

The Charities SORP

Invitation to comment: Withdrawal of the Charities SORP (FRSSE) and Proposals to widen the scope of Charities SORP (FRS 102)

Charities SORP
CIPFA
77 Mansell Street
London
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18 September 2015

Dear Sir/Madam

Invitation to comment: Withdrawal of the Charities SORP (FRSSE) and Proposals to widen the scope of Charities SORP (FRS 102)

Introduction

1. The Institute of Financial Accountants (IFA) welcomes the opportunity to respond to the Invitation to comment: **Withdrawal of the Charities SORP (FRSSE) and Proposals to widen the scope of Charities SORP (FRS 102)** issued by the Charity Commission and the Office of the Scottish Charity Regulator on 18 June 2015.

Who we are

2. The IFA is an internationally recognised professional accountancy membership body whose members work for small and medium-sized enterprises (SMEs) or who run or work in small and medium-sized accounting practices (SMPs) that advise SMEs.
3. The IFA is a full member of the International Federation of Accountants (IFAC), the global body for the accountancy profession. As such, the IFA takes its place alongside the UK and Ireland's six chartered accountancy bodies, as well as 135 national and regional accountancy organisations representing 125 countries and jurisdictions.
4. Founded in 1916, the IFA supports over 10,000 members and students in more than 80 countries with a programme of professional qualifications and education. As well as resources, events, training and seminars. IFA members uphold high standards of conduct, confidentiality and ethics and undertake annual continuing professional development (CPD) activities.
5. The IFA has amalgamated with the Institute of Public Accountants (IPA) of Australia, effective 31 December 2014. The combined bodies have over 35000 members globally which thus enables a greater focus on the needs of SMEs/SMPs.
6. The IFA's capacity to regulate its members for the purposes of the Money Laundering Regulations 2007 is recognised by HM Treasury it and is formally recognised also as an awarding organisation by Ofqual, the UK public body responsible for maintaining and monitoring standards for general and vocational qualifications and examinations.

Responses to questions

Question 1 Given the underlying requirement for the accounts to give a true and fair view and the requirements of FRS 102 that result in all charities applying the same underlying recognition and measurement policies, do you agree with the SORP-making body disapplying the small entities regime proposed in FRED 59? This would have the result that all charities will have to apply the Charities SORP (FRS 102) for reporting periods beginning on or after 1 January 2016. Please give reasons for your response. If your answer is no, what alternate approach would you recommend and why?

7. Yes, we agree with the SORP-making body's proposal to disapply the small entities regime, Section 1 in FRED 59 *Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Small entities and other minor amendments as issued by the Financial Reporting Council on 19 February 2015* (now issued as a final document by the FRC in July 2015).
8. We support the principle of common recognition and measurement requirements applicable to both small and large entities.
9. In order to give a true and fair view, all material items would have to be reported in the accounts. FRED 59 encourages small entities to make certain disclosures in order for the accounts to give a true and fair view. It would be difficult for preparers and their advisers to decide which disclosures were needed to give a true and fair view without further guidance on this matter from the FRC.
10. Therefore, there seems to be very little practical advantages of continuing to have two SORPs, one for larger charities and one for smaller charities, since, in order to give a true and fair view, similar disclosures would be required, if an item or transaction due to its materiality had to be reported in the financial statements. Therefore, we support the SORP-making body's view that there are very few practical benefits of continuing with two SORPs in the future.

Question 2 Do you agree with the proposal to amend the Charities SORP (FRS 102) so that it requires only larger charities to prepare a Statement of Cash Flows? This would mean that all charities with a gross income exceeding £500,000 (€500,000 in the Republic of Ireland) would have to prepare a Statement of Cash Flows. Please give reasons for your response.

11. Yes, we agree that larger charities with a gross income exceeding £500,000 (€500,000 in the Republic of Ireland) should be required to prepare a Statement of Cash Flows in the reporting period from 1 January 2016 onwards. This would be consistent with previous requirements of the SORP to require greater transparency in reporting by larger charities.

12. However, we would encourage and strongly support the jurisdictions in the UK to work towards having a common threshold for charity audits to avoid confusion for both preparers and their advisers.