

I write to respond to the invitation to comment on Draft Update Bulletin 2 to the Charities SORP.

I am a full member of the Association of Charity Independent Examiners. I prepare and/or independently examine accounts for a number of charities. My charity clients are all small charities with income less than £250,000 a year. Most have income less than £50,000. Their financial circumstances require them to seek an independent examiner who is prepared to carry out the examination for less than full professional rates. Therefore any unnecessary regulatory burden in relation to accounts is particularly unwelcome.

I wish to comment on precisely one item in Draft Update Bulletin 2, namely:

"FRS 102 requires that comparative information must be provided for all amounts presented in the current period's financial statements, which includes the notes. Therefore charities must provide comparative information for all amounts presented in the accounts and notes to the accounts unless otherwise stated in FRS 102 and this SORP. This applies to both disclosures required by FRS 102 and those additionally required by this SORP."

This may be a correct interpretation of FRS102, but it is wholly unreasonable and disproportionate. It is contrary to the objective stated as (ii) of the Summary at the beginning of FRS102:

"The FRC's overriding objective in setting accounting standards 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."

The previous practice under the 2005 SORP was that comparative figures had to be provided for the Total columns in the SOFA, Balance Sheet and Notes (and not for Unrestricted, Restricted, Endowment or other columns, nor for any of the figures in the Note containing the Statement of Movement of Funds).

This provided useful comparative figures that set the current year's figures in context. It also enabled an uncluttered layout of the accounts that focused on the current year.

Like many independent examiners, I have been aware for some time that the current Charities SORP did not fully reflect the FRS102 requirement to provide comparative figures for **all** amounts, and have been trying to implement the FRS102 requirement. The results have been wholly unsatisfactory. The accounts have greatly increased in length and complexity. It has become more difficult to read the details relating to the current year because of the need to insert large sections of the previous year's accounts.

It is particularly unhelpful to have to include comparative figures for Restricted Funds, and the prior year's Statement of Movement of Funds. Charities that rely on grant funding often have different projects running in different years. So prior year Restricted Funds and Movement of Funds merely tell you what happened in the prior year. They do not provide a meaningful comparison for the current year.

Comparative figures are meant to aid understanding of the current year figures, not to tell readers what happened in the prior year. If readers want to look in detail at what happened in the prior year, and make detailed comparisons, then they should have two documents in front of them: the current year's accounts and the prior year's accounts.

My view is that the SORP Committee, instead of imposing these unreasonable and

disproportionate requirements regarding comparative figures, should be making representations to the FRC that they need to change FRS102 to allow charities to revert to what the 2005 SORP said. It was reasonable and proportionate, and provided comparative figures that met the overriding objective stated by the FRC (and quoted above).

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