

We are responding in the capacity of preparers of accounts for a small charity who provide support for the vulnerable and homeless. The charity is part of a Group and therefore it adopted the Charity SORP (FRS 102) at the last year end. In the preparation of the responses other stakeholder groups of the accounts were consulted to ascertain their views e.g. Operations Director, Trustees.

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?

**In the capacity of preparer the SORP did meet our requirements.**

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

**No further assistance foreseen.**

3. 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?

**Yes**

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.

**It is important for the charity SORP to be retained for the following reasons:**

- **As a preparer of charity accounts the SORP is invaluable in providing sector specific accounting guidance which in effect makes FRS 102 more accessible.**
- **It improves consistency and transparency across the sector in disclosure.**
- **The SORP's specific guidance translates to more user friendly accounts which best fits a sector where many charities staff, volunteers and trustees have limited knowledge of financial accounting.**
- **The stakeholder groups of charities can be different than for-profit organisations which the SORP gives consideration too.**
- **The SORP provides the appropriate level of detail required on narrative reporting which is not available in the accounting standards.**

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.

**No issues foreseen**

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?

**Not applicable**

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?

Not applicable

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?

There is an emphasis from the Trustees on utilising the annual report to demonstrate the charities achievements in a given year irrespective of what financial challenges they may have faced. On this basis the approach taken in the current SORP of a 'story' approach is still favored.

With regards to suggested areas:

- Better integration of the report with the accounts – agreed
  - Detail of reporting – agreed
  - Key Facts Summary – The disclosure should be linked to the size of the charity. If it was endorsed a number of mandated items should be included allowing for a level of comparability.
  - Reserves definitions and guidance –not applicable
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?

In relation to recommendation one 'more specific definitions of support costs and fundraising costs', the separation of governance costs within support has not added any value for the charities stakeholders. If disclosure of support costs was to remain, to increase consistency, the SORP could stipulate the heading definitions required in the disclosure note e.g. office costs, employee costs etc.

No comment on the second recommendation as not applicable to charity.

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?

We can foresee issues in the following areas

- Risk management – The charity, being part of a larger group, does have access to an internal audit function and would be able to provide assurance on controls. However consideration needs to be given to the cost implications of this for smaller charities if there is going to be requirements for periodic reviews of financial controls.
- Going concern – In common with many other small charities our charity's income is predominately from local government and councils whose budgets are managed on an annual basis. Therefore if the guidance required longer term viability assessments this would be difficult.
- Disclosure on who funds a charity - Any additional disclosure requirement should distinguish between contractual income and income from donors. Contractual income can be sensitive in nature. In addition for this to be practical a materiality control would also need to be stipulated.

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?

No further comments

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?

No

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?

No

14. Are there any items you would like to add in to the report or accounts? If so, what are these items and how would their inclusion help the user of the report and accounts?

No

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?

No