

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:

Denise Copeland

Email address:

[REDACTED]

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

Governance and Charity Advice 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 :

Northern Ireland Council for Voluntary Action (NICVA)

Please select what best describes the organisation:

A charity applying FRS 102 and the Charities SORP

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?

£1M - £5M

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?

More than 100 member charities

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)

Compared with the current structure, the move to tiers is very helpful in knowing exactly what is required within a given tier. This should help Trustees navigating the guidance and framework.

NICVA would have liked to see a fourth tier for micro charities. In N.Ireland we still don't have the CIO structure available for charities, so any charity that wants the benefits of incorporation has to incorporate as a company ltd by guarantee which then requires them to prepare accrual accounts which comply with the Charities SORP. This is a considerable amount of work for a small charity that could otherwise be entitled to prepare receipts and payments accounts if it were a CIO.

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

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

There is a significant range of income in Tier 2, from £500,000 to £15million. A charity operating with an annual gross income of £640,000 would be expected to adhere to the same requirements as a charity of £14m income. This is too wide a range.

NICVA believes that the income threshold in Tier 1 should be increased. The monetary levels in the Tiers need to take account of current inflation as well as other consultations and proposals to raise the thresholds for auditing and independent examination, such as that happening in England and Wales.

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 Exposure Draft SORP clearly sets out the proposed reporting requirements for each tier which is very helpful. You can see very easily from the breakdown in the tiers what is required. This is especially helpful for those smaller charities in Tier 1, that they can just read the tier 1 sections clearly otherwise it could be very overwhelming if the Tier requirements were not separated out so clearly.

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?

Agree with tier 3

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

Tier 1 implies starting at the bottom or the first stage. The approach of the Tiering in the Exposure Draft makes sense, that is, all charities must complete Tier 1 and then larger charities must go through all the Tiers, like a bolt-on to basic information that everyone must supply. This is similar to the reporting of AMR to the Charity Commission.

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

The tiered approach is welcome and should help charities navigate to the sections that apply only to them however the income bands do not appear to have taken account of inflation.

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 should be very useful in the TAR especially for those charities that are complying to the SORP for the first time. It should be emphasized that the prompt questions are just the basis and that charities can include other information and photos also to bring the report to life.

Charities could use the prompt questions in this section of the SORP to help them set out the governance work of the charity for the year ahead, building in monitoring and reporting on them throughout the year.

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)

Some participants at our consultation seminar were concerned about the extra burden being put on charities to provide more detail in their TAR especially those small and smaller/medium sized charities.

We know from helping charities through the registration process that some found answering the public benefit question difficult. For some the benefit that is being achieved by their beneficiaries is so obvious that they find it hard to articulate.

NICVA has been working for some years in providing training to charities on impact reporting. Sometimes having a framework with questions can help the charity to articulate the difference it is making to its beneficiaries but this needs to be balanced with asking for too much detail.

NICVA will continue to provide training on impact reporting as it helps charities articulate the great work they are doing.

Question 8: Do you consider the requirements for sustainability 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)

We welcome the inclusion of sustainability reporting for Tier 3 charities as a requirement. Charities in Tiers 1 and 2 could then learn from the work that Tier 3 charities are working to implement. At our consultation seminar, there was some discussion about greenwashing and box ticking. NICVA believes that charities in Tier 3 could be constructively challenged from stakeholders about the relevance/merits of the statements in the reports which could be a very positive thing in terms of implementing changes.

Some funders are taking an interest in this area and asking charities for their policies on environmental sustainability, so it isn't something new.

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

No opinion

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

NICVA believes this question is best answered by those charities that are able to calculate the monetary value of volunteers and to those that have specialist knowledge in the preparation of accruals accounts.

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)

The setting of reserves and understanding of what is meant by reserves can sometimes be daunting for trustees. The explanation of reserves is clear however
It would be helpful if a link was provided to guidance on developing a reserves policy. The requirements in the new SORP require that the charity actually looks at what it has in reserve and what its policy says. This should help the Trustees to have a meaningful discussion about the reserves.

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)

Should be proportionate

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)

Some smaller charities don't have strategic plans and go from year to year, reacting and delivering. This requirement may be helpful in forcing smaller charities to start discussing future plans and hopefully it may help some instigate developing strategic plans.

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

No opinion

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

NICVA believes this question is best answered by those charities that have experience of legacy income and to those that have specialist knowledge in the preparation of accruals accounts.

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

no

Question 15: Is the example table helpful?

No opinion

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

No Response

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?

No opinion

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

No Response

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

No opinion

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?

No opinion

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

No Response

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 opinion

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

No Response

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

No opinion

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

No Response

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

No opinion

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

No Response

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?

No opinion

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

No Response

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 opinion

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

No Response

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 opinion

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?

No opinion

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?

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:

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)

No Response

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?

No opinion

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?

No opinion

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?

No opinion

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 opinion

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)

It looks reasonable however we would still be concerned that the very small charities would find the reporting framework overwhelming. It could put off small charities from incorporating because of the accounting and reporting requirements on the accruals accounts.

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?

At NICVA's roundtable seminar, participants believed that the SORP-making body should provide a template set of accounts which comply with the new SORP. NICVA agrees and believes that there should be 3 sets of template accounts, one for each Tier which demonstrates the requirements in the new SORP.