



CHARITY COMMISSION
FOR ENGLAND AND WALES

ICAEW webinar 2021

Charity Commission roundup – key findings from regulatory work and research findings and changes to guidance including ongoing developments in the Charities SORP.

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Regulatory update- risks and concerns:

- Research findings: Impact of COVID, Smaller charities and MoMS
- Key findings from recently reported regulatory cases
- Changes to Commission guidance (since November 2020)
- SORP COVID related advice
- SORP Information Sheets
- SORP 2024 next steps





Impact of COVID – Commission research

Nearly all charities (91%) in E&W have experienced some negative impact from Covid-19

Covid-19 has predominantly impacted charities' services and delivery (85%), alongside their financial position (72%) and staffing and governance (66%)

Sector response –

The most common action taken by charities is adapting their services in light of restrictions (45%), followed by using financial reserves (40%) and even pausing operations temporarily (32%). A fifth have furloughed staff (18%)

Half of charities (49%) have made better use of digital technology



Impact of COVID –

Last year, **97** charities reported to us that they were insolvent, as part of their annual return to the Commission

Up by a third on the previous year, but still a relatively small number when compared to the 170,000 charities on our register.

Overall, the number of charities closing did not vary significantly compared to the previous year.



Research findings reported to SORP Committee- SORP smaller charities (under £250k)

We found that:

- The same proportion of accounts met the benchmark in each jurisdiction (33%)
- The main reasons why the accounts failed the benchmark were also the same in each jurisdiction: incomplete disclosure of related party transactions and/ or not stating that the accounts were prepared under Charities SORP (FRS 102)



Findings receipts and payments study-

We found that:

- Double the proportion of accounts met the benchmark in Scotland than in England and Wales (88% vs 44%)
- Accounts prepared using the regulators' accounts packs were much more likely to meet the benchmark than those where the trustees used their own format (100% vs 82% in Scotland, 73% vs 29% in England and Wales)

Across both studies we concluded:

- Fundamental issue for smaller charities- skills and capability to prepare accounts
- Template account solutions help



MoMS reporting- some progress but room for improvement

- ❑ Follow up study (shared with ICAEW and ACCA) Reviewing each audit report where MoMS report expected (Period 1 May – 31 October 2020)- found of 354 expected 186 did MoMS report (53%) vs 2017 study where 25% reported

Conclusions drawn:

- ❑ Improvement noted but worrying so many do not report
- ❑ Certain Firms and individuals identified as not reporting MoMS
- ❑ Working with ACCA and ICAEW to address the findings
- ❑ Future action - continue education and collaboration and sanction
- ❑ Also applying the CCEW external scrutiny benchmark (2019):
<https://www.gov.uk/government/publications/a-benchmark-for-the-external-scrutiny-of-charity-accounts>



Findings from cases-

Charity Inquiry: Manor Building Preservation Trust Limited

Serious failures in the charity's governance and financial management

Charity Inquiry: The Alternative Animal Sanctuary

Comprehensive failures in governance and financial management which resulted in its funds being placed at undue risk and allowed significant losses to occur



Changes to guidance / consultations

- Trustee '5 minute guides'
- Responsible Investment consultation
- Independent examination of charity accounts: examiners (CC32) (July 21)
- Practitioner and Interim Manager Code of Practice (updated Nov 21)
- Safeguarding and protecting people for charities and trustees (updated Nov 21)

www.gov.uk/charity-commission



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SORP developments





SORP COVID related advice:

- ❑ Advice:
 - ❑ The two examples updated:
<https://www.charitysorp.org/about-the-sorp/example-trustees-annual-reports/>
 - ❑ Trustees' annual report advice:
<https://www.charitysorp.org/about-the-sorp/covid-19/>
- ❑ Signposting to professional bodies regarding emerging accounting matters: <https://www.charitysorp.org/about-the-sorp/covid-19/>
- ❑ Signposts FRC advice on going concern:
<https://www.charitysorp.org/about-the-sorp/covid-19/>



SORP Information Sheets:

- SORP Information Sheets added:
 - No.5: The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018-UK, as applied to Charitable Companies (reissued September 2020):Update Bulletins 1 and 2
 - No.6: Irish Charities - Merger Accounting and Republic of Ireland Company Law)
- Information sheets are advisory and address novel areas of interpretation or emerging issues
- Refer to the updated SORP microsite for further details:
<https://www.charitycorp.org/about-the-sorp/helpsheets/>



SORP 2024 next steps: submission to periodic review

- ❑ FRC periodic review of FRS102 closed 31 Oct 2021 with a view to informing the Exposure Draft FRS102
- ❑ Anticipated that the new standard in 2023 effective financial years beginning on or after 1 January 2024
- ❑ SORP- making body made 2 submissions
 - ❑ 1st looked for flexibility in: applying section 1A and statement presentation (SoFA), comparatives, and also disclosure simplification -pensions disclosures and a future NFP std
 - ❑ 2nd looked for new approach to drop fair value gifted donated stock gifted onward (foodbanks) and gifted services (exclusive own use) and value on sale for unknown on receipt bulk items
- ❑ Further details: <https://www.charitySORP.org/about-the-sorp/sorp-committee/>



SORP 2024 next steps in developing the SORP:

- Review of the 15 topics chosen from Engagement Strand feedback concludes in January 2022
- Drafting process throughout 2022
- Exposure Draft spring 2023 – 3 month consultation
- Post consultation and once had FRC approval (3 levels of approval) the new SORP is issued- ideally before December 2023



SORP resources:

- ❑ Three explanatory talks on SORP and SORP-making process:
<https://www.charitycorp.org/about-the-corp/helpsheets/>
- ❑ All resources including download of the SORP or parts thereof free of charge are accessible from: <https://charitycorp.org/>
- ❑ Details of participants in the new engagement process:
<https://www.charitycorp.org/about-the-corp/engage/>

Any questions?