

Appendix 1 – Draft Response to DSD CONSULTATION - ACCOUNTING AND REPORTING BY CHARITIES

Questions

1. To what extent do you agree that the definition of ‘general charity’ is a helpful term to describe all charities which are neither ‘special case’ charities nor ‘investment fund’ charities?

We believe the definition is clear.

2. To what extent do you agree that the definition of ‘special case charity’ accurately identifies such charities?

The definition is very clear – i.e. housing association , institution of further education or higher education institution.

3. To what extent do you agree with proposals for the ‘accounting reference date’ of a charity?

This is clear – however from our perspective neighbourhood based groups will need clarification on what the implications these regulations have for them as an organisation. Falling out of this, appropriate support arrangements need to be in place for smaller neighbourhood groups. We suggest that this would require a partnership approach which would include Local Government and in particular Community Services Sections in Local Government.

4. To what extent do you agree that a limit on the number of changes to the financial year end date (accounting reference date), in the absence of consent from the Commission, to one change in any three year period is a simple and reasonable approach?

This would appear to be acceptable, provided that the communication , support and training is in place where needed for locally based groups.

5. To what extent do you agree that regulation 4 correctly identifies the SORP that is applicable to each of the categories of charities identified?

With the guidance being presented using very legal language, small groups may struggle to understand their responsibilities. Again, consideration needs to be given to appropriate communication and support for smaller groups.

6. Part 2 of the Regulations sets out the form and contents of the statements of account prepared by charity trustees, the notes to the accounts and the methods and principles for preparing accounts under section 64(1) of the 2008 Act. The Regulations also require the accounts to be prepared using the methods and principles of FRS 102 and the applicable SORP. To what extent do you agree that, by specifying in regulations that charities apply FRS 102 and the applicable SORP, the Regulations do not need to specify the form and contents of accounts, the notes to the accounts and the methods and principles for their preparation?

This makes sense in that it references the appropriate detailed standard. Again for smaller groups there will be the need to be appropriate communication with support and training being available if required.

7. To what extent do you agree that it is appropriate to specify in regulations that 'special case' charities should apply the relevant SORP when preparing their accounts?

No comment.

8. In your opinion should the Regulations allow charities to limit their disclosure of comparative information to the amounts presented in the total column of the statement of financial activities?

Yes we concur in that it will make it simpler for smaller organisations.

9. To what extent do you agree that the regulations dealing with the methods and principles for the preparation of group accounts are better addressed by reference to FRS 102 and the applicable SORP, rather than by detailed scheduling of methods and principles for consolidation in the Regulations?

Yes we agree.

10. To what extent do you agree that if the charity audit threshold is increased that the threshold at which group accounts must be prepared should be similarly increased?

This would be in line with GB.

11. Are you satisfied that Part 4 of the Regulations provides a sufficient and proportionate framework for audit and independent examination of charity accounts?

We think to comment on this in detail we would need to seek the advice from an auditor. We would again make a general comment that communication, training and support for smaller organisations needs to be considered when the regulations become fully operative

12. Are you satisfied that Part 5 of the Regulations provides a sufficient and proportionate framework for annual reporting?

We think to comment on this in detail we would need to seek the advice from an auditor. We would again make a general comment that communication, training and support for smaller organisations needs to be considered when the regulations become fully operative

13. To what extent do you agree that the thresholds in Northern Ireland should remain at the 2008 Act levels and be reviewed in 5 years?

There would be a case to stay as is to allow for a bedding in period but there is also a case to align with the Charity Commission in GB – i.e. for organisations who are UK wide.

14. To what extent do you agree that the threshold at which an independent examination by a qualified person is required should be increased to £250,000 (the threshold for the preparation of accruals accounts would also be increased to this amount)?

We think to comment on this in detail we would need to seek the advice from an auditor. Generally, it would be determined by the level of risk involved.

15. To what extent do you agree that the threshold at which an independent examination by a qualified person is required should be increased to £250,000 (the threshold for the preparation of accruals accounts would also be increased to this amount) and also that the threshold at which an audit is required should be increased to £1 million?

We think to comment on this in detail we would need to seek the advice from an auditor. Generally, it would be determined by the level of risk involved.

16. Please let us know if you have any additional comments relating to the proposals.

In conclusion allowance needs to be given for smaller organisations (of which there are many) who may struggle to meet their responsibilities if there is not a communication, support and training strategy in place to assist them. We would also have some concerns regarding any cost incurred by smaller organisations and how this might be mitigated. We are of the view that a partnership approach, involving all the key agencies with an interest in this area, lead by the Charity Commission may present the solution to the concerns we have raised.