

# 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:

Mike O'Halloran

Email address:

[REDACTED]

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

Technical 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:

On behalf of an organisation/body

## Responding on behalf of an organisation/body

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

Chartered Accountants Ireland

Please select what best describes the organisation:

A sector body

## 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?

Don't know

## Responding as an individual

Which of the following describes you?

*No Response*

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

Yes

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

We support the move to a three-tier system of reporting and we believe that such a system will help to ensure that the reporting burden is proportionate for charities applying the SORP.

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?

Yes

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

We believe that the limits at which the thresholds are set will help to support a proportionate approach to reporting. We support the tiered approach, and believe that the tiers are set at appropriate levels.

Notwithstanding this, the setting of the threshold levels at the same figure in both euro and sterling (eg. Tier 1- £500k or €500k, Tier 2- £15m or €15m etc.) would appear inconsistent and may cause an uneven reporting regime for charities of a similar size in Ireland and the UK, and particularly in relation to charities operating on both sides of the border on the island of Ireland. While there is precedent for this in the current definition of "larger charities" in the extant SORP, it should be considered whether the tiered thresholds should be translated into amounts which are comparable in value. The SORP making body may also benefit from liaising with the Irish Charity Regulator on this matter as the € tiers could be aligned to the financial reporting regulations which are due to be set by the Minister.

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

Yes

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

The proposed reporting requirements appear to be clearly laid out in the table at the commencement of each module.

**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)

Whichever term is chosen, it would appear that there may be some confusion regarding whether tier 1 is at the lower end in terms of size or whether it is at the upper end (and vice versa).

Depending on the user's perspective, they may see a charity classed as "tier 1" to be perceived as large. Alternatively, a user who reads the requirements as akin to building blocks may easily see that the lowest disclosure level is tier 1, then tier 2 for more disclosures and then tier 3 for even more disclosures. If this was seen to be an issue then alternative terminology could be used such as "lower, mid & upper tier" or "charities with simplified reporting requirements, with additional reporting requirements and with enhanced reporting requirements" etc.

Notwithstanding the above, the manner in which the modules are laid out are clear and it appears clear to the user where there are differing requirements based on the presentation of the tables at the beginning of each module.

In the small number of modules where tiering matters (e.g. Modules 1, 4, 8, 9 & 14) it may be beneficial to highlight the monetary limits that make a charity fall within each tier at the beginning of each module.

**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)

The prompt questions appear useful in guiding the charity towards telling their story in a meaningful way. The tiered approach in which the prompt questions are presented should also help to ensure that the process is not too onerous for smaller charities applying the SORP.

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

Yes

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

Yes. However, we note that some charities who are at the lower end of tier 2 may find this exercise time consuming and onerous.

**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)

We welcome the fact that the requirements encourage disclosures for tiers 1 and 2. Charities should include details of sustainability related issues where these are relevant to their operations and to their stakeholders.

There would appear to be a slight inconsistency between the requirements of section 1.44 (which requires a tier 2 company to explain the risks arising from environmental issues) and section 1.60 (which encourages tier 2 charities to disclose how they are responding to environmental matters).

Charities falling within Tier 3 may require additional guidance in relation to the reporting requirements set out in paragraphs 1.61 to 1.65 as many of these terms will be new terms for charities which will require consideration.

The SORP making body should reflect on the sustainability reporting requirements placed on charities in light of the CSRD Omnibus proposals, which take most Irish companies out of the sustainability reporting requirements that they were originally intended to comply with, or delay their implementation. The SORP Exposure Draft was likely finalized before the Omnibus was published in late-February and consideration should be given to whether this should result in a relaxation of similar reporting rules for charities.

The reference in paragraph 1.65 to the disclosures required by charities under the Corporate Sustainability Reporting Regulations 2024 would appear to be inconsistent with the FAQs issued by the Irish Department of Enterprise Trade and Employment, which states that not-for-profits are not within the scope of the CSRD (<https://enterprise.gov.ie/en/what-we-do/the-business-environment/corporate-sustainability-reporting/faqs/>). Therefore, we believe that this paragraph is redundant.

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

Yes

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

The constitution of Irish charitable companies contain a clause to ensure that directors are not remunerated for "qualifying services" and therefore are "volunteers" – with no executives being able to take up formal board positions. The SORP does not specifically address how this feature of Irish Charities should be reflected in either the SOFA or in the Trustees' report.

**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)

The Irish Finance Act introduced law effective from 1/1/25 requiring that Charities should not necessarily be tax exempt if they hold income not applied in meeting the charities objectives for more than five years - with a number of exceptions allowed. In light of this new law, users of tier 1 and up charity financial statements need to understand the amount of reserves held that are aged over 5 years from date of receipt of the related income and therefore, the Trustees plans to secure the ongoing tax exempt status of the charity.

We would suggest appropriate disclosures be included in the SORP to address the matter. See first bullet and linked document at <https://www.revenue.ie/en/tax-professionals/ebrief/2025/no-0272025.aspx>.

**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)

The requirement for all charities applying the SORP to provide a summary of their plans for the future would appear reasonable and is an important piece of information for many of the charities stakeholders. This should not increase the reporting burden for smaller charities, given that this should be a consideration for all charities, not just larger charities.

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

Yes

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

The inclusion of additional narrative disclosures is a positive step toward enhancing transparency and understanding the recognition of such income. Legacy income can be complex, particularly because in some situations it may be recognised before the actual receipt of funds. This can lead to confusion among readers of the accounts, especially those without a technical accounting background. The inclusion of additional information will help users of the financial statements to understand how legacies are accounted for.

**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)

We agree that the inclusion of a table in module 4 will be helpful and will make it clearer to small charities how their statement of financial activities should be presented depending on the basis chosen.

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)

While the module, as drafted, appears to explain the individual steps of the five-step model in FRS 102 in a clear and understandable way, we believe that there may be some confusion in the sector regarding charities understanding the circumstances where the new model of revenue recognition actually results in changes to the measurement and recognition of revenue compared to the extant SORP. The introduction to this question highlights that there may be a "significant change" in the way in which some charities recognise income, however, it is not clear where this will occur. It would be very beneficial if some illustrative examples and guidance were prepared which would highlight some instances where changes may arise in revenue recognition for charities following the introduction of the five-step model.

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

Yes

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

*No Response*

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)

We would favor the use of two separate modules to address the differing guidance applicable to exchange and non-exchange transactions. This would help to highlight the differing rules that apply depending on the circumstances and would help to make it clearer when the five-step model should and shouldn't apply. Given the fact that the 2 modules are closely connected, we would favor the use of Module 5A for Exchange transactions and Module 5B for 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)

We believe that the disclosures are clearer and easier to navigate in its current format as set out in the draft SORP.

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)

We welcome this clarification. This is an area that is constantly questioned and can lead to a mismatch in income and expenditure as noted.

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)

Legacy income can be a significant source of income for charities in Ireland and the UK and it is a growing source of income for charities in both jurisdictions.

Whilst acknowledging that the accounting requirements for recognising legacy income are often complex, we welcome the additional clarifications presented in module 5.

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)

Accounting for legacies is often complicated by many factors including;

- A lack of information received from legal representatives- with some charities receiving very little information concerning the value of, their rights to, and the costs to settle any outstanding liabilities of the bequeathed assets prior to them receiving the title.
- Uncertainty regarding the length of time it can take for a legacy to finalise
- Conditions attached to the legacy- within and outside the control of the charity
- Challenges to the charity's entitlement to the bequeathed assets after they have been notified of their entitlement to income from a legacy.

While many of these challenges may be difficult to provide for in the charity SORP, they are significant issues that charities must navigate while accounting for legacies. In recognition of this, it would be beneficial if some guidance could be produced which discusses some of the common challenges and how charities could apply the SORP when these challenges are present.

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?

Yes

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

We believe that the module is easy to navigate, and this is assisted by the inclusion of the table at 10B.14 which will be a useful cross-reference for users of the standard.

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

Yes

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

*No Response*

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?

Yes

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

*No Response*

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

Yes

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:

*No Response*

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 opinion

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

While researching the views of our members we received mixed responses regarding this question. A minority of respondents indicated a satisfaction with the limit as proposed in the draft SORP.

Another minority view was that all charities, regardless of size, should be required to prepare a cashflow statement.

The majority view we received was that the proposed increase in the income threshold to £15 million is too high an entry point for a charity to be required to prepare a cashflow statement. An increase in the limit to €15 million may be viewed negatively by many users of charity reports and accounts as this is an important statement for some stakeholders, including funders, donors and beneficiaries.

Notwithstanding the above considerations, we note that the purpose of the SORP is to give guidance on how FRS 102 is to be applied for the reporters that entity represents – in this case charities – it should not actually change the parameters laid down by FRS 102. With this in mind, it would not appear appropriate for the SORP to change the cashflow statement requirements beyond those set out in FRS 102 as this would appear to go beyond the remit of what the SORP sets out to achieve.

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

*No Response*

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

No opinion

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?

No opinion

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?

Yes

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

*No Response*

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

No opinion

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?

*No Response*