Policy on Developing Statements of Recommended Practice (SORPs)

Financial Reporting Council

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8th Floor, 125 London Wall, London EC2Y 5AS

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Overview

(i) This document sets out the Financial Reporting Council's (FRC) policy on developing Statements of Recommended Practice (SORPs), with effect from 1 January 2025. This Policy replaces the FRC's Policy on Developing Statements of Recommended Practice (SORPs) dated January 2021.

(ii) The FRC is a prescribed body for issuing accounting standards (GAAP) in the UK and the Republic of Ireland. As Competent Authority for statutory audit in the UK the FRC sets technical auditing standards and ethical standards for auditors. The FRC also sets technical actuarial standards in the UK.

(iii) SORPs are sector-driven recommendations on financial reporting, auditing practices or actuarial practices for specialised industries, sectors or areas of work, or which supplement FRC standards and other legal and regulatory requirements in the light of special factors prevailing or transactions undertaken in that particular industry, sector or area of work that are not addressed in FRC standards. SORPs also address matters that are addressed in FRC standards, but about which additional guidance is considered necessary. When there are policy options in FRC standards, a SORP may recommend the most appropriate option to the particular industry or sector.

(iv) SORPs shall only be issued by 'SORP-making bodies'. A SORP-making body is a body that has been recognised by the FRC for the purposes of producing the SORP for a particular industry or sector. SORP-making bodies have a responsibility to act in the public interest when developing, maintaining and issuing SORPs.

(v) To be recognised as a SORP-making body, a particular industry or sectoral body must meet criteria set by the FRC, and must agree to develop and maintain SORPs in accordance with this Policy.

(vi) A SORP must carry a Statement by the FRC confirming, as appropriate, that the SORP does not appear to contain any fundamental points of principle that are unacceptable in the context of current financial reporting practice, auditing practice or actuarial practice, nor does it conflict with an FRC standard or undermine the FRC's broader objectives.

(vii) This Policy uses the following terms to distinguish between mandatory requirements and recommendations:

(a) 'Must' refers to a mandatory requirement of this Policy which may not be directly under the SORP-making body's control.

(b) 'Shall' refers to a mandatory requirement of this Policy which is expected to be directly under the SORP-making body's control.

(c) 'Should' is used to indicate a recommendation that is not an absolute requirement of this Policy.

Policy on Developing Statements of Recommended Practice (SORPs)

Overarching criteria for developing a SORP

1. The FRC will consider authorising the development of a SORP in support of FRC standards if the circumstances warrant it, for example if one or more of the following factors are present:

    (a) there are indications that issuing a SORP will lead to higher quality financial reporting, auditing or actuarial work or conversely a risk of unacceptable quality if a SORP is not issued;

    (b) there is evidence or a risk of inconsistent practice across different entities overall or within a particular industry leading to an unacceptable lack of comparability;

    (c) there is an industry or sector specific need for recommended practice;

    (d) changes within a particular industry or sector mean that an FRC standard requires additional application guidance; or

    (e) there is a recognised need in the public interest to establish a benchmark for accountability of professionals.

2. In certain circumstances, the FRC may, at its sole discretion, decide that it would be most appropriate if the additional guidance is issued by the FRC, rather than another body. The sorts of circumstances envisaged include:

    (a) the additional guidance is necessary to secure compliance with international obligations;

    (b) the intention is to supplement standards through additional guidance;

    (c) allowing the additional guidance to be issued by a trade representative or professional body could create a real or perceived conflict of interest;

    (d) the public interest lies in maintaining independence from the profession; or

    (e) a speedy response from the FRC is needed, at least in the first instance.

    In those circumstances the guidance issued by the FRC will take the form the FRC considers most appropriate, which could include amending a standard or issuing other guidance or educational material.

Becoming a SORP-making body

3. The FRC may recognise bodies for the purpose of developing and issuing SORPs. Bodies will only be recognised where the following criteria are met:

   (a) the industry or sector represented by the body in question has special financial reporting, auditing or actuarial issues and the application or interpretation of FRC standards requires clarification in order to deal with those issues;

   (b) the body in question represents the whole or a major part of the industry or sector;

   (c) the body shares the FRC's aim of:

      (i) high-quality understandable financial reporting, proportionate to the size and complexity of the entity and users' information needs; or

      (ii) high-quality robust and independent audit, proportionate to the needs, size and complexity of the entity and users' information needs; or

      (iii) high-quality actuarial work.

   (d) the body agrees to abide by this Policy in developing its SORP;

   (e) the body commits to revising its SORP in line with this Policy; and

   (f) when an industry or sector is regulated or financed by another body, the regulator or financing body has confirmed in writing that it is content for the body seeking recognition by the FRC as a SORP-making body to promulgate SORPs for that industry or sector.

4. The FRC may, at its sole discretion, withdraw recognition of a SORP-making body if it considers that the above criteria are no longer met, or if the SORP-making body fails to act in accordance with this Policy.

5. In the event that the FRC withdraws recognition of a SORP-making body, it may publish that fact if it considers that publicity is necessary or desirable in the public interest.

Development of SORPs

6. Industry and sector bodies that wish to develop SORPs must first secure recognition by the FRC as a SORP-making body. Once recognition as a SORP-making body has been granted, a body may proceed to develop a new SORP.

7. The SORP-making body shall provide the FRC with an appropriate point of contact for the purposes of developing and maintaining a SORP.

Developing or revising a SORP

8. An overview of the process for developing or revising a SORP is presented as a summary flowchart in the Appendix.

Scope

9. A SORP shall specify its scope, i.e. the industry, sector, types of entity or areas of work to which the SORP is intended to apply.

10. Before starting work on the development or revision of a SORP, a SORP-making body shall seek approval from the FRC. This aims to ensure:

    (a) agreement over the nature and scope of the SORP; and

    (b) that the SORP's recommendations do not overlap with an FRC project or address a matter that the FRC would prefer to deal with itself.

11. When entities or work may fall within the scope of more than one SORP, the SORP to be applied will usually be the SORP with the more specific application. In such circumstances, the SORP-making body shall agree with the FRC and the other relevant SORP-making bodies which SORP should apply and identify this clearly within the relevant SORPs.

FRC standards

12. SORPs shall be developed in line with current FRC standards and good practice. The provisions of a SORP cannot override the provisions of the law, regulatory requirements or FRC standards.

13. When a more recently issued FRC standard, a change in legislation or other development creates a conflict with the provisions of an existing SORP, the relevant provisions of the SORP will cease to have effect. The SORP-making body is responsible for revising the relevant provisions within the SORP on a timely basis to bring them into line with new FRC standards or legislation or to withdraw them as appropriate. A timely revision will allow preparers the maximum benefit from the implementation period allowed by the FRC between the date of issuing a revised standard and its effective date.

14. Failure to revise a SORP does not exempt reporting entities or practitioners from applying the FRC standards effective at the relevant date. Entities that operate in the public sector or

under specific legislative regimes should be guided by those regimes in assessing whether they are prevented or exempt from complying with this requirement.

15. SORP-making bodies shall include in their SORP a statement setting out the status of the SORP with reference to FRC standards, along the following lines:

"Entities or work complying with this SORP shall apply the [accounting/auditing/actuarial] standards applicable at the relevant reporting date (which does not preclude early application when permitted). When the current edition of this SORP predates a change in legislation or [accounting/auditing/actuarial] standards and a conflict is thereby created, or other developments lead to a conflict, the affected provisions of this SORP cease to have effect."

SORP recommendations

16. A SORP shall clearly indicate those areas that relate to the subject matter of FRC standards and those that relate to other information to be provided in a document containing that subject matter.

17. A SORP shall clearly indicate which recommendations provide guidance on applying FRC standards and which go beyond the application of FRC standards (for example by recommending additional disclosure).

18. A SORP shall include a clear and prominent statement along the following lines:

"All [accounting/auditing/actuarial] standards [and other FRC pronouncements] issued by [insert date] were considered in the development of the SORP."

19. After considering FRC accounting/auditing/actuarial standards (as applicable) and other FRC pronouncements, SORP-making bodies shall ensure that a SORP makes clear which sections of the relevant FRC standard(s) and other pronouncements in effect at the date of publication of the SORP have been addressed in the development of the SORP, including an indication as to their relevance to the industry, sector or work in question and an explanation of how each has been dealt with in the SORP.

20. A SORP shall include adequate explanation of the main issues considered in developing the recommendations included in the SORP, by including a Basis for Conclusions (or equivalent). For SORPs issued prior to 1 April 2018, this applies prospectively from 1 April 2018.

Consistency

21. A SORP shall aim to promote consistency across the industry, sector or type of work by recommending a preferred treatment, approach or methodology. When there are policy options in FRC standards, a SORP may recommend the most appropriate option to the particular industry or sector.

22. The SORP shall also seek, when practicable and appropriate, to adopt an approach or methodology that is consistent with the approach taken in similar industries, sectors or areas of work for the same matter. As a result, the FRC will expect a degree of consistency between SORPs if they are addressing similar matters for different industries, sectors or work, unless

there are good reasons for different approaches (for example different user needs and different legal or regulatory environments). To do so, co-ordination between the relevant SORP-making bodies will be necessary. Participation in meetings of SORP-making bodies convened by the FRC is expected to be a necessary but not sufficient part of this co-ordination.

23. The FRC will consider consistency between SORPs as part of its review.

Revising a SORP

24. SORPs shall be revised by the SORP-making body on a timely basis, as necessary, including in those circumstances set out in paragraph 13. A revision of a SORP may be either a comprehensive review of the SORP or limited to targeted amendments addressing discrete issues.

Governance and accountability

25. A SORP-making body shall put in place governance arrangements designed to lead to effective and transparent decision-making in relation to the development and maintenance of a SORP. The development and maintenance of a SORP may be conducted by the SORP-making body itself, and/or by one or more standing groups (a properly-constituted body with a role in the formal decision-making process, e.g. a Board, working party or committee of the SORP-making body).

26. The governance arrangements shall clearly identify where the ultimate power to make decisions about the SORP lies. These decision-making powers may reside with a standing group, or with the SORP-making body itself. In the latter case, the SORP-making body itself is considered, for the purposes of this Policy, to be a standing group.

27. The SORP-making body may choose to put in place governance arrangements which delegate to a standing group or to an appropriate officer the performance of one or more requirements of this Policy. In such cases, a requirement of this Policy that applies to the SORP-making body shall be interpreted in line with that delegation. However, the SORP-making body remains accountable to the FRC for compliance with this Policy.

28. The governance arrangements shall include appropriate terms of reference, and a process for appointments, for each standing group. When a standing group also conducts other business not pertaining to the development and maintenance of the SORP, the terms of reference should address how these matters are to be distinguished.

29. Consideration shall also be given to the composition and balance of the standing groups (taking into account the requirement of paragraph 36), the length of service of the members and the need for membership to be periodically refreshed. Members of a standing group shall normally serve for a maximum of nine years, or two SORP revisions that involve public consultation (if longer). If the tenure of members of standing groups departs from this maximum, the SORP-making body shall provide a clear explanation in its account to the FRC of its annual review (see paragraph 81(d)(iv)).

30. A SORP-making body shall inform the FRC of the standing groups it has put in place to develop and maintain the SORP, including their membership. It shall also provide the FRC with a copy of the current terms of reference, and an appropriate point of contact, for each standing group. FRC staff shall be accorded observer status, with speaking rights, at meetings of the standing groups, which shall extend as appropriate to any decision-making transacted by correspondence. However, FRC staff need not be accorded observer status over matters that are purely administrative in nature.

31. A SORP-making body may also set up ad hoc groups to advise the standing groups on specific issues. These ad hoc groups may operate under different governance arrangements compared to the standing groups.

32. The SORP development process must have sufficient technical support, which will support informed decision-making by standing groups.

33. A SORP-making body may also wish to obtain administrative or drafting support from a secretariat.

34. A SORP-making body shall ensure effective participation by stakeholders in the SORP development process. Stakeholder participation should occur throughout the SORP development process, and may be formal or informal. It includes:

    (a) membership of the standing groups;

    (b) public consultation (see paragraph 42); and

    (c) informal consultation and outreach.

35. A SORP-making body shall seek the participation of a wide range of stakeholders, including:

    (a) a sufficiently broad range of representatives of the industry or sector concerned;

    (b) those who represent the wider public interest, including any relevant regulators; and

    (c) users of financial statements, audit reports or actuarial information ('users').

36. One or more of the standing groups shall include representation (either through membership, or as an observer with speaking rights) from one or more users and/or those who represent the wider public interest (e.g. a relevant regulator). In the case of an audit SORP, those who represent the wider public interest should be the majority of the membership.

37. A SORP-making body shall provide evidence of the process followed to develop and maintain the SORP. The FRC will not normally agree to make a Statement on the SORP unless it is satisfied that:

    (a) in developing the SORP:

        (i) due process was followed; and

(ii) the development process was designed to lead to effective participation by stakeholders; and

(b) the SORP does not contain any fundamental points of principle that are unacceptable in the context of current financial reporting practice, auditing practice or actuarial practice, nor does it conflict with an FRC standard(s) or undermine the FRC's broader objectives.

38. A SORP-making body should discuss any significant proposed changes to its governance arrangements, and how such changes will align with this Policy, with the FRC in advance.

Due process

39. SORP-related proceedings of the SORP-making body, including its standing groups, shall be conducted in a spirit of openness and follow due process, typically including public consultation.

40. During the development or revision of a SORP, the SORP-making body is responsible for identifying potential divergence from FRC standards and shall inform the FRC of any such potential divergence as soon as possible.

41. When a proposed SORP includes recommendations that go beyond the application of FRC standards (for example by recommending additional disclosure) the FRC will need to be satisfied that the SORP-making body has given appropriate consideration to the expected impact in terms of costs and benefits.

Consultation

42. When developing or revising a SORP, the SORP-making body shall determine whether public consultation is required, and agree this with the FRC.

43. Public consultation is required when a new SORP is developed, and when new interpretations are proposed to be made in a SORP.

44. When amendments to a SORP are proposed solely in order to reflect changes in FRC standards or in legislative or regulatory requirements, and the amendments will not involve new interpretation of those requirements, the FRC may agree with the SORP-making body that:

(a) the requirement to publish a consultation draft would be disproportionate in the circumstances; and

(b) these changes can therefore be made by way of a shortened administrative procedure, after which the FRC will issue its Statement on the SORP.

Amendments made via this shortened administrative procedure do not require public consultation.

45. When consulting on a new SORP or amendments to a SORP, the SORP-making body shall proactively and publicly seek the views of stakeholders. The preferred mechanism for public consultation is a published draft, with a minimum 12-week comment period. In certain circumstances a shorter period of consultation may be acceptable. The FRC will, however, need to be satisfied that the nature of the consultation, and the length and timing of the comment period, are appropriate.

46. A consultation draft shall include adequate explanation of the main issues considered in developing the proposed recommendations (for example a Basis for Conclusions) and should include an Invitation to Comment (or equivalent) setting out how stakeholders can respond and any particular areas on which comments are invited.

FRC review of consultation drafts

47. All consultation drafts shall be presented to the FRC for comment and/or review before publication, and shall not be published without the FRC's consent. The SORP-making body shall allow sufficient time for any changes sought by the FRC to be incorporated prior to publication.

48. The FRC will conduct a review of the consultation draft to determine whether the proposals:

    (a) have been developed in accordance with this Policy;

    (b) contain fundamental points of principle that are unacceptable in the context of current practice;

    (c) contain proposed requirements that conflict with the requirements or principles of an FRC standard; and

    (d) support matters that fall within the FRC's broader responsibilities, to the extent this is relevant to the industry, sector or area of work in question.

49. This review will be conducted in accordance with the FRC's governance arrangements (see paragraph 84).

50. A statement shall be included in a consultation draft setting out the scope of the FRC's review, along the following lines:

    "In accordance with the FRC's Policy on Developing Statements of Recommended Practice (SORPs) the FRC carried out a review of the proposed [revisions to the] SORP focusing on those aspects relevant to the [financial statements/audit report/actuarial information] but also including aspects relevant to the FRC's broader responsibilities where appropriate."

51. In addition, the FRC reserves the right to require a statement to be included within a consultation draft indicating areas of overlap with its own work and any reservations it has regarding the content of the consultation draft.

Consultation responses

52. A SORP-making body is expected to adopt a transparent process and, accordingly, consultation responses shall be made publicly available unless confidentiality is requested by the respondent. A SORP-making body shall publish on its website all responses to public consultations. A SORP-making body should publish responses as soon as possible and shall do so within 12 weeks of consultation.

53. As part of the FRC's review of the SORP (or proposed revision to the SORP), the SORP-making body shall provide the FRC with copies of consultation responses, an analysis or summary of the main comments and an indication of how the comments have been dealt with. The SORP-making body shall also summarise, with evidence, how it has proactively and publicly sought the views of stakeholders in developing its proposals. In this way the FRC can satisfy itself that stakeholder comments have been appropriately sought and considered.

54. Records retention policies for consultation responses will need to comply with the General Data Protection Regulations. The standard default retention period for consultation responses by a SORP-making body shall be no less than six years plus one (giving one year in which to dispose of the record). During this period the FRC reserves the right to give formal notice to the SORP-making body that consultation responses shall be kept for a longer period, up to 20 years, for regulatory reasons.

Publishing a SORP

55. SORPs, and amendments to SORPs, issued by SORP-making bodies must include the FRC's Statement on the SORP. The SORP-making body must obtain the written consent of the FRC to include the Statement on the SORP, which shall be included in a prominent place in each SORP (or amendment). No other reference to the FRC shall be made without prior written approval of the FRC.

56. An amendment to a SORP may be published without reissuing the SORP in its entirety. However, a SORP-making body shall reissue the SORP, incorporating any amendments published separately, with sufficient regularity to avoid confusion.

FRC review of the SORP

57. SORPs, and amendments to SORPs, including the corresponding Basis for Conclusions (or equivalent), shall be presented to the FRC for review before the FRC can issue its Statement. The SORP-making body shall allow sufficient time for any changes sought by the FRC to be incorporated.

58. Before issuing a Statement on the SORP, the FRC will conduct a review to determine whether the SORP:

    (a) has been developed in accordance with this Policy;

    (b) contains fundamental points of principle that are unacceptable in the context of current practice;

(c) contains requirements that conflict with the requirements or principles of an FRC standard; and

(d) supports matters that fall within the FRC's broader responsibilities, to the extent this is relevant to the industry, sector or area of work in question.

59. The FRC will also consider the SORP-making body's approach to, and the results of, the SORP-making body's public consultation (see paragraph 53).

60. This review will be conducted in accordance with the FRC's governance arrangements (see paragraph 84).

61. If a SORP contains recommendations relating to other information to be provided in a document containing the financial statements/audit report/actuarial information (as applicable), and, having discussed the issue with the SORP-making body, the FRC believes the SORP's requirements or recommendations in relation to those areas could undermine the credibility of the document containing the financial statements/audit report/actuarial information, the FRC will consider the implications for its Statement on the SORP, and may vary its Statement to fit the circumstances.

FRC Statement on the SORP

62. The FRC will only issue a Statement on the SORP if it is satisfied that the SORP has been developed in accordance with this Policy.

63. The Statement on the SORP will:

(a) outline the nature of the review the FRC has undertaken;

(b) confirm that the SORP does not appear to contain any fundamental points of principle that are unacceptable in the context of current financial reporting practice, auditing practice or actuarial practice or to conflict with an FRC standard; and

(c) when relevant, confirm that the SORP does not appear to undermine the FRC's broader objectives.

64. The FRC will vary its Statement on the SORP to fit the circumstances of an individual SORP.

65. An example of the kind of Statement that the FRC may issue is set out below:

"The purpose of the Financial Reporting Council (FRC) is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them. In relation to

[choose one:]

[accounting standards applicable in the UK and Republic of Ireland, the FRC's overriding objective is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs. In particular industries or sectors, clarification of aspects of those standards may

be needed in order for the standards to be applied in a manner that is relevant and provides useful information to users of financial statements in that industry or sector.]

[or]

[auditing standards applicable in the UK, the FRC's overriding objective is to enable users of financial statements to have confidence that they have been subject to high-quality, robust and independent audit, proportionate to the size and complexity of the entity and users' information needs. In particular industries or sectors, clarification of aspects of those standards may be needed in order for the standards to be applied in a manner that is relevant and provides useful information to users of audit reports or other information issued by the auditor in that industry or sector.]

[or]

[actuarial standards, the FRC's work is informed by the Reliability Objective: to allow the intended user to place a high degree of reliance on actuarial information, practitioners must ensure the actuarial information, including the communication of any inherent uncertainty, is relevant, based on transparent assumptions, complete and comprehensible. For particular actuarial work, clarification may be needed in order for the standards to be applied in a manner that is relevant and provides reliable information to the user.]

Such clarification in connection with [accounting/auditing/actuarial] standards is issued in the form of Statements of Recommended Practice (SORPs) by bodies recognised for this purpose by the FRC. The [insert name of body] has confirmed that it shares the FRC's aim of high-quality [financial reporting/audit/actuarial work] and has been recognised by the FRC for the purpose of issuing SORPs for the [industry, sector or area of work].

In accordance with the FRC's Policy on Developing Statements of Recommended Practice (SORPs) the FRC carried out a review of the SORP focusing on those aspects relevant to the [financial statements/audit of financial statements/actuarial work] but also including aspects relevant to the FRC's broader responsibilities when appropriate.

On the basis of its review, the FRC has concluded that the SORP has been developed in accordance with the FRC's Policy on Developing SORPs and does not appear to contain any fundamental points of principle that are unacceptable in the context of present [financial reporting practices/auditing practices/actuarial practices] or to conflict with an [accounting/auditing/actuarial] standard [or to undermine the FRC's broader objectives].

[date]"

66. When issuing a Statement on the SORP, the FRC is making an assessment of that SORP at a particular moment. The FRC gives no guarantee that it will not, at some point in the future, issue a pronouncement that supersedes that SORP.

Additional guidance

67. It will not normally be necessary for a SORP-making body to supplement a SORP with additional guidance. Material that a SORP-making body proposes to issue which offers an interpretation of FRC standards shall be included in the SORP itself.

68. If there is an urgent need for guidance on new accounting/auditing/actuarial standards, legislative or regulatory requirements, or other publications, relevant to the scope of the SORP and issued after its publication, the SORP-making body shall follow the approach set out in this Policy for revising a SORP.

69. There are, nevertheless, two sets of circumstances in which it may be appropriate for a SORP-making body to supplement a SORP with additional guidance:

    (a) additional guidance is necessary in order to interpret the requirements of the SORP for a particular sub-sector; or

    (b) additional guidance on the application of the SORP is necessary in order to aid practitioners.

70. In the situations cited in paragraph 69, the SORP-making body shall notify the FRC and explain what guidance is proposed. The guidance shall not be published without the consent of the FRC. The FRC will consider the proposed guidance, and may require that a reference to the FRC is included in the guidance, but will not formally review it and will not issue a Statement on the guidance. The SORP-making body shall allow sufficient time for any changes sought by the FRC to be incorporated.

71. The SORP-making body shall include in any published guidance a prominent note that clearly indicates the authority of that material and states that it is not part of the SORP and has not been reviewed by the FRC. An example of such a note is set out below:

    "the overall aim of the guidance is to assist practitioners in [the preparation of financial statements/the audit of financial statements/carrying out actuarial work]. It does not form part of the [date and name of SORP], nor has it been reviewed by the FRC. It attempts to explain and illustrate what is required under [date and name of SORP] but does not carry the authority of the SORP."

Withdrawal of the FRC's Statement on the SORP

72. The FRC reserves the right to withdraw its Statement on the SORP at any time if it considers that it is no longer appropriate to maintain its Statement on the SORP, for example because:

    (a) the SORP is out of date;

    (b) the SORP has been superseded by developments in FRC standards or by legislative or regulatory requirements;

    (c) the SORP-making body does not revise and/or maintain the SORP in line with this Policy; or

    (d) the SORP-making body refuses to implement changes to the SORP that are requested by the FRC.

73. If the FRC withdraws its Statement on the SORP, the SORP will no longer comply with the requirement of paragraph 55 that SORPs issued by SORP-making bodies must include the FRC's Statement on the SORP.

74. In the event that the FRC withdraws its Statement on a SORP, it may publish that fact if it considers that publicity is necessary or desirable in the public interest.

Annual review requirements

Performing an annual review

75. A SORP-making body shall conduct an annual review in respect of each SORP for which it is responsible. As a minimum, a SORP-making body shall consider:

    (a) any implications for the SORP of new or proposed accounting/auditing/actuarial standards (as applicable), or amendments to such standards;

    (b) any evidence of which the SORP-making body is aware, of widespread or significant departure in the relevant industry or sector from any part of the guidance contained in the SORP, which could indicate a need to revise the SORP;

    (c) any developments in the industry or sector which suggest that further guidance in respect of their accounting/auditing/actuarial treatment (as applicable) is desirable; and

    (d) any new or emerging factors that may impact the continued need for the SORP.

76. The SORP-making body shall also consider how it has complied with this Policy, as a whole, during the year under review.

77. The annual review shall be conducted in accordance with the SORP-making body's governance arrangements, and with observer status accorded, as appropriate, to FRC staff.

Reporting the annual review to the FRC

78. The SORP-making body shall provide the FRC with an account, in writing, of its annual review. The account should be provided within two months of the end of the year under review.

79. The SORP-making body's account of its annual review shall be approved and issued to the FRC in accordance with the SORP-making body's governance arrangements.

80. The account shall demonstrate how the SORP-making body has complied with this Policy, as a whole, during the year under review, and also reaffirm its commitment to acting in accordance with it.

81. The account shall include:

    (a) a summary of the SORP-making body's conclusions on each of the minimum areas for consideration set out in paragraph 75, including a concise account of the process followed to reach those conclusions;

    (b) details of any changes made to the governance arrangements of the SORP-making body (including any changes to where the decision-making powers reside);

(c) a summary of the SORP-making body's activity for the year under review and its plans for the year to come, including:

  (i) meetings of the standing groups;

  (ii) publications; and

  (iii) the process and actions taken by the SORP-making body to engage with stakeholder groups;

(d) in relation to the standing groups:

  (i) the current membership of each standing group, including length of service and attendance history;

  (ii) an account of the composition and balance of the standing groups, setting out why these are appropriate for the particular requirements of the SORP-making body (further to paragraphs 29 and 36);

  (iii) the steps taken to periodically refresh the membership (further to paragraph 29), including succession planning and handover;

  (iv) a clear explanation if a member of a standing group has served for longer than nine years, or two SORP revisions that involve public consultation (if longer), as required by paragraph 29; and

  (v) a copy of any revised terms of reference for the standing groups (or a confirmation that they remain unchanged from those previously provided in accordance with paragraph 30);

(e) a reminder of the appropriate point of contact for each standing group (as required by paragraph 30); and

(f) an update on any matters arising from previous years' annual reviews.

82. The account shall also state whether the SORP-making body proposes to revise any of the SORPs for which it is responsible in the light of the findings of its annual review. If so, the SORP-making body shall revise the SORP on a timely basis, following the approach set out in this Policy.

83. The FRC will consider the SORP-making body's compliance with this Policy as a whole, including its annual review, and advise the SORP-making body accordingly.

FRC Governance

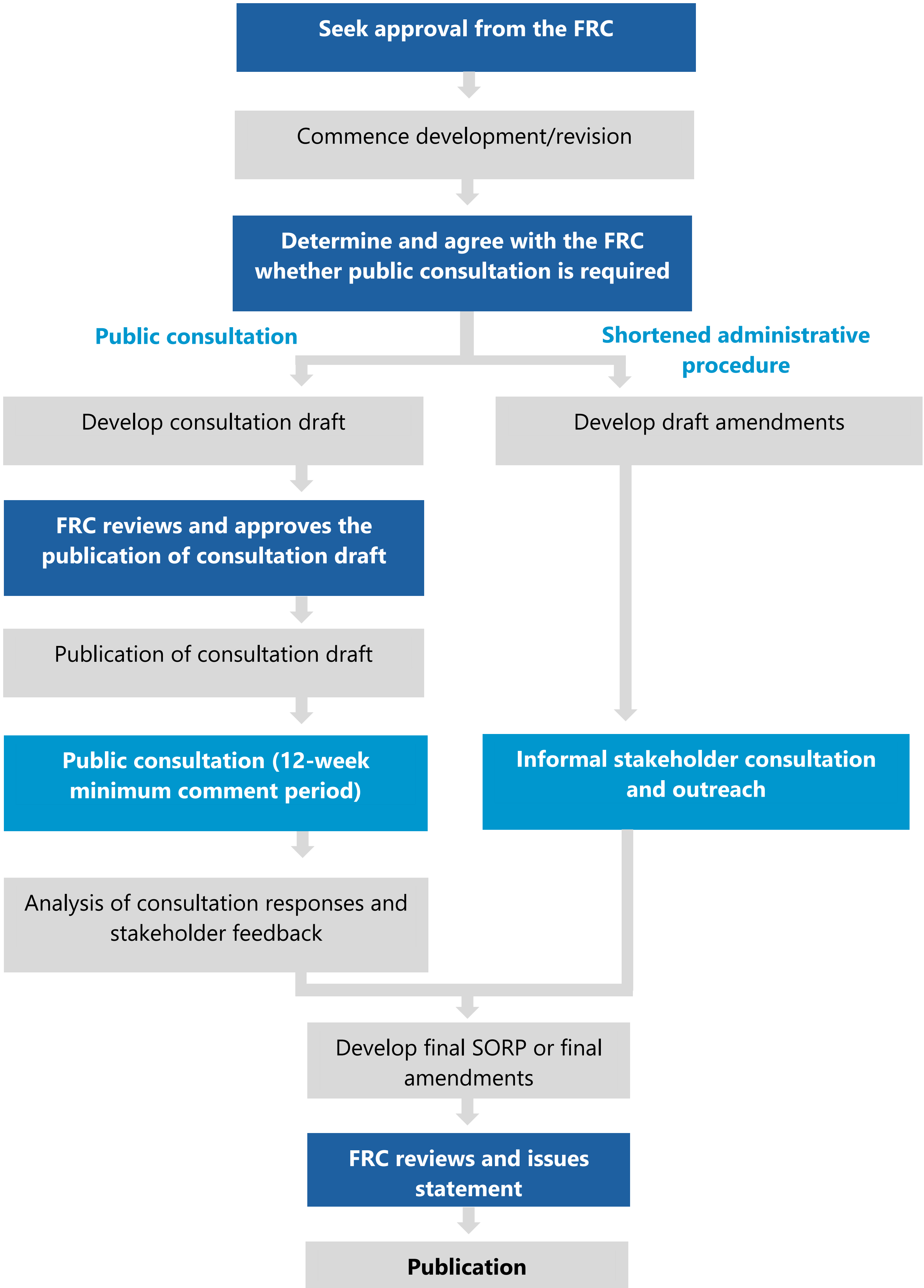
84. The table below lists the actions in this Policy that fall to the FRC, which will be discharged in accordance with the FRC's governance arrangements. The FRC may take advice in the course of performing these actions.

Action
Recognition of a SORP-making body (paragraph 3)
Consent to publish a consultation draft (paragraph 47)
Issuing a Statement on a SORP, or on an amendment to a SORP (paragraph 55)
Consent to issue additional guidance to supplement a SORP (paragraph 70)
Considering a SORP-making body's compliance with this Policy, including its annual review (paragraph 83)

Appendix: Process for developing or revising a SORP – summary flowchart

This appendix sets out an overview of the key steps typically involved in developing or revising a SORP in the form of a flowchart. The flowchart is intended to provide guidance to SORP-making bodies in understanding the application of this Policy.

Process for developing or revising a SORP



Financial Reporting Council
8th Floor
125 London Wall
London EC2Y 5AS

+44 (0)20 7492 2300

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