

Impact of coronavirus (COVID-19) control measures on charity financial reporting

The charity SORP making body has published advice on the financial reporting impact of the COVID-19 virus. This advice is not mandatory however we would recommend that all trustees consider the guidance and take appropriate action for their charity. The following information is a summary of the advice. Please note the advice relates to any accounts that have not yet been approved.

Summary

- Charity trustees need to understand the impact of COVID 19 on the delivery of their activities and governance, including finances.
- Trustees need to consider whether their annual accounts should include information on the impact of the virus on their charity.
- Trustees will need to consider whether adjustments are needed to their financial statements due to COVID 19.
- Charities should monitor guidance produced by the Regulator.

Trustees' Annual Report

Matters to consider including in the Annual Report include:

- Impact of virus control measures on activities.
- Explaining financial uncertainties, including going concern issues, and measures being taken to mitigate the uncertainties.
- Where appropriate discussing the help of volunteers in the changed circumstances.
- Impact on the ability to fundraise.
- Impact on staff, volunteers and beneficiaries and implications for the coming year.
- Impact on principal risks and uncertainties facing the charity in the period.
- Implications for investments the charity holds or defined benefit pension liabilities.
- Impact on reserves policy, level of reserves and changes needed to designated funds.
- Likely impact on the future aims and activities of the charity.

Accounting considerations

- Financial statements need to show a **'true and fair'** view – this may mean they are not prepared on a going concern basis.
- **Post balance sheet events** – these can be adjusting events and non-adjusting events.
 - Adjusting events – events occurring after the balance sheet date but before the financial statements are approved which provide evidence of conditions existing at the balance sheet date that affect items in the balance sheet and SOFA such as impairment losses. The guidance highlights potential overstatement of debtors or stock. In addition loss of income may mean the charity is no longer a going concern.
 - Non-adjusting events – these are events which happen after the balance sheet date but before the financial statements are approved which relate to conditions that arose after the balance sheet date. Consideration needs to be given to making disclosures to provide 'relevant and useful information' to users of the financial statements such as a material loss in the value of investments.

For most charities with a 31 December 2019 year end this will mean that they are more likely to need to disclose non-adjusting events rather than adjusting events as COVID 19 only became widely known about during 2020.

Charities with 31 January 2020 year end and later may have adjusting events.

- **Going concern** – trustees need to consider whether their charity is still a going concern taking into account all available information to the point the financial statements are approved. They should consider all information about the future including budgets, forecasts and cash flows and also review the level of reserves and other funding available. If the going concern basis is no longer appropriate this needs to be disclosed and the value of assets and liabilities may need to be adjusted to reflect this.

Audit and external scrutiny

Due to the control measures in place charities may not be able to produce their accounts or have them audited or examined. This may mean alternative methods of verification and evidence will be needed and this may involve additional work and time involved for charities.

Filing considerations

Charities and their auditors may disagree about the going concern position of the charity however the guidance notes that this is not a reason for non submission of the accounts. Once the audit opinion is finalised accounts should be filed.

If you are unable to file your annual report and accounts on time charities should refer to the Regulator.

A full copy of the full advice can be obtained from the SORP website

<https://www.charitiessorp.org/about-the-sorp/covid-19/>

For further assistance, please do not hesitate to contact:

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