Members in Practice Update on Charity Commission Guidance and the charities SORP

Updates to this bulletin
This CIMA members in practice guidance has been updated for the new Directions for independent examination (CC32), a new guide on reporting relevant matters to the UK regulator and new guidance to trustees on reporting serious incidents. Practitioners preparing charity accounts for reporting periods beginning on or after 1 January 2016 must also refer to the Update Bulletin 1 to the Charities SORP (FRS 102) for the changes in UK GAAP effective from 1 January 2016. Practitioners may find the SORP information sheet helpful.

In the event that any link is non-operable, search via the Charity Commission home page via the following link: http://www.charitycommission.gov.uk/

SORP resources:
Update Bulletin 1 was issued in February 2016 and updates the Charities SORP (FRS 102) with effect for reporting periods (financial years) beginning on or after 1 January 2016. The Bulletin also dealt with the withdrawal of the FRSSE and the new definition of ‘larger charity’. See http://charitiessorp.org/choose-sorp-modules/

Originally two SORPs were published that took effect for financial years beginning 1 January 2015. The Charities SORP (FRSSE) provided application guidance for the FRSSE and the Charities SORP (FRS 102) provided application guidance for FRS 102. Subsequently the FRSSE option has been withdrawn. For reporting periods beginning on or after 1 January 2016 only the Charities SORP (FRS 102) can be followed. The SORPs and accompanying help-sheets can be downloaded from the microsite: www.charitysorp.org

The help-sheets are:
- Help-sheet 1 is a destination table from charities SORP 2005 to the Charities SORP (FRS 102)
- Help-sheet 2 identifies the main changes from charities SORP 2005 to the Charities SORP (FRS 102)
- Help-sheet 3 compares the Charities SORP (FRSSE) with the Charities SORP (FRS 102).


Accounts packs
Accounts pack for non-company charities preparing receipts and payments accounts: https://www.gov.uk/government/collections/receipts-and-payments-accounts-pack-cc16

Developments in UK GAAP:
The FRC is updating UK GAAP for amendments to standards, including FRS 102 following the Triennial Review conducted in 2017. The effective date for these amendments is accounting periods beginning on or after 1 January 2019 with early application permitted. A second SORP Update Bulletin to give effect to these changes will be consulted upon in 2018. For further information view the FRC website: https://www.frc.org.uk/Home.aspx
Registering Charities
Information on registering as a charity can be found via the section ‘Register a charity’:
http://www.charitycommission.gov.uk/start-up-a-charity/registering-your-charity/

Currently company charities and community interest companies will be able to convert to charitable CIO status on a phased basis with all able to apply from August 2018. For more information:

Charitable industrial and provident societies cannot convert to become a charitable CIO.

We are responsible for maintaining the register of charities which you can view via our website:
http://www.charitycommission.gov.uk/find-charities/

Making Charities Accountable
Charities with yearly incomes over £10,000 must by law complete an Annual Return. For financial years ending on or after 1 April 2009 registered charities with a gross income exceeding £25,000 must also send us their accounts and annual report every year within 10 months of the end of their year-end. By law a member of the public or interested person has the right to a copy of the latest Trustees’ Annual Report and accounts (although a charity may make a charge to cover copying and postage costs). The report and accounts are also available via the register entry for the charity on our website where the charity’s income exceeds £25,000 per year. We take seriously the deadlines for providing us with this information and more information on this is available on our Meeting Our Requirements pages and we name charities that have seriously defaulted on these legal obligations on our Defaulting Charities finder facility. For more details view: http://www.charitycommission.gov.uk/running-a-charity/managing-your-charity/completing-annual-returns/

The Regulatory Framework
Larger charities that raise funds from the public must make additional disclosures in their annual reports subsequent to November 2016. Our guidance has been updated to the change in the income criterion for audit effective for reporting periods (financial years) ending on or after 31st March. This guidance sets the requirements for keeping records, the basis for preparing accounts, including receipts and payments accounts and the requirements for independent examination and audit and the submission of accounts, Annual Reports and Annual Returns to the Charity Commission. For information on applicable thresholds for reporting, filing and external scrutiny view: https://www.gov.uk/government/publications/charity-reporting-and-accounting-the-essentials-november-2016-cc15d

Public Benefit Guidance
The Commission has three publications on public benefit to do with registering a charity, running a charity and public benefit reporting. These are an essential read for trustees:

Guidance on decision-making by trustees and handling conflicts of interest

And identifying and handling conflicts of interest: http://www.charitycommission.gov.uk/trustees-staff-and-volunteers/trustee-board/conflicts-of-interest/


Auditor and independent examiner duty to report matters of material significance
In November the guidance agreed by the UK charity regulators, originally issued in April 2017 and effective from 1 May 2017, was updated following auditor feedback. The list of reportable matters was unchanged: https://www.gov.uk/government/news/reporting-matters-of-material-significance-guidance-for-auditors-and-examiners

Discretionary reporting of relevant matters by auditors and independent examiners
Also in November a guide was published by the UK charity regulators giving examples as to when the discretionary reporting of relevant matters would be helpful:
Independent Examination
New Directions and guidance for independent examination (CC32) was issued in September 2017 together with a new checklist to assists examiners (CC32a). The new framework had effect for all independent examination reports signed on or after 1 December 2017.

New Directions: https://www.gov.uk/government/publications/independent-examination-of-charity-accounts-examiners-cc32


Guidance on protecting charities
Guidance has been issued on protecting charities from the risk of fraud and financial crime: http://www.charitycommission.gov.uk/detailed-guidance/protecting-your-charity/protecting-charities-from-harm-compliance-toolkit/
The serious incident reporting guidance was updated in September with additional resources provided by way of a fraud and financial crime checklist and examples of when to report and not to report: https://www.gov.uk/guidance/how-to-report-a-serious-incident-in-your-charity

Charities and Risk Management
This guidance outlines the type of risks charities face, the process for identifying and managing risk and reporting requirements.
http://www.charitycommission.gov.uk/running-a-charity/your-charitys-work/protecting-your-charity/risks-and-how-to-manage-them/

Charity Reserves and Defined Benefit Pension Schemes
The general guidance on reserves has been updated to consider financial sustainability can be accessed: https://www.gov.uk/government/publications/charities-and-reserves-cc19
Accounting for defined benefit pension schemes under FRS17: Retirement Benefits has raised question as to how a charity’s reserves policy is affected by the balance sheet disclosure of pension assets and liabilities: http://www.charitycommission.gov.uk/detailed-guidance/money-and-accounts/charity-reserves-and-defined-benefit-pension-schemes/

Charities Working Internationally
This guidance covers the legal requirements and recommended good practice for charities whose work is either wholly or partly international or overseas based:

Charities and Trading
This guidance covers those trading activities a charity may lawfully undertake in its own right and the use of trading subsidiaries to undertake non-charitable trading for fundraising purposes and other trading activities in support of the charity’s work: http://www.charitycommission.gov.uk/detailed-guidance/fundraising/trustees-trading-and-tax-how-charities-may-lawfully-trade-cc35/

Charities and Investments
This guidance covers the legal framework for charity’s to make investments, including ethical investments, programme related and ‘mixed motive’ investments and identifies good practice:

Bulletin updated January 2018
Content review due July 2018
(Previous version April 2017)