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The New Charities SORP: A Practical Readiness Checklist for Trustees and Finance Teams

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The checklist below highlights some of the key areas charities should be considering.

1. Have you considered which reporting tier applies to your charity?

One of the most significant changes is the introduction of a new tiered reporting framework based on income levels. Different tiers will have different reporting and disclosure requirements, particularly within the Trustees' Annual Report.

Checklist:

- ☐ Do you know which reporting tier you are likely to fall into?
- ☐ Could future growth move you into a different tier?
- ☐ Have you considered how the disclosure requirements may differ from your current reporting?

Suggested timing:

Ideally, charities should understand their likely reporting tier at least one full accounting period before first adoption.

2. Have trustees been briefed?

Trustees don't need to understand every technical accounting detail, but they should understand how the changes could affect the charity's annual report and accounts.

Checklist

- ☐ Have trustees been made aware of the forthcoming changes?
- ☐ Has responsibility for monitoring developments been assigned?
- ☐ Have the potential implications been discussed at board level?

Suggested timing:

Now.

3. Have you reviewed your current annual report and accounts?

A useful starting point is to compare your latest Trustees' Annual Report and financial statements against the proposed requirements.

Checklist:

- ☐ Would you be able to provide enhanced disclosures if required?
- ☐ Are your governance disclosures sufficiently detailed?
- ☐ Could you better explain your activities, impact and use of resources?
- ☐ Are there areas where additional information may need to be collected during the year?

Suggested timing

Ideally, carry out this exercise at least one reporting period before adoption.

4. Have you assessed your lease arrangements?

New lease accounting requirements are expected to be one of the more significant practical changes for many charities.

Checklist:

- ☐ Have all lease agreements been identified?
- ☐ Have property, retail shop and vehicle leases been reviewed?
- ☐ Have service contracts been assessed for embedded lease
- ☐ arrangements?
- ☐ Is lease information readily accessible?

Suggested timing

Begin now.

5. Do you have the information needed for enhanced impact, governance and sustainability reporting?

The updated SORP introduces additional reporting expectations around impact and performance, with larger charities facing further expectations in areas such as sustainability and governance.

Checklist

- ☐ Can you clearly explain the difference your charity makes?
- ☐ Do you have meaningful measures of performance and impact?
- ☐ Is governance information readily available?
- ☐ For larger charities, have sustainability reporting requirements been considered?

Suggested timing

Begin reviewing this now.

6. Are your reserves and fund disclosures robust?

Reserves, restricted funds and designated funds remain areas that frequently attract regulatory and auditor attention.

Checklist

- ☐ Is your reserves policy up to date?
- ☐ Can you clearly explain the level of reserves held?
- ☐ Are restrictions on funds properly documented?
- ☐ Can fund transfers be clearly justified and supported?
- ☐ Are designated fund balances still appropriate?

Suggested timing

Review alongside the next annual reserves review.

7. Are your systems collecting the information you'll need?

One of the biggest lessons from any reporting change is that gathering information can be more challenging than producing the accounts themselves.

Checklist:

- ☐ Are systems capturing fund information appropriately?
- ☐ Can governance information be obtained easily?
- ☐ Is impact data being recorded consistently?
- ☐ Is lease information readily available?
- ☐ Are additional disclosures likely to require information that is not currently collected?

Suggested timing

During the accounting period before adoption.

A Practical Timeline

Do Now

- ☐ Brief trustees.
- ☐ Identify your likely reporting tier.
- ☐ Review lease arrangements.
- ☐ Consider what additional information may need to be collected.

During the Accounting Period Before Adoption

- ☐ Carry out a detailed gap analysis.
- ☐ Review reserves, funds and governance disclosures.
- ☐ Assess reporting systems and processes.
- ☐ Begin capturing any additional information required.

During the First Year of Adoption

- ☐ Prepare draft disclosures early.
- ☐ Allow additional time for year-end reporting.
- ☐ Engage with your auditors and advisers as early as possible.

