

Dear Sirs,

Please find below comments in relation to some of the questions posed in the consultation document:

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?

I think it might be simpler to just use the terms 'must' and 'may'.

Q4. 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.

I think it is helpful to have a SORP because of some of the particular issues concerning charities eg. fund accounting.

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?

Key facts summary – there is a real risk that this would encourage a focus on ratios and benchmarking which takes no account of the individual circumstances of a charity and that it would discourage readers from reading any of the detail of the annual report. Much better to ask charities to explain what procedures and processes they have in place to give assurance as to the effective use of supporters' money.

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?

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

Detailed guidance would be useful only if it can really help ensure that all charities are allocating costs the same way. However, there is a danger that it would just encourage obsessive focus on ratios which does not take into account the individual circumstances of a charity and there is also a danger that it will just involve charities in extra work without achieving the objective of greater transparency– in which case I would support dropping the support costs category.

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

Having the fixed asset designated reserve detailed as a note to the accounts is adequate in my opinion.

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?

Theme: enhanced analysis of expenditure

- the SORP might be more explicit in defining administrative and fundraising costs
 - as above
- Executive pay disclosures – increasing the requirements with consideration given to implementing the NCVO proposals for larger charities (England and Wales) to disclose the post and pay level of all senior employees.
 - Should be limited to CEO and anybody getting paid more than them. Other senior staff are covered by the pay bands and that should be sufficient.

Theme: disclosure of who funds a charity

- All charities could identify by name and amount any material individual/ corporate/ government/organisation donations and/or contracts.
 - This has the risk of prejudicing charitable donations. If applied, I think the materiality level should be set high eg. say > 10% of total income

Theme: disclosure of key facts

- As above.

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?

See above

Q.12 Are there any items in the report or accounts which could be removed. If so, what are they and what are your reasons for removing them?

- Financial instruments note – this just serves to increase the length of the accounts even further and adds nothing to the understanding of the accounts
- The accounting for derivatives– this makes understanding the accounts more difficult and undermines transparency particularly where hedge accounting is not applied.

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?

- Gifts in kind- better guidance on valuation methods or, even better, include descriptions only. This item can be used to overinflate income.

Q.15 Are there any disclosures in the notes to the accounts that you believe can simply be removed altogether? If so please state the disclosure, the relevant SORP paragraph(s) and give your reasons as to why this disclosure is not useful to the user of the report and accounts?

As above – the financial instruments note.

Kind regards

*Adrian Warburton
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For the first time in conservation history, wild tiger numbers have increased. Help us double the number of tigers in the wild by becoming a Tiger Protector this Christmas: wwf.org.uk/tigerbook #iProtectTigers

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