply your services to?

No Response

An accounting firm providing independent examination services to charities

How many charity clients do you supply your service to?

No Response

A sector body

How many member charities does your organisation have?

No Response

Responding as an individual

Which of the following describes you?

Other (please specify):
Charity Manager

Question 1: Do you support the move to three tiers?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

The Tier approach only applies to the Trustees Report. It is not clear that it promotes the think small first - more it is driven by the wants of the regulator - it certainly does not simplify the practical impact of reporting for smaller entities

Question 2: Do you consider that the proposed thresholds have been set at an appropriate monetary level in order to support a proportionate approach to reporting?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Is this not also out for consultation at this time, to difficult to comment

Question 3: Do you agree that the Exposure Draft SORP clearly sets out the proposed reporting requirements for each tier?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

While Tier 1 is fairly clear Tier 2 and 3 are less so, as it is the degree of explanation required

Question 4: Do you agree that charities within the largest income threshold should be referred to as 'tier 3' charities, or should they be referred to as 'tier 1' charities?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

This question seems like debating how many angels can stand on the end of a needle

Question 5: Do you have any additional comments in relation to the proposed tiered reporting structure in the Exposure Draft SORP?

No Response

Question 6: Do you agree that including prompt questions will help trustees to develop their Trustees' Annual Report?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Prompt questions are helpful to provide a nframe for Trustees/ staff to prepare a report, which they may do only once a year, and are therefore not fully immersed in the reporting requirements - unlike auditors and other advisors

Question 7: Do you consider the requirements for impact reporting for each tier to be proportionate?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

The charity sector covers a broad range of organisation - direct service to grant makers, endowed to fundraising, and then service funding each sector has access to different amount and detail on impact. Some impact may be in-significant to most readers (Mrs x going to the local shops for the first time in 4 years following domestic abuse), some might be negative (we tired and it didn't work), or it may take years to see the impact. There is also the confusion between Output, Outcomes, and Impact

Question 8: Do you consider the requirements for sustainability reporting for each tier to be proportionate?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Unclear what is required under Tier1+2. Is this inconsistent with the Must/Should/May terminology?

Question 9: Do you consider the disclosures for volunteers to be proportionate?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

6.32- "an indication of" - inconsistent with the Must/Should/May, and vague - may lead to a wide range of interpretation

Question 10: Do you consider the explanation of reserves in the glossary helpful?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 11: Do you consider the disclosures for reserves are proportionate?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

A worked example in a separate document would be helpful

Question 12: Do you consider the requirement for tier 1 charities to provide a summary of their plans for the future is proportionate?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

While I can see this is helpful, I can see small charities, in the current volatile environment, with a small staff and uncertain income flows struggling to put forward a coherent future plan

Question 13: Do you consider that the additional disclosure will help to explain the treatment of legacies in the accounts?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

While helpful, from personal experience legacies can make a material difference to the accounts - and importantly the perception of the charity to funders (reserves available), membership bodies (setting fees), access to events (movement in registration fees), expectation on when a charity may be able to act. Delays can arise even when the terms of a legacy are met (a legacy is being challenged by HMRC - after the charity was required to report it by auditors 2 year ends ago! with no deadline for resolution)

Question 14: Do you have any other comments on module 1 and the proposals for the Trustees' Annual Report?

No Response

Question 15: Is the example table helpful?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

But difference with table 4 limited. Would it be helpful to have examples included in a stand alongside booklet which can be updated and changed without needing to reopen consultation on the SORP?

Question 16: Do you have any other comments on module 4?

No Response

Question 17: Does the module explain the relevant requirements of the five-step model in FRS 102 in a clear and understandable way?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

A charity relevant worked example would be helpful in a stand alongside booklet

Question 18: Do you find the module easy to navigate as drafted?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Headings not clear/ consistent

Question 19: Do you consider that the guidance on exchange and non-exchange transactions should be set out in separate modules of the SORP rather than separate sections of the same module?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

This will enable charities that do not have exchange transactions to build a simplified SORP, and remove any confusion about the 5 step model applying to non exchange transactions

Question 20: In the Exposure Draft SORP, all the disclosure requirements are listed at the end of the module. Would it be clearer instead to set out the relevant disclosures at the end of each section within the module?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Perhaps in tabular form, and by tier, rather than as narrative

Question 21: Do you consider this clarification a helpful addition to the SORP?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

An example would be helpful in a side booklet

Question 22: Does the module set out the accounting requirements for legacy income clearly?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

While helpful, often difficult to assess when legacy income will be received, as executors often unwilling to be pinned down to a date, or other parties (HMRC) get involved, and provide no support in setting timescales

Question 23: Accounting for legacies can be a complex area for charities to navigate. Is there a need for further guidance on this topic outside of the SORP?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

In a separate stand alongside booklet

Question 24: Do you have any other comments on module 5?

No Response

Question 25: Do you find the module easy to navigate as drafted?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Complex area for all tiers. Can it be broken down more,

Question 26: Does the module explain the relevant requirements of FRS 102 in a clear and understandable way? Please select all options that apply.

No - do not understand a specific section

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

This is a complex area, a number of worked examples would be helpful in a standalone document

Question 27: Does the section (paragraphs 10B.68 to 10B.84) on arrangements that are significantly below market value provide clarity on how to account for such arrangements?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Examples of the type of arrangements covered and excluded would be helpful

Question 28: Are the additional disclosure requirements set out in paragraphs 10B.95 and 10B.129 reasonable for charities with such arrangements?

No opinion

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 29 - please provide any other comments you have on module 10B:

This is a very complex area, and charities of all sizes will require additional support to identify leases, how to implement the requirements, and understand the implications on the Balance sheet and SOFA

Question 30: Do you agree with the proposal in the Exposure Draft SORP that only tier 1 and tier 2 charities, that do not meet the small entity threshold, and all tier 3 charities are required to prepare a statement of cash flows?

No, this should be required of all tier 2 and 3 charities

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

The gap between £500k and £15m is too big to say Tier 2 should not be included

Question 31: Do you have any other comments on module 14?

No Response

Question 32: Do you agree that the additional disclosures are helpful?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 33: Do you agree that the additional disclosures are proportionate?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 34: Do you have any other comments on module 20?

No Response

Question 35: Do you agree with the new approach to using the generic term 'social investments' instead of referring to 'programme related' and 'mixed motive' investments?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 36: Do you agree that the simplification of how gains and losses on social investments are reported is beneficial?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 37: Is the Exposure Draft SORP clear on the requirements for comparative figures and disclosures?

Yes

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 38: Do you think there is a need for further guidance on the treatment of comparative figures and disclosures in this area?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

No Response

Question 39: Do you have any other comments on module 21?

No Response

Question 40: Do you agree that the drafting, structure and proposals in the Exposure Draft SORP support the needs of smaller charities whilst addressing the needs of users of charity reports and accounts?

No

Please provide any reasons for your answer here, if you wish to do so: (250 word limit applies)

Smaller Charities are required to meet the majority of the SORP requirements, with only a small amount of relief offered by the Trustees Report

Question 41: Do you agree with the SORP-making body's decision to continue to disallow the application of Section 1A?

Do not understand the position enough to comment

Please provide reasons for your answer or suggestions on how you think Section 1A could be applied differently: (250 word limit applies)

No Response

Question 42: Do you have any other comments on the Exposure Draft SORP?

1. The SORP is a misnomer, and an alternative title should be found. A document of over 300 pages is not a "Statement", it is a policy, and while many years ago it might have been "Recommended", this is no longer the case - either in writing or practice.

2. The Accounting requirements have become increasingly "Esoteric" over the past 30+ years, to the point that the annual Report and Accounts are no longer a helpful document for the ordinary reader. My own profession has driven this to the point where we are producing intellectually pleasing edifices, which are meaningless to non professional readers. We are being driven to do this due to an adherence to the "gold standard" of FRS102 - which might work for companies, but DOES it work for charities?

3. This leads me to my third criticism. In my experience, those involved in the day to day running of the charity sector, do not use the annual report and accounts to promote/ report on the charity, they use websites, social media, and podcasts - which are immediate, accessible, and interesting. The Annual Report and Accounts are "Old News" - often 10 to 22 months out of date. In the past 10 years I have been asked for the Annual Report and Accounts only a handful of times - in support of a grant application (but had no request for clarification, so suspect it was a tick box exercise). The only benefit in producing them is for benchmarking against others (and the Charity Commission doesn't help with that, thankfully my sector does). Why do we spend so much time, effort, and increasingly cost (audit fees have risen exponentially over the past few years) producing them ? To meet our legal obligations! Is this a good enough reason - I don't think so!