

## **Research exercise on charities SORP (FRS 102).**

### **Response by Arthur Weir to Consultation Questions.**

This is a response by Arthur Weir. I reply as a charity trustee. I am a solicitor, retired from practice, and was a Deputy Chancery Master for 18 years. Currently I am a trustee of the Will of Miss E A Pemberton-Barnes, a charity funded solely from its original endowment, which distributes annual income of about £330,000 between certain named charities, but subject to powers for the trustees to vary or extinguish the shares of recipients and to appoint new ones. I have encountered many problems concerning charities in the course of my professional life, but I am not a specialist charity lawyer.

#### **Q3 Use of terms 'must', 'should and 'may'.**

I am troubled by some aspects of the term 'must'. FRS 102 goes far beyond the original concept of a SORP which was about accounting practice only. The SORP moreover includes requirements not specifically mentioned in the Charities (Accounts and Reports) Regulations 2008. There may be cases where a charity, for whatever reason, may not wish to comply with some requirement. In that event it will be important to know what would be the consequences of a breach.

I suggest that the language of the SORP should make it clear, in each use of the word 'must', whether it derives from a statutory requirement (clearly identifying that authority), or whether it is a requirement of good practice deriving from the opinion of the authors of the SORP.

#### **Q10 and Q11 Improving the information in the report or accounts.**

**Theme: Enhanced analysis of expenditure.** I would support a change that explicitly defined administrative costs and required them to be clearly reported. I have been involved in a charity where professional fees charged to the charity were excessive. The suggested change would I believe have drawn the trustees' attention more directly to the matter, and could have pressed them to take necessary difficult decisions. I suspect these considerations may apply to a significant number of charities.

**Theme: disclosure of key facts.** I would strongly support the proposal for a key facts section outlined in the consultation paper, specifically those key facts concerning charitable expenditure and gross income. I do not comment on fundraising issues, of which I have no direct experience. Where the information in a report is extensive that in itself may work to obscure key issues. The benefit to the reader is obvious – he will obtain the information he

seeks more quickly and his understanding of it is likely to be better. It is difficult to see that any extra burden would be placed on a major charity by requiring it to report in the manner suggested. Importantly, a requirement to report clearly will discourage charities from continuing practices which they may prefer not to have to explain.

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