

**Charities Financial Reporting Regime in the  
Republic of Ireland (ROI) & UK  
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**Overview of Compliance Developments  
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**1. Overview**

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Regime for Charities**

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## Charities Financial Reporting Framework Overview

- Charity sector ROI is a significant area of economic activity – value in excess €5bn
- Estimated that 100,000 people are directly employed
- A further 500,000 volunteering annually

**The CEO of the Charities Regulatory Authority [CRA]  
recently said:**

**“We have moved into an era of evidential trust  
whereby donors, beneficiaries and the public no  
longer trust without evidence. Transparency is not  
just expected it’s essential”**

- **Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Effective 1 January 2015)**
- **No ROI mandatory requirement yet**

- The new legislation will mean that, for the first time, all registered Irish charities will have regulations regardless of their legal form
- The number of registered charities is stated at just over 9,000 with 47,000 trustees at the last count

- One of the **key changes likely to be made in 2018 is the introduction of mandatory reporting.** According to the regulator "This will be proportionate. It will bring a greater level of transparency in areas such as trustee expenses, related party transactions, salaries and so on, and there will be independent scrutiny of accounts"



## What is a Charity – ROI

- To be a recognised and legal charity in the ROI you must be on the register of charities maintained by the CRA
- You must have a charity registration number



- An organisation is considered to be a charity if:
- Its purposes are deemed to be exclusively charitable
- It operates in the Republic of Ireland and provides public benefit, regardless of size, income or legal structure.

The charitable purposes defined in the Act are:

- the prevention or relief of poverty or economic hardship
- the advancement of education
- the advancement of religion; or
- any other purpose that is of benefit to the community, which is specifically broken down in the Act.

## Distinguishing the Role of the CRA and the Revenue Commissioners

- The CRA and the Revenue Commissioners are two distinct bodies. It is the CRA that has responsibility for the registration and regulation of charities in ROI, not the Revenue Commissioners.

- Charities which were registered with the Revenue Commissioners for charitable tax exemption purposes (i.e. had a CHY number) as at 16th October 2014 , were automatically placed on the Register of Charities.

- An organisation must be a registered charity with the CRA before applying to the Revenue Commissioners.
- No charity is legally required to apply to the Revenue for a CHY number unless they wish to avail of charitable tax exemption schemes

## **The Current Legislative and Regulatory Regime for Charities General**

- **Company charities, irrespective of size, must prepare accruals accounts that give a true and fair view.**
- **However certain jurisdictions permit the trustees of smaller non-company charities to prepare their accounts on a receipts and payments basis, instead of preparing accounts on an accruals basis to give a true and fair view.**

## The Current Legislative and Regulatory Regime for ROI Charities

- The Charities Act 2009 is the principal governing legislation for ROI Charities.



- Consequently, the CRA was established in March 2014 on an administrative basis and on 16th October 2014 the CRA was established formally.
- The body known as the Commissioners for Charitable Donations and Bequests was dissolved and its functions have been transferred to the CRA.

In the ROI:

- Charitable organisations of all legal forms regardless of size, corporate and unincorporated, must now keep proper books of account.
- Company charities, irrespective of size, must prepare accruals accounts that give a true and fair view.

- A charity with a gross annual income or total expenditure of €10,000 or less will not be required to prepare annual accounts.

- A charity with a gross annual income or total expenditure between €10,001 and €100,000 has the option of preparing either an annual statement of accounts or an income and expenditure account together with a statement of assets and liabilities.
- Accounts may either be audited or examined by an independent person approved by the CRA.

- A charity with a gross annual income or total expenditure of €100,001 or more is required to provide a full set of audited accounts, including directors and auditors reports for the reporting period.

- The Charities Act 2009 has yet to be fully implemented
- Prior to its implementation, there are no form and content requirements for charity accounts in charity law
- However, company charities must prepare accruals accounts giving a true and fair view

- The only legal requirement for consolidated (group) accounts applies to parent company charities.



## Summary of Reporting Requirements to CRA for Charities that are not Companies

Gross income or total expenditure	€10,000 or less	Between €10,001 and €100,000	Above €100,001
Books of account	Proper books of account	Proper books of account	Proper books of account
Requirement for annual statement of accounts	None	Have option: Annual statement of accounts Or Income and expenditure account together with a statement of assets and liabilities	Annual statement of accounts

External scrutiny [audit or examination]	None	Audited or examined	Audited
Reporting to CRA – Annual activities report	Required to complete the financial information section. It is optional for a charity in this income bracket to submit a profit and loss account (or income and expenditure account and statement of assets and liabilities) for the reporting period.	Required to complete the financial information section and is required to provide: A profit and loss account (or income and expenditure account and statement of assets and liabilities) for the reporting period.	Required to complete the financial information section and is required to provide a full set of audited accounts for the reporting period – including directors' and auditor's reports.

- All registered charities are required to complete an annual return to the CRA, by 10 months after the financial year end. This is an online process
- The number and type of documents required in order to complete your annual report will depend on the size of your charity in terms of gross annual income

- The CRA will obtain from the Companies Registration Office (CRO) Annual Returns made by charities that are companies (to minimise the demands made by dual reporting)

## Relevant ROI Charities Legislation:

- Charities Act 2009
- Charities Act 2009 [Commencement Orders: 2009,2010, 2014, 2016, 2017]
- Charities Act 2009 [Regulations 2017]
- Historical – Charities Acts 1961, 1973
- Charities are required to comply with the Lobbying Act 2015

## **UK Charity Sector** – Total Numbers and Economic Significance

- In broad terms there are more than 200,000 registered charities in the UK with an estimated total annual income of stg £80 billion.
- There are also exempt and excepted charities which are not required to register and are therefore not included in the aforementioned figures.

## •The Charities Act 2009

Section 47

Section 48

Section 49

Section 50

Section 51

Section 52

Books of Account

Annual Accounts

Annual Return

Annual Audit

Regulations in relation to Audits

Annual Reports



## Exposure Draft – Charities SORP [FRS 102]

**Arising from the Triennial Review of FRS 102 there are proposed amendments to the SORP.** – affecting reporting periods beginning on or after 1 January 2019 .

Early adoption permitted provided all amendments are applied at the same time.

**Areas Affected –Sections 3, 4, 5 of the SORP**

Recent statement by **Charities Institute Ireland [Cii]**:

**“ A call to action to auditors with Charity clients: Stop recommending abridged accounts”**

**“In the charity sector transparency and trust are inextricably linked. The charities who produce SORP accounts understand this. So when a charity chooses to file abridged accounts they are doing the opposite.”**

Cii understands that “a number of charities tell us that their auditors are recommending that they avoid Charity SORP on the grounds that it is costly, time consuming and not yet necessary [while SORP is mandatory for charities in Scotland, England and Wales it still remains optional here in Ireland]”.

“Cii is compiling a register of auditors committed to Charities SORP for charity clients regardless of size and income. Cii will promote this list on its website.”

Checkout RELATE product – FRS 102 SORP compliant product.

## Statement of Recommended Practice [SORP] 2015

- Effective from 1 January 2015
- Proposed amendments effective 1 January 2019 [early adoption possible]

- Format and Contents of Charity Accounts under SORP
- Comprises 29 sections and 193 pages including appendices

## Objectives of the SORP:

- **Improve quality of financial reporting by charities**
- **Enhance relevance, comparability, and understandability of the information presented in charity accounts**
- **Provide clarification, explanation and interpretation of accounting standards and their application to charities and to sector specific transactions**
- **Assist those who are responsible for the preparation of the trustees' annual report**

## Introduction

- The SORP provides guidance for charities on how to apply FRS 102 SORP
- FRS 102 and Legal Requirements take precedence over the SORP
- The SORP sets out the content of the Trustees' Annual Report which accompanies the accounts [financial statements].
- The SORP includes charity – specific requirements that are additional to those of FRS 102.



## Compliance Statement:

**For a charity to state that it has prepared its accounts in accordance with the SORP it must adhere to the SORP requirements for the preparation of both the accounts and trustees' report**

## Charity specific requirements:

- Trustees' annual report
- Fund accounting disclosures
- Format of statement of financial activities
- Additional disclosures aimed at providing a high level of accountability and transparency to donors, funders, financial supporters and other stakeholders

**The accounts of a charity comprise :**

- **A statement of financial activities [SOFA] which provides an analysis of a charity's income and expenditure and movement in funds in the reporting period**
- **A balance sheet**
- **A statement of cash flows**
- **Notes to the accounts**

**Principal contents of the trustees' report:**

- Objectives and activities
- Achievements and performance
- Financial review and comment on Reserves Policy
- Structure, governance and management
- Reference and administrative details
- Exemptions from disclosures
- Funds held as custodian trustee on behalf of others

**Each Charity is unique and therefore the trustees' report must reflect this.**

**This is a very important document that helps in communicating with all stakeholders and needs careful attention and input by the trustees as well as management.**

## Statement of Financial Activities [SOFA]

- Important features – Fund Movements analysis
- Restricted [Income / Endowment (capital)]
- Unrestricted funds [General / Designated]

## Balance Sheet

- **Must show breakdown of funds**
- **Endowment funds**
- **Restricted income funds**
- **Unrestricted funds [General and Designated]**



- Notes to the financial statements
- As necessary to ensure True and Fair view.

**Sample Accounts Years ended 31 December 2016**

Irish Wheelchair Association

The Hope Foundation

Make – A – Wish Foundation

Pieta House