



CHARITY COMMISSION FOR ENGLAND AND WALES

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 guidance on charities working with non-charitable organisations. Also details of new SORP resources and Update Bulletin 2 have been added. 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 2 was issued in October 2018 and if a charity's trustees' annual report and accounts for reporting periods beginning on or after 5 October 2018 you must also read the Update Bulletin 2 when using Charities SORP (FRS 102).

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 FRSSSE and the new definition of 'larger charity'.

For both Bulletins 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 FRSSSE and the Charities SORP (FRS 102) provided application guidance for FRS 102. Subsequently the FRSSSE option has been withdrawn.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)
- Help-sheet 4 explains how changes to FRS 102 since 2015 require preparers of charity accounts to refer to one or more Update Bulletins, depending upon the starting date of the reporting period (financial year)

SORP Information Sheet dealing with implementation issues was published in April 2017:

SORP Information Sheet 2 issued in January 2019 looks at accounting for gift aid payments made by a subsidiary to its parent charity where no legal obligation to make the payment exists.

The Help-sheets and Information Sheets can be accessed here: <http://www.charitysorp.org/about-the-sorp/helpsheets/>

Accounts packs

Accounts pack for smaller charitable companies: <https://www.gov.uk/government/publications/charity-accounting-templates-accruals-accounts-cc17-sorp-frs-102-for-charitable-companies>

Accounts pack for smaller non-company charities using the SORP:

<https://www.gov.uk/government/collections/accruals-accounts-pack-cc17-sorp-frs-102>

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 has subsequently updated FRS 102 to provide a solution where an entity changes over from accounting for a defined benefit pension scheme as a defined contribution scheme, due to a lack of scheme information, to defined benefit pension scheme accounting. A change to the SORP is planned to account for this change to FRS 102.

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/>

Company charities and community interest companies can convert to charitable CIO status. For more information: <https://www.gov.uk/guidance/change-your-charity-structure>

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. All Charitable Incorporated Organisations irrespective of size and those 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. For more details on filing and reporting requirements view:

<http://www.charitycommission.gov.uk/running-a-charity/managing-your-charity/completing-annual-returns/>

The Regulatory Framework

Our guidance sets out 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:

<http://www.charitycommission.gov.uk/detailed-guidance/charitable-purposes-and-public-benefit/public-benefit-guides-index/>

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

Guidance on decision-making: <http://www.charitycommission.gov.uk/trustees-staff-and-volunteers/trustee-board/making-decisions/>

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

Guidance on financial resilience: <https://www.gov.uk/government/publications/charity-trustee-meetings-15-questions-you-should-ask>

Auditor and independent examiner duty to report matters of material significance

The guidance on reporting issued in April 2017 has been updated for changes to OSCR and CCEW email addresses. The list of reportable matters is 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

This guide has been updated for changes to email addresses and guidance:

<https://www.gov.uk/government/publications/reporting-relevant-matters-of-interest-to-uk-charity-regulators>

Independent Examination

New Directions and guidance for independent examination (CC32) was issued in September 2017 together with a new checklist to assist 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>

CC32 checklist:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/641901/CC32a_Independent_Examiners_checklist_v1.pdf

Guidance on working with entities that are not charities

This new guidance was issued in March 2019 sets out six principles to help trustees ensure their arrangements for working with a linked body secure the charity's interests and independence:

<https://www.gov.uk/government/news/charity-regulator-warns-trustees-to-protect-their-charity-from-non-charitable-interests>

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 guidance on internal financial controls reflects sector best practice, including the Bribery Act 2010:

<http://www.charitycommission.gov.uk/detailed-guidance/money-and-accounts/internal-financial-controls-for-charities-cc8/>

The serious incident reporting guidance was updated in September 2017 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:

<http://www.charitycommission.gov.uk/detailed-guidance/protecting-your-charity/charities-working-internationally/>

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:

<http://www.charitycommission.gov.uk/detailed-guidance/money-and-accounts/charities-and-investment-matters-a-guide-for-trustees-cc14/>

Bulletin updated June 2019

Content review due December 2019

(Previous version January 2018)