The Chartered Institute of Public Finance & Accountancy

The Charities SORP-making body’s research exercise on Charities SORP (FRS 102)

Response to consultation

December 2016

the people in public finance

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CIPFA's response to the Charities SORP-making body's research exercise on Charities SORP (FRS 102)

General Comment

CIPFA welcomes the opportunity to comment on the research exercise on the Charities SORP (FRS 102). The consultation was circulated to a selection of engaged CIPFA members who are working for and with charities. This response is informed by their comments and discussions which were gathered at a roundtable event held in October 2016.

Please see a summary of the main points from the consultation questions below:

- The group felt financial reporting standards should not be used as a means to improve behaviour in charities. Deficiencies in the way individual charities are run and managed cannot be tackled by increasing the reporting requirements in those areas which are of particular concern to charity regulators.
- Having a SORP for the charity sector remains necessary. It is essential in helping preparers of charity accounts of all sizes to interpret UK GAAP –which remains focused towards corporate reporting.
- The SORP Committee should consider whether the SORP remains the most suitable document to define what represents 'best practice' in narrative reporting. A framework which focuses only on those disclosures which are legally required and necessary to provide a true and fair view would mean the SORP could become a more readable and accessible source of guidance for charities.

Responses to questions

Q.1 Do you agree that the new format of the SORP meets the needs of all those preparing accounts using the SORP, including smaller charities? If not, what improvements should be made and why?

Yes.

It was felt that new modular format of the SORP worked. The ability to tailor the framework using a series of questions was seen as useful, given that large parts of the SORP do not apply to smaller charities and rarely will apply in full even to the largest charities.

Many in the group did not 'customise' the SORP using the feature available on the Microsite. However, it was considered a positive step in making the framework more accessible to meet the needs of smaller charities.

Q.2 Is more assistance required to help smaller charities? If so, please explain what is needed and why.

Yes.

A number of measures were suggested which would ensure the SORP is more accessible for smaller organisations, which often have no in-house accounting experience or knowledge.

Including tables and example layouts within the SORP would make it easier to follow and provide greater guidance on applying the requirements of the framework. This would provide greater context to the requirements for smaller charities.

Producing a version of the SORP which contains only those requirements which are relevant to the very smallest charities would be helpful. This could be done through colour coding or implementing an online tool which identifies the requirements which are applicable for the smallest charities. It was noted that whilst template accounts do exist it would be useful to have these in a more prominent section of the Charity Commission's website.

Many SORP requirements in the area of narrative reporting link to the Charity Commission for England and Wales guidance. This guidance could be more clearly referenced within the SORP, given these documents provide context and additional guidance which could be of benefit to trustees and preparers of accounts.

The layout and design of the Charity Commission for England and Wales guidance is considered effective in clearly setting out what is required of charities (contained in the 'Short answer') and then giving these requirements greater context (in the 'In more detail' section). It was suggested that the SORP could take a similar approach for financial reporting. By having the legal requirements 'upfront' within each module, preparers would not have to 'wade' through the detail of each section. This would be welcomed by smaller charities, where those charged with preparing the accounts are unlikely to have experience of navigating financial standards and an intimate knowledge of the SORP.

The group would also welcome disclosure checklists being included as part of the SORP. This would support both smaller and larger charities to identify those 'must' requirements and ensure compliance with the SORP. Whilst checklists are used by auditors and independent examiners, many smaller charities will not come into contact with these professionals. Disclosure checklists were viewed as an accessible tool which have the potential to help improve the standard of reporting by charities.

The clear writing style of the SORP means it is a readable and accessible source of guidance for small charities. It was felt that this is an important feature of the framework and one that should remain in the next version of the standard.

The group questioned whether improving SORP for smaller charities should be the committee's focus. Research and studies into the standard of financial reporting by small charities made it clear that many charities were not using the SORP in the first instance. Therefore, raising awareness of the framework to ensure treasurers and trustees report under the SORP is of greater importance than further improving the standard itself. The extent to which this is the responsibility of the SORP Committee was questioned. This was viewed as the role of the regulators, in communicating and making charities and their trustees aware of the requirement to follow the framework.

In discussing additional assistance for small charities, the idea of there being a distinction which could be made between charities on the basis of their size was noted as somewhat simplistic. The nature of some small charities can mean they will encounter a range of complex accounting requirements. Conversely, there are many large charities which have a relatively simple operating model which means the accounting is relatively straight forward.

Q3. Is the use of the terms 'must', 'should' and 'may' successful in distinguishing between those requirements that have to be followed to comply with the relevant accounting standard and the SORP from those recommendations which are good practice and those that simply offer advice on how a particular disclosure or other requirement might be met? If not, what alternative format should be adopted and why?

The consistency of the terms throughout the SORP is welcomed.

However, using only two terms to distinguish between requirements which must be followed and those where the SORP permits a genuine choice (i.e. options in the accounting treatment applied) would be supported.

Having both 'should' and 'may' presents too many options for preparers. Both these terms indicate there is a choice in applying the particular requirement, but have different implications. In practice it is difficult to distinguish between best practice expectations ('should') and where an alternative approach is permitted ('may'). As the standard is prescriptive about what is 'best practice', charities will often choose to adopt the 'should' requirements in all cases. As a result, many charities feel they are required to report a disproportionate amount of information to comply with the SORP.

Preparers would support the SORP taking a clearer approach by offering fewer choices. Many felt the SORP should only include those requirements which the charity is legally required to follow and are necessary to provide a true and fair view, rather than being cluttered with 'best practice'. Greater emphasis should instead be placed on the ability for charities to include any information they wish to in their annual report and accounts – over and above the legal requirements.

The current prescriptive approach of defining 'best practice' in areas where disclosures are optional is confusing. The extent to which the SORP should offer and promote 'best practice' was debated. Many in the group consider that it is not the role of the SORP to encourage and extend reporting practice. This should be provided by the regulators in their guidance. Others thought it is appropriate to include this information in the SORP, but in an annex separate to the main body of the framework. The main body should only focus on what a charity must report to allow charities to clearly see what is required.

The layout used in the guidance produced by the Charity Commission for England and Wales was again cited as being indicative of best practice. It sets out what is legally required, which is clearly separated between what is simply indicative of best practice. Taking this approach throughout the SORP would be helpful and allow the framework to provide a concise overview of the reporting requirements 'upfront'.

Q.4 Given the requirements for financial reporting that are now explained in FRS 102, is the retention of a SORP still necessary in the charity sector? Please give reasons for your answer.

Yes.

It was strongly felt that the retention of a SORP is necessary for the charity sector. The group unanimously agreed the framework is needed to address the sector's unique characteristics and to interpret UK GAAP for charities.

FRS 102 was consistently identified by the group as being geared towards the corporate sector. Referring to this standard in order to understand the relevant reporting requirements for charities was considered as being beyond those charged with preparing accounts for smaller entities. FRS 102 is not easily accessible to those unfamiliar with accounting concepts and principles. Therefore having a SORP specifically tailored for the sector helps charities 'tell their story' more effectively and enables better reporting.

One of the most important purposes of the SORP is the specification of the format of the income statement and statement of financial position, which is tailored to the charity sector. The

Statement of Financial Activities (SoFA) effectively combines elements of both financial statements. It is adapts both to focus to those elements of charity reporting which are unique, most prominently fund types and reserves. The SoFA allows a clearer picture of the organisation's financial position to be seen which allows charities to present their story more effectively.

Q.5 Do you have any suggestions as to the changes needed to address issues on implementation or in meeting the SORPs requirements? If so, please explain what are they are and where possible please give examples.

There were a number of implementation issues noted by the group in meeting the requirements of the SORP. The group also gave examples of issues encountered in interpreting and meeting the requirements of FRS 102. As the SORP offers application guidance to FRS 102, these issues have been included in the response.

It was felt greater guidance could have been provided to help charities prepare the reconciliations required when reporting under FRS 102 for the first time. Paragraph 19 of the SORP simply refers preparers to Section 35 of FRS 102 itself. The standard does not provide a great amount of detail on the presentation of these reconciliation. Given the potential complications in charity reserves, a proforma reconciliation statement for SORP and an exemption for small charities would be useful. Many charities were reliant on guidance from their auditors/examiners to meet these requirements.

Meeting the FRS 102 requirement for comparative information to be provided for all amounts presented in the SoFA was identified as onerous. It had added several pages to the accounts which contained information which was of little relevance to most users of the accounts. Given that the figures in charities accounts can differ greatly from year-to-year (for example reserve movements), there is limited benefit in having comparatives for every figure. Requiring comparative information can detract attention away from the current year's results and impede the usability of the accounts.

There was initial uncertainty around the requirement for investment properties to be valued at their fair value and the frequency that these should be revalued. Greater clarity would be welcomed when making changes around the valuation of asset, given the significant costs and judgements involved.

The change in income recognition criteria brought in by FRS 102 was noted as impacting those charities in receipt legacy income. Although few issues where encountered when implementing this change, it had not resolved the inconsistent interpretation of the recognition of legacy income. The criteria had meant that there was still a degree of flexibility which required a degree of judgement to be applied by preparers.

The change in income recognition criteria and measurement of donated goods brought in by FRS 102 (paragraphs 6.6 and 6.8) was considered less significant than originally expected. It was appreciated that SORP provided a good 'get out clause' through paragraph 6.10, however, the overriding concepts of materiality and transparency had an important role in guiding the changes made by charities in this area.

This change in accounting policy had raised the issue of effective and accurate management information around stock levels in charity shops. However, it was felt that any changes made by charities in this area should not be seen as a direct impact of the standard. It was believed that the SORP should not be used as a way to drive up good practice and better management of charities. Where there are deficiencies in this area, these should be noted by the trustees or highlighted to them through auditor/examiner management letter points. Financial reporting standards should not be used as a means to drive behaviour in charities.

Many of the issues encountered on the initial application of SORP (FRS 102) were transitional and would 'shake out' on the second year of application. It was acknowledged that there will always be points of uncertainty, which will not be picked up in drafting of the standards, and teething problems experienced.

Many felt that the changes brought in by the new framework were not as drastic as they had first feared. Implementing the new framework could be done relatively 'painlessly' if there was sufficient preparation undertaken and understanding around the new requirements. The new SORP has been viewed as an opportunity to make other changes to accounting policies by many in the group.

More generally, the level of support offered by umbrella bodies, professional services firms and accountancy bodies around the transition to SORP (FRS 102) was welcomed. There was a large level of publicity following the framework being published which meant charities were well informed. Care should be taken to ensure similar and sufficient forewarning is given where future changes are made.

Q.6 Do you agree that there needs to be a third tier of reporting by only the largest charities and if so at what level of income should that reporting requirement apply?

No.

The creation of a third tier of reporting was not supported by the group. The necessity of requiring more information from the largest charities was questioned. Many of the very largest UK charities report transparently and at a high level, given they are well attuned to the information needs of the users of their accounts. They are likely to have qualified finance staff and marketing/communications expertise within the charity which are engaged in the annual reporting process.

Some of the largest international NGOs already report under IFRS. The very largest charities will also refer to the annual reports of the largest corporate organisations and other charities of similar size and scope for inspiration around effectively communicating their story. Smaller charities also look to these charities annual reports as being illustrative of 'best practice'. Therefore, it does not seem necessary to require more of the largest charities through the SORP when it is these organisations themselves which are bringing up the standard of reporting in the sector.

It was also noted that the very largest charities will also be 'burdened' with reporting requirements from company law and other sources of legislation, as well as guidance from other reporting initiatives. This results in greater disclosure by the largest charities in a number of areas.

More generally, choosing to exclusively use the level of income as the basis to determine the largest charities was also considered inappropriate. By not considering the level of reserves held by the charity in determining size, organisations with large endowments are not included. This can lead to a disparity between what is asked of the largest endowment charities compared to those smaller organisations which meet the 'large charity' income threshold for only one year. Whilst it was acknowledged that finding bases to separate the sector is difficult, a more holistic basis would be recommended.

A similar approach to the criteria for the audit thresholds for companies under Companies Act 2006 was proposed. The threshold could look at turnover (income), net assets (reserves) and the number of employees, rather than being based on simply income alone. The current audit thresholds for medium companies for period beginning on or after 1 January 2016 was recommended as a good starting point.

Whilst the creation of a third tier was rejected on principle, it would be welcomed if used as a means to reduce the disclosures for those charities currently defined as 'large' (currently those with gross income exceeding £500,000 (UK) or 500,000 Euros (Republic of Ireland) in the reporting period).

There is currently a large level of disparity between what is asked of those organisations which are defined as 'small' based on the Companies Act under FRS 102, and those charities currently defined as 'large' under SORP (FRS 102). Whilst it is understood there is a greater level of public interest in charity reporting, the current length and detail required in charity reporting is considered onerous and disproportionate when compared to corporate accounts.

The group would also welcome greater efforts being made to reduce the disclosures for charities which qualify as 'small companies', rather than increasing the disclosure requirements for the largest charities. This is necessary given the recent withdrawal of FRSSE SORP and the exemption for charities from following the Small Companies (Micro-Entities' Accounts) Regulations 2013. This has resulted in very few concessions being made for small charities in this area.

Q.7 If you agree that there should be a third tier of largest charities, what items in the existing SORP that apply to larger charities should be restricted to just these largest charities?

Question 7 is not applicable.

Q.8 Do you agree with one or more of the four suggested areas for review of the trustees' annual report recommended by the SORP Committee? If so, which ones do you support and if you do not support any of these suggestions, please give your reasons as to why not?

Support for the four suggested areas varied. Each is considered below:

Better integration of the report with the accounts

The current guidance offered by the SORP within 'The context for reporting' (paragraph 1.12) was seen as appropriate, given it recommends charities focus on impact and also risk. The group would urge the SORP Committee to avoid issuing specific narrative reporting requirements to encourage charities 'tell their story'. Whilst guidance or best practice examples in this area could be included in the SORP, in practice preparers interpret such 'prompts' very prescriptively. Given the variety of activities and operating models used within the sector, strongly specifying the format and content of narrative reporting is unsuitable.

Any guidance in this area should ensure the content and approach taken by preparers can remain flexible. One way of doing this would be to adopt a principles-based approach to narrative reporting. This is currently being promoted through Integrated Reporting (<IR>), a reporting initiative which helps organisations think and reporting holistically about their strategy and plans. By following the fundamental concepts and guiding principles of <IR>, reporting is concise and focuses on how the organisation has created value over time. An integrated report looks at how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. This is similar to the committee's aim that charities more effectively communicate the difference they have made using the resources they have employed.

Detail of reporting

It was acknowledged that the SORP Committee's recommendations emanates from research which shows that many charities are not reporting about their performance and achievements in sufficient detail and to the standards recommended in the SORP. This represents a compliance issue rather than a failure of the framework. Even if greater guidance or examples of best practice are made available, unless charities devote the necessary time and resources to this area the standard of reporting in this area will not improve. This should not be considered as a failure of the SORP, but rather as an indication of charities and trustees having different priorities and understandings of performance reporting.

The group believed the standard of reporting in this area would improve if charity regulators placed greater focus on performance reporting as a compliance issue and undertook greater monitoring in this area. This would be the most effective mechanism to improve the level and quality of reporting around the difference the charity has made in the reporting period.

Key facts summary

The group felt that having a Key Facts Summary is not necessary. The information which would be contained in the summary would also be included in the annual report itself, albeit in a different format.

Many large charities already include a 'one page summary' in their annual report. This summary details the key facts which are of interest to the users of the charity's annual report. Organisations will often make use of infographics and includes information which extends beyond merely financial information. Similar to much of the information contained in the annual report, the summary will often be used to engage and encourage donors. Therefore, in mandating the contents of this summary the flexibility and innovative approach being taken by many charities may be lost.

Similar figures and metrics suggested by the regulators for the summary are already included within the 'Charity Overview' section on the Charity Commission for England and Wales's online register. This information is extracted from the charities financial statements and easily accessible online but it is believed to be of little use to the general public. Given which the group felt that by introducing a Key Fact Summary, the SORP would require charities to report information which is not needed by, nor of interest to, the users of accounts.

Selecting the information to include in the Key Facts Summary presents a significant challenge. The range and variety of the charities means devising a set of specific figures and ratios for the whole sector is difficult. Forcing charities to present one page of mandated metrics without a context of the organisation's wider activities also risks oversimplifying charities activities. Information about the context of these results is contained in the trustees' annual report. However, by having a 'one page summary' the framework may encourage users to look only at this annex without consulting the rest of the report. This is considered counter-intuitive for a framework which promotes the annual report as a 'window' into the charity's activity.

There is also a potential danger of users of the accounts using these 'facts' to compare charities. Offering the Key Facts Summary as a means to compare the effectiveness of organisations encourages the public to focus on ratios and trends associated with charitable expenditure and income. This is considered flawed, given the range and diversity of the sector. Giving prominence to these figures in the Key Fact Summary reinforces the idea that expenditure can be equated with effectiveness. This is something that should be sector should be discouraging, rather than promoting through reporting disclosures.

Reserves definition and guidance

The group considered disclosures and guidance in this area as being sufficient. SORP (FRS 102) previously expanded disclosures in this area, and charities in England and Wales were also offered revised guidance through CC19 (Charity reserves: Building Resilience). Rather than developing the SORP to encourage greater reporting in this area, regulators should review current reporting practices more closely to ensure compliance. The reporting framework should not be viewed as a mechanism to ensure trustees comply with the regulator's guidance.

The regulator's suggestions for all charities to advise if reserves are sufficient to avoid service disruption to the charity's beneficiaries was viewed as inappropriate. It presumes all charities are involved in service delivery, which excludes large parts of the sector. A more effective approach would be to link reporting in this area more closely with the appropriateness of the going concern assumption and risks faced by the charity. Greater guidance should be aimed at linking the reporting around reserves, going concern and risk more closely together.

One area identified where greater guidance is also needed was the definition of reserves. It was recommended that the SORP should offer clearer definitions of what can be deemed as 'free reserves'. This was considered necessary from the user's perspective, given the inconsistent use of this term within the sector. Confusion was seen to arise in those situations where charities designate unrestricted reserves at the period end to exclude them from being included in 'free reserves'. Therefore more specific definitions of what can be termed as 'free reserves' would be welcomed, rather than greater disclosure in this area.

Q.9 Do you agree with either of the two suggested areas for the review of the accounts recommended by the SORP Committee? If so, which ones do you support and if you do not support any of these suggestions, please give your reasons as to why not?

Support for both the suggested areas varied. Each is considered below:

SoFA – more specific definitions of support costs and fundraising costs.

The importance of fundraising and administrative costs to users of accounts was acknowledged. Current and potential donors have clear expectations that these categories will be included within the accounts. The public is concerned about how charities spend their money and make decisions based on this information.

Both these cost categories should be better defined by the SORP. However, whilst tighter definitions would be welcomed, doing so is unlikely to lead to consistent practice between charities. Many charities use sophisticated processes to map costs and calculate these figures, specific to their operating model. Developing these processes involves considerable levels of subjectivity and judgement. Even if greater clarity is offered by the framework, disparities between the costs included in these categories will remain.

The mixture in the SoFA between 'revenue' and 'capital' items needs to be considered

The group considered the SORP to offer various solutions to overcoming the difficulties of clearly reporting on capital funding. The current framework offers many options which allows preparers to distinguish between capital funding received and spent in current and prior years. Detailed information about capital purchases can be included in the cash flow statement, and charities can create a designated fund for capital funded assets. Preparers may also include additional rows in the SoFA to denote where capital funding was received in the year, given the flexibility offered by the framework around the format of this statement.

As the issue was considered to be resolved within the existing framework, significant changes in this area were not supported. The suggestion of an additional column in the SoFA was seen to be inappropriate. It would result in the statement growing in length and risked confusing users who are already familiar with its current format. The committee may wish to issue additional guidance to improving the disclosure of capital funding through greater narrative disclosure, however, beyond this, no further change to the SORP was deemed necessary.

Q.10 Do you agree with one or more of the six themes for review of the SORP suggested by the charity regulators? If so, which themes do you support, and if you do not support any of these suggested themes, please give your reasons as to why not?

Q.11 If you do support one or more of the suggested themes, which, if any, of the specific issues identified within each theme do you agree needs attention in the next SORP? Alternatively, if you support none of these suggested issues, please identify the issues that need to be addressed and explain your reasons why?

Support for the six suggested areas varied. Each is considered below in the context of questions 10 and 11:

Theme: making a difference for the public benefit

The group acknowledged the importance of charities communicating the difference they have had on their beneficiaries. However, enforcing a prescriptive approach to this area of reporting was not supported.

Requiring all charities to explicitly explain who the beneficiaries of the charity are was considered unnecessary. This is basic information which will be included the reporting around the charity's aims and objectives in the trustees' annual report.

Once again, the suggestion for charities to explain how their beneficiaries are involved in service design presumes all charities are involved in service delivery. This excludes large parts of the sector.

Theme: risk management

The increased focus and disclosures around risk in SORP (FRS 102) were recognised as being positive and the current requirements appropriate. It was acknowledged the requirement for a risk management statement to be prepared by larger charities had raised the profile of risk within boards. As a consequence of requiring greater disclosures around risk, trustees were devoting more time to discussing this area.

However, the proposal to require greater disclosures around specific areas was not welcomed. The suggestions offered by the regulators were considered too general and would simply result in meaningless, 'boilerplate' disclosures being added to the trustee's annual report. These would be of little value to users of the accounts and not bring any justifiable benefits to charities.

Theme: going concern

The focus on this issue was welcomed by the group. It was believed that greater guidance is needed to ensure trustees are aware of the implications of choosing to prepare their charity's accounts on a 'going concern' basis. Doing so requires the board to make a careful assessment about the organisations financial viability, which can involve a significant amount of time.

However, it was considered that the regulators should take a different approach to this area. The SORP should avoid trying to steer the behaviour of trustees by simply requiring greater disclosure. Encouraging trustees to spend more time on their assessment of going concern will not be achieved through greater disclosure requirements. This will simply result in greater 'boilerplate' statements which contain little information specific to the charity being included in the trustees annual report.

This could be better achieved by issuing guidance for trustees to help them better understand the fundamental concept of 'going concern', and the board's role and responsibilities in making an assessment of the charity's financial viability. However, the extent to which this should be included in the SORP itself was questioned.

It was also acknowledged that a careful balance has to be struck by the regulators directing trustees and donors' attention in this area. Too much focus may result in boards essentially 'hoarding' reserves. Care should be taken so that guidance places the focus on the level of reserves held and references future charitable spending for beneficiaries or the continuation of service.

Theme: enhanced analysis of expenditure

The proposal to offer more explicit definitions of support costs and fundraising costs is discussed in the response to question 9.

The proposal for charities to identify charitable expenditure outside of main registration was considered unnecessary. Charities which operate overseas will already give details of the countries where they have activities and therefore incur charitable expenditure in the trustees' annual report. This was considered the most appropriate place to include this information, given it is provided in the context of the charity's overall activities. Further disclosure of the level of spending specific to each country in the notes to the accounts would not enhance users understanding.

The sensitivity around increasing the disclosure requirements for executive pay was acknowledged by the group. If the regulators wish to encourage charities to adopt the NCVO Inquiry proposals and publish a remuneration statement which details the post and pay of all senior employees, this requires it to be made mandatory. Anecdotal evidence from the group suggests the proposals will not be voluntarily adopted by charities, given the resistance expressed by colleagues and trustees to disclose the individual remuneration of staff members.

The proposals to tighten the definitions of staff pay to cover the cost of interim or agency staff in staff pay disclosures were welcomed. Such arrangements are frequently used in the sector. The gap in guidance offered by the SORP means current disclosures may not reflect the true costs being incurred by the charities on senior staff.

Theme: disclosure of who funds a charity

The group did not welcome greater disclosures in this area.

The interest of users of the accounts in this type of information was questioned. It was acknowledged that details of material donations received or contracts awarded by related parties may be of interest to users. However, the group believed providing this information for all material donations and contracts would be of limited interest to users. Practically, it could result in several additional pages of disclosures which would clutter the accounts.

If the regulators do consider this information to be of significant public interest, they should consider whether it needs to be included in the notes to the annual accounts. The majority of public bodies make information about grants and contracts awarded available online, rather than within their financial statements themselves. Therefore, a similar approach could be extended to this particular reporting requirement for charities.

The potential that this information would be replicated elsewhere was also noted. For those charities which receive a large level of government funding, the details of these grants received will be typically disclosed in the narrative section of their accounts. This is done to acknowledge the contribution of the government, and such disclosures may also be specified in the terms and conditions of the grant. The acknowledgements will typically not extend to the amount of the grant itself, but may do in those circumstances where the beneficiary charity receives the majority of their funding from statutory sources.

Similarly, details of those grants and contracts awarded by government will often also be made publicly available by the government themselves. Details will be included within the spending and procurement information published by the public body. Therefore, it would seem excessive to require this information to be publically disclosed by both the donor/awarder and recipient/awardee. Given many public organisations will have systems and processes to record and publish this information, it is logical not to extend this requirement to charitable organisations, given that it is disclosed elsewhere.

Separate from the issues of 'dual reporting' by charities and government, the group warned of the potential sensitivity of these disclosures. Where a charity is awarded a government contract, it may have involved the organisation competing with other charitable and also commercial providers. Disclosing particulars about these contracts could potentially put the charity at a commercial disadvantage. This compares starkly to commercial organisations, where no details of such contracts awarded by government require to be disclosed in corporate accounts. For individual donors, the requirement to disclose donations by name and amount risks being a disincentive for donors who wish to do so anonymously, for purely philanthropic reasons.

The group considered the proposal for charities to 'Disclose for whom the charity is acting' as unsuitable. The disclosure is relevant to companies, rather than charities - who are acting in the best interests of their beneficiaries.

Theme: disclosure of key facts

The proposal for a key facts section to be included in the report is discussed in the response to question 8.

Q.13 Are there any items in the report or accounts which could be changed to improve the information provided to the user? If so, which items would you change, what would the change be, and how would it improve the information to users of the report and accounts?

Generally, it was noted that the order of the headings given in the SORP for the trustees' annual report will inform the layout used by preparers. In practice, charities will often not stray from the order given by the framework. Whilst this was not considered an issue which requires to be resolved, it highlights the prescriptive approach taken by preparers when interpreting the framework.

The SORP Committee should remain aware of this when preparing the next version of the framework. Whilst best practice and examples are useful, they will often be interpreted as being required by preparers. Careful consideration should be given to promoting the flexibility of the framework and the choices which it offers to preparers.