

A Note on Charities SORP

SORP, the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) was developed, in accordance with Accounting Standards Board guidelines, by the Charity Commission for England and Wales, and by the Scottish Regulator.

While Charities SORP has no jurisdiction outside UK, most Irish charities have voluntarily adopted it in order to follow respected practice in relation to accounting and reporting, and most particularly to satisfy their stakeholders in this regard. The Accounting Standards Board is satisfied that the Charities SORP does not conflict with accounting standards or with current accounting practices.

Adopting Charities SORP voluntarily is prudent, therefore, for Irish NGOs, because it provides a best practice approach in respect of accounting and reporting. Development NGOs generally have critical stakeholders who are expecting this level of accounting and reporting as a prerequisite of remaining in such a stakeholder relationship.

For an Irish NGO, therefore, it is an issue of determining the extent to which it should comply with the Charities SORP standards. This judgment rests with the directors as constituting the board, which must determine how much of Charities SORP is appropriate and warranted in respect of the accounting approach, and the subsequent annual financial statements and annual report.

In general terms Charities SORP requires, inter alia, the following in the financial statements and annual report:

- The Financial Statements (and particularly the Statement of Financial Activities) to be presented in a specified layout that distinguishes, for example, between specific categories of income and specific categories of expenditure
- Details of the objectives, aims, strategy and major activities undertaken by the entity
- Reports on achievements and performance in an informative and meaningful manner, pertinent to the affairs of the specific NGDO
- A statement of directors' responsibilities regarding the financial statements, in compliance with accounting practices
- A clear statement and details in respect of the NGDO's reserves policy
- A risk management statement, outlining what the board has undertaken in respect of identifying and understanding its risks, what steps have been put in place to quantify and rank risks, and what initiatives are imbedded at board level to oversee the most highly ranked risk exposures.

See also the Dóchas templates for Financial Reporting (for [Small](#), [Medium](#) and [Large](#)-sized organisations)