

To whom it may concern,

I note the consultation questions published in your *Invitation to Comment*. My responses to each question are listed in turn, below:

1. The modular format of the SORP is helpful, and makes it easy for preparers to find the relevant guidance.
2. In general, smaller charities engage a firm of accountants to prepare their accounts. Therefore, I don't think it is necessary to provide further assistance to smaller charities.
3. The terms 'must', 'should' and 'may' are clear and well-defined. The paragraphs which include the term 'must' could be made more prominent in the SORP by the use of bold text.
4. I think **a charities SORP is still required** because FRS102 does not include charity-specific guidance. Thus areas such as fund accounting, programme-related investments, and specific charity examples of other complex areas are not included in FRS102 but are included in the SORP. The SORP also helpfully provides model disclosures for a number of areas of the accounts, which is useful for preparers.
5. No issues noted.
6. I believe that **adding a third tier of reporting for only the largest charities would add unnecessary complexity to the accounting and reporting system**. Larger charities tend to expand their accounts to include additional disclosures in any case, and it should be down to auditors to require further disclosures where certain balances or transactions are unclear to the reader.
7. Not applicable, I do not agree that this would be helpful.
8. I agree that 'better integration', 'detail of reporting' and 'reserves definition and guidance' are helpful areas for the SORP Committee to review. **I completely reject the need for a 'Key Facts Summary'**. If a charity's Annual Report is not clear and accessible to the general public then it is a bad Annual Report. Adding further disclosure in the form of a 'Key Facts Summary' is not a helpful way to address the problem of charities preparing reports which are too lengthy or unclear on certain points.
9. I agree that 'support costs and fundraising costs' are helpful areas for the SORP Committee to review. In fact, **I suggest that the SORP committee abolish the separate accounting of support costs**. These add a burden on charities and do not add any value for the reader of the accounts. Support costs are necessary for all operations and separating out support costs feeds an incorrect impression that support costs are a 'bad' piece of expenditure. The SORP making-bodies need to take action.

I agree that accounting for capital and revenue costs is potentially confusing to donors because income is accounted for in one year, whereas depreciation is spread over the life of the asset. However, **separating capital and revenue items on the face of the SOFA, as suggested in your consultation, would appear to add complexity and take charity accounts even further away from corporate accounting standards**. I therefore do not think this is a helpful area for the SORP Committee to review.

10. I do not think that 'enhanced analysis of expenditure' is a helpful topic. In particular, **I think the suggestion that charities should analyse charitable expenditure between jurisdictions has the potential to be confusing and misleading**. For example, my charity makes grants to educational institutions in the UK, but these fund scholarships for students from the Middle East. This would be reported as UK-based expenditure, but in actual fact the main area of benefit is actually overseas (because students are recruited on their potential to make a positive difference in their country of origin).

Equally, we also make grants to overseas-based international NGOs which are then used to fund projects in countries other than the country where the organisation is based. For example, we make grants to the UNHCR which is based in Switzerland. However, these funds are then used to run projects in Jordan, Lebanon and Syria. If this expenditure was reported as expenditure on Switzerland, this would be completely misleading to a user of the accounts.

This is a very dangerous suggestion, and the SORP Committee and Charity Commission have clearly not considered the complexities of such a disclosure, and the potential for misleading reporting. This information should be explained in the Annual Report, which will make apparent the links between the charitable activities reported in the accounts and the jurisdictions where charitable activity takes place.

Furthermore, as noted above, **I completely reject the need for a 'Key Facts Summary'**.

11. I consider that 'risk management' and 'disclosure of who funds a charity' are both areas that could be usefully explored. In particular, these should be reviewed from the point of view of a donor who is using the accounts to judge whether the recipient has sufficient financial strength and internal control to make good use of donations made to that charity. Donors and funders are prime users of charity accounts whose needs very rarely seem to be taken into account by standard-setters.
12. As noted and explained above, **I suggest that the SORP committee abolish the separate accounting of support costs.**
13. I would encourage the SORP Committee to review again the guidance for Annual Reports. At the moment, most charities treat the Annual Report as a 'tick box' exercise, putting in only those things demanded by the standards and failing to give a comprehensive overview of the charity's vision, purpose and strategy. I would encourage the SORP Committee to move more towards the 'Strategic Report' guidance prepared by the FRC for the corporate sector.
14. I do not think adding additional mandatory disclosures would be helpful for readers of the accounts, or for preparers.
15. I consider that the 'summary of assets and liabilities of each category of fund' required by paragraph 2.29 of the SORP is a paper exercise which adds little value to the majority of readers of charity financial statements, and could therefore be removed.

Thank you for considering my response to the research exercise. I look forward to hearing about further changes to the Charity SORP in due course.

Yours faithfully

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