

Department for Social Development
consultation on Draft Charities (Accounts and
Reports) Regulations (Northern Ireland) 2015

Consultation response

30 October 2015

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, accountancy firms, public service organisations, charities and social enterprises and other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services and public benefit organisations, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for accountants working in public benefit organisations as well as a postgraduate diploma for people already working in leadership positions.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public service providers around the world to advance public finance and support better public services.

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General Comment

CIPFA welcomes the opportunity to respond to the consultation on the Draft Charities (Accounts and Reports) Regulations (Northern Ireland) 2015. The consultation document and draft regulations were circulated to members of CIPFA's Charities and Social Enterprises Panel and this response is informed by their comments and discussions.

In general, CIPFA welcomes the proposed draft regulations including the references to applicable SORPs. We have set out below the questions included in the Department for Social Development consultation document and our responses to them.

Responses to questions

1. 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?

Yes, it seems reasonable given the use of 'special charity' to define certain specific types of charity

2. Do you agree that the definition of 'special case charity' accurately identifies such charities?

Yes.

3. Do you agree with proposals for the 'accounting reference date' of a charity?

Yes. We do, though, feel that the implementation date of 1st January 2016 provides limited time for charities to prepare, including preparation of comparable figures for previous year. This should be taken into consideration as charities transition to the new requirements.

4. 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?

Our preferred approach would be for charities to make their case to the Commission for a change of date and for it to be considered on a case by case basis. The setting of a three year rule may appear somewhat rigid in application, however, if the Commission will be in a position to address requests inside the three years in a timely manner, then one change in three years (in the absence of consent from the Commission) seems reasonable.

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

No. Two different approaches have been adopted in the draft regulations, with the full name and date referred to in respect of some SORPs (e.g. 'Statement of Recommended Practice: Accounting for further and higher education, issued by the Further and Higher Education SORP Board on 26th March 2014') but not in the case of other SORPs (e.g. 'Charities SORP'). We suggest opting for either full names or a more general approach, but not a mix of both.

6. Do you agree that, by specifying in regulations that charities apply FRS102 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?

Yes.

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

Yes.

**8. 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?
If so, how do you think this potential inconsistency with standards can be justified?**

No. There should be consistency with standards to assist with improving the quality, transparency and comparability of information provided.

9. 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. This approach also allows for future developments in accounting standards.

10. 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?

Yes.

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

Yes.

12. Are you satisfied that Part 5 of the 2015 Regulations provides a sufficient and proportionate framework for annual reporting?

Yes.

13. Do you think that the thresholds in Northern Ireland should remain at the 2008 Act levels and be reviewed in 5 years?

In deciding which threshold option to go for, the particular characteristics and income range of Northern Ireland charities should be considered as well as the number and size of cross border charities (reporting to multiple jurisdictions) and the potential impact of each option on these charities.

A move towards adoption of similar thresholds in Northern Ireland, Scotland and England and Wales, would be beneficial to charities that report in multiple jurisdictions. There could also be benefits for other stakeholders including international funders. However we appreciate that a case can be made for different thresholds based on local factors.

This response also applies to questions 14 and 15

14. Do you think 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)?

Please see answer to question 13.

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

Please see answer to question 13.