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Our ref: ICAEW Rep 160/13

Your ref:

Mr Nigel Davies  
Secretary to the SORP Committee  
Charity Commission for England and Wales  
Woodfield House  
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Taunton  
TA1 4BL

Dear Mr Davies

**Charities SORP Consultation**

ICAEW is pleased to respond to your request for comments on *Accounting and Reporting by Charities: Statement of Accounting Practice*.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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## ICAEW REPRESENTATION

### **ACCOUNTING AND REPORTING BY CHARITIES: STATEMENT OF RECOMMENDED PRACTICE (SORP)**

**Memorandum of comment submitted in October 2013 by ICAEW, in response to the joint SORP-making body's invitation to comment published in July 2013**

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## INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the consultation published the joint SORP-making body on 8 July 2013, a copy of which is available from this [link](#).

## WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. ICAEW has a Charities Technical Sub-Committee and a Charities & Voluntary Sector Group with over 3,500 members. Many ICAEW members are active in charities and the voluntary sector; approximately 40,000 are charity trustees, treasurers, school governors and in other voluntary roles. ICAEW has recently launched, in collaboration with CABA, a website to support and encourage volunteering, [icaewvolunteers.com](http://icaewvolunteers.com).
5. The Financial Reporting Faculty is recognised internationally as a leading authority on financial reporting. The Faculty's Financial Reporting Committee is responsible for formulating ICAEW policy on financial reporting issues, and makes submissions to standard setters and other external bodies. The faculty also provides an extensive range of services to its members, providing practical assistance in dealing with common financial reporting problems.

## MAJOR POINTS

6. We considered whether the SORP should be a comprehensive source document that would be the major reference that charities would need; or whether it should merely be an application guide for charities, covering only those areas which are specific to charities. We believe the balance in the Exposure Draft is broadly appropriate. The guidance is straightforward in the areas usually encountered by smaller charities, thereby supporting the many charity finance workers and trustees who are not qualified accountants. Where charities have more complex areas and other guidance must be referred to, they will normally be large enough to have access to the necessary expertise.
7. We support the use of 'charity language', which is more accessible than FRSSE or FRS 102, clearer for the general public, and consistent with the requirements of the Companies Act. We recommend that a comment is included in the introduction as to why this terminology is being used. We have a concern that the language used around some areas such as fair value is simplified to such an extent that there is a risk of errors being made.

## RESPONSES TO SPECIFIC QUESTIONS

- Q1: Do you agree that the modular format adopted in the Exposure Draft improves accessibility to issues and therefore better meets the needs of the preparers of charity accounts? If not, what alternative format should be adopted and why?**

8. Yes, we agree broadly that the modular format improves accessibility to issues. Benefits include that it is easier to navigate and that it makes topics clearer. The distinction between those modules which are useful to everyone and those which are more advanced is helpful. The word search function is very useful.
9. However, care should be taken to explain terms in the earliest module in which they are used. For example, paragraphs 3.31 and 3.32 explain the terms 'must' and 'should' but these terms are used in Module 1.
10. A consequence of the tailoring function is that the full document is very long with some repetition. It presupposes that users will be tailoring the document.

**Q2: Do you agree that the SORP better meets the needs of smaller charities compared to the current SORP? If not, what are your suggestions for further improvement that will better help smaller charities?**

11. Yes, we agree that the SORP better meets the needs of smaller charities.
12. However, there is a lot of detail, some of which could be removed. For example volunteers are discussed at great length. Discussion should only be included where there are options. Where there is no option, e.g. inclusion of volunteer contribution in income is not allowed, this should be stated, without going through the pros and cons.
13. We believe there is some confusion around the term 'smaller charities' - in some cases this means charities below the audit threshold, but in other cases it seems to apply to all those eligible to apply the FRSSE. We feel some consistent terminology is needed - e.g.
  - small charities - those below the audit threshold (normally under £500,000 income unless affected by assets threshold)
  - medium charities - those above the audit threshold but still eligible to apply the FRSSE (normally under £6.5 million income unless affected by assets and employees thresholds)
  - large charities - those obliged to follow FRS 102.
14. Although we welcome the "think small" approach, where each module starts with the issues applicable to all, it would be useful to provide tailoring specifically for small and medium charities, i.e. to add a 'size' box in the customising options. This could then reduce the amount of detail that is not necessary for small or even medium charities. The tailoring currently available does not make a significant difference for small charities.
15. In particular it would be very helpful if small and medium charities applying the FRSSE could have a tailored SORP which omits those paragraphs which only apply to use of FRS 102. (See our answer to Q16 below).
16. The tailoring should cater for the flexibility allowed in the law around thresholds where income fluctuates, e.g. where the receipt of a large legacy pushes income above a threshold one year, but income falls back the next. We also strongly suggest that the thresholds for FRSSE should follow the Companies Act (i.e. a grace year if moving above the 'large' threshold, able to stay small if falling below the threshold the next year).

**Q3: Does the use of the terms 'must', 'should' and 'may' when making a recommendation or explaining requirements clearly distinguish 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?**

17. Yes, the use of the terms 'must', 'should' and 'may' is consistent with other guidance from charity regulators, and we believe it to be useful. We recommend it is made clear that 'must' means the same as the word 'shall' which is used in FRS 102.

18. We recommend that the 'must' and 'should' requirements be differentiated, perhaps by the use of symbols or by showing the 'must' requirements in bold.
19. Whilst we welcome the distinction, there is an argument that there are too many 'musts' that, if not imposed by legislation, may pose an unnecessary burden on charities. For example, we suggest that in paragraph 4.7, Statement of Financial Activities, 'must' be replaced by 'should'.

**Q4: Do you have any suggestions as to how we can improve the SORP micro-site and web navigation of the Exposure Draft?**

20. We have the following suggestions as to how to improve the SORP micro-site and web navigation.
21. It would be helpful to have definitions of technical terms at the tailoring stage, for example the definition of heritage assets. This could be by way of pop-up boxes in the online version.
22. The navigation jumplinks to further information are helpful, but returning to the place you were does not appear to be automated.
23. We understand that a paper version of the SORP will also be available, which some users may prefer. It would be good if all terms explained in the glossary were highlighted in the text. It would be helpful if there were a 'print friendly' version which works well on mono printers; the pale green used in the Exposure Draft can be difficult to see.

**Q5: Do you agree with the proposed structure and content of the trustees' annual report?**

24. Yes, we agree broadly with the proposed structure and content of the trustees' annual report. We welcome the clear distinction between the information required for smaller charities, and further information required for larger charities. The guidance for smaller charities is particularly useful in alerting trustees to the work they should be doing.
25. We welcome the extra guidance on reserves in paragraph 1.49. We recommend that this be made a 'must' rather than a 'should' requirement.
26. We recommend that the material in paragraph 1.11 be given much greater emphasis, as it is key to framing the report. If charities focus on saying what is important to them and to their key stakeholders, they will find it easier to comply with those requirements that apply to their activities. It might also help if there were clearer guidance on how the statement in paragraph 1.11, that trustees may present the contents of their report in any order and under any headings that they choose, relates to the frequent use of the word 'must' in paragraphs 1.15 to 1.54. This would make providing the additional content required of larger charities (paragraphs 1.34 to 1.54) less daunting for charities that are above the audit threshold but still relatively small.
27. Points that do not add to users' understanding of the financial information or that duplicate information unnecessarily should be removed. For example, we have often seen duplication of narrative on activities undertaken, within both objects/activities and achievements/performance. We recommend the following:
  - All charities: remove the activities element from paragraph 1.19 (objects/activities) and include it within paragraph 1.20 (achievements/performance).
  - Larger charities: remove from paragraph 1.36 (objects/activities) the last two bullet points on criteria/measures and significant activities undertaken. Add the criteria/measures bullet point to paragraph 1.41 (achievements/performance).
28. We also recommend that the information required in paragraph 1.27 be included in the index section of the accounts or in an appendix, rather than in the body of the report.

29. The interaction with the new Companies Act requirement for a separate strategic report should be considered. The only sensible outcome would be that the requirements are included within the trustees' annual report rather than as a separate document, notwithstanding that it is required to be a separate document under the Companies Act. However, this information should be separately identified within the trustees' annual report.

**Q6: Do you agree with the requirements and recommendations set out in this Exposure Draft for reporting a charity's achievements and performance? If not, what changes do you recommend and why?**

30. Yes, we agree with the requirements and recommendations for reporting a charity's achievements and performance. However, we recommend that the word 'impact' be replaced with 'outcome'. Impact has many different definitions in the sector and could be misleading.

**Q7: Do you think there is any additional information which should always be included in a trustees' annual report that is not required in the Exposure Draft? Alternatively, is there any information currently required by the Exposure Draft that you think is unnecessary?**

31. We have the following recommendation for additional information that should always be included in the trustees' annual report.
32. We suggest disclosing the remuneration policy in the trustees' annual report, where the level of remuneration is sufficiently high to warrant disclosure in the notes. This would give charities the opportunity to explain the levels of remuneration which they pay and which would not be suitable to include with the disclosure included in the notes.

**Q8: The format & headings of the SoFA have been simplified. Do you agree that these changes will assist preparers whilst still providing users of the accounts with relevant information about the income and activities of a charity? If not, please explain how the SoFA could better present information about a charity's income and activities.**

33. Yes, overall we believe the simplified format and headings will assist preparers whilst still providing users of the accounts with relevant information about the income and activities of a charity. We do not recommend any further simplification.
34. We understand that the SoFA headings are flexible, in that paragraph 4.29 requires the context of the lines to be maintained, but allows the descriptions to be changed. We support this approach.
35. Voluntary income is a wider definition of non-exchange type income than donations, and we believe it is preferable to revert to this definition on the SoFA.
36. However, we believe it is important to show investment income separately from other income (paragraph 4.37). Collating investment income with other income, which (where a charity has other income) will often mean totally unrelated figures being combined, would make charity accounts very hard to read and interpret. The explanations should make clear that the "other income" and "other expenditure" lines should only be used where transactions arise which genuinely do not fit under other headings.
37. We would also prefer to see 'expenditure on charitable activities' above 'cost of raising funds' instead of below it. However, it must be made clear that the order can be flexible.
38. Regarding governance costs, in the past there have been many different interpretations of what should be included, which has led to a lack of comparability between charities. The decision as to what should be included is often arbitrary and the figure disclosed in the SoFA is often so small as to be immaterial and therefore irrelevant to an appreciation of the

accounts. If this situation persists, we do not believe governance costs should be included on the face of the SoFA, and we agree with the proposed treatment in the Exposure Draft.

39. However, we believe that governance costs are important. If a consistent treatment can be adopted, and the full costs of governance, including senior staff time, is captured, then we recommend the inclusion of governance costs as a separate heading on the face of the SoFA. This will involve education of stakeholders, including the wider public who often have false expectations about the overheads involved in running a charity.

**Q9: The current SoFA adopts a columnar format for presenting income and expenditure from unrestricted and restricted funds. Do you agree that this columnar approach for reporting funds in the SoFA should be retained? If not, please explain why you prefer a single column presentation combining restricted and unrestricted funds.**

40. Yes, we agree that the columnar approach should be retained. This focuses attention on the charity's fiduciary duties towards restricted funds, which is a fundamental part of trust law, and is often central to understanding a charity's funding.
41. There has been considerable debate around whether comparative amounts should be disclosed for the columnar split of funds in the SoFA. Although FRS102 requires comparative amounts for all figures in the financial statements including additional voluntary disclosures (paragraph 3.14), it does allow exceptions to this such as the fixed asset note. For charities specifically, there are several other cases where the Charities (Accounts and Reports) Regulations 2008 and the current SORP accept that it would be onerous to disclose prior year comparatives and so they are not required. This includes the list of grants made, and details of inter-fund transfers. In line with this precedent and with the 'cutting clutter' agenda, we recommend that this disclosure be a 'may' requirement.

**Q10: Do you agree that the Exposure Draft of the SORP addresses those issues which are of particular relevance to charity accounting and reporting? If not, are there specific accounting or financial reporting issues faced by the charity sector or in the sphere of activity in which your charity operates that the SORP should address?**

42. Yes, we agree that the Exposure Draft addresses those issues which are of particular relevance to charity accounting and reporting. However, we do have further comments, as follows.

#### **Parent charity SoFA in group accounts**

43. We note that the Exposure Draft is silent as to whether a parent charity SoFA is required where group accounts are prepared. We recommend that this requirement is specifically stated in module 24 as it is a significant change from previous practice. We are in favour of including a parent charity SoFA, as it is valuable to be able to see the pure charitable activities.

#### **Income**

44. We recommend that the SORP considers the timing and accounting disclosure of income recognition for goods subject to a Retail Gift Aid scheme. In such a scheme the charity only has legal entitlement to the funds on implicit confirmation by the supporter that the sale proceeds may be donated to the charity. This is often a long time after the sale of the goods. We presume that this is an area where the accounting should follow substance over form so that the income is recognised on sale of the goods with proper allowance for the possibility that some people will ultimately retain the net proceeds. The SORP should also be clear which SoFA heading the income should be disclosed within.
45. We recommend that the guidance on recognition of legacy income be made more clear-cut (paragraphs 5.28 to 5.33). We recommend that legal advice be sought as to whether or not there is entitlement at probate. However, we would expect the requirement for substance over

form to prevail and the recognition point to be on grant of probate. The issue is then one of recognition, i.e. whether the legacy can be measured with sufficient reliability and with probability of receipt. This would mean that charities with regular legacy income would be likely to recognise income based on their experience of probability of receipt over a longer period. Those charities with infrequent legacy income would not have this basis and would normally recognise their legacy income at a later date.

46. We consider that paragraph 5.8 does not fully cover the type of contracts often entered into with local authorities which, though called contracts, are more like performance-related grants. There should be guidance concerning which SoFA heading should contain this income, and whether it should be treated as restricted or unrestricted. We recognise that this is an area where legal opinion may be required.

#### **Fraud disclosure**

47. Paragraph 4.15 includes a requirement that all material losses through theft, fraud or other illegal payments be set out in the notes or in the SoFA. Whilst we understand the Committee's motivation for making such a requirement we are a little concerned about the potential consequences. We believe this point should be removed as a requirement – material losses through fraud are currently disclosed where the preparers and auditors believe that disclosure would affect whether the accounts give a true and fair view.
48. The inclusion of such a black and white requirement does not consider whether losses are likely to be offset by PI cover, or whether such disclosure may affect any outstanding legal cases or attempts to reclaim amounts lost. In addition there may be uncertainties as to the extent of any frauds. We consider this to be an unnecessary extension to the requirements of FRS 102.

#### **Discontinued operations**

49. We are concerned that, in the event of a charity having a discontinued operation, paragraph 4.21 implies that the details will need to be shown by way of an additional column in the SoFA. Although this is in line with FRS 102 (paragraph 5.7D), there should be clarity around what is required. Given the current wording, there appears to be an either/or option, but the 'or' option is missing. We believe that using an additional column adds burden to the face of the SoFA and is against the 'cutting clutter' agenda. We suggest that the details should instead be presented as additional rows.

#### **Heritage assets**

50. Paragraphs 18.11-12 create a very significant extension to the scope of heritage assets in comparison to FRS 30 and FRS 102. Including assets where their preservation and contribution to culture are ancillary to faith or other purposes will have the potential to bring within its scope numerous assets that were not previously treated as heritage assets. We see no advantage to this extension of scope, which will require more disclosure about assets newly scoped in but which will add little value to the financial statements. We recommend that the Committee apply the FRS 102 scope and requirements relating to heritage assets and not extend the requirements in this way.

**Q11: The Exposure Draft proposes that grant making charities disclose in the notes to their accounts details of the name of institutions in receipt of material grants and the amount of such grants paid to them by the charity. Do you agree that this information should be given by way of note rather than in a separate publication that can be obtained from the charity on request as currently allowed by the existing SORP?**

51. We considered whether information on grants to institutions should be given by way of note rather than in a separate publication. Although debated at length, there was no unanimous opinion as to how this should be treated. However, bearing in mind the 'cutting clutter' agenda, we recommend that this information be given in a separate publication. It should also be recognised that similar pieces of work could be undertaken either as a grant given or as a



contract entered into. It appears that only the former needs to be disclosed separately, and this should be considered.

**Q12: The SORP requires larger charities to disclose staff salaries paid in bands of £10,000 for employees earning over £60,000. Should larger charities also be required to disclose the job title and remuneration of their highest paid employee?**

52. We do not agree that larger charities should also be required to disclose the job title and remuneration of their highest paid employee.
53. We believe the current banding disclosure in paragraph 9.32 is useful. We strongly recommend that this be retained for all charities if they have staff paid over £60,000, not just the larger charities, and that other charities include a statement that no staff are paid over £60,000 as at present.
54. We do not believe this further disclosure is necessary. The bands of £10,000 are sufficiently small for the approximate remuneration to be disclosed without needing to know the precise number.
55. However, we recommend that the three SORP-making bodies, including education and social housing, are consistent in their treatment of this sensitive area, including the level at which banding begins.
56. Furthermore, we recommend that remuneration be more clearly defined. For example, it appears to include benefits in kind such as motor vehicles, and to exclude pension contributions.

**Q13: The Accounting Council has suggested that a clearer distinction is desirable between those disclosures required by accounting standards and those resulting from charity law or the higher level of accountability expected of charities.**

**Which one of the following options do you consider to be the best way of achieving this distinction?**

- a) Remove the disclosures related to accounting standards altogether and simply substitute with cross references to the relevant standard.
  - b) Provide a brief summary to explain what disclosures are required by accounting standards along with cross references to the particular standard.
  - c) Retain the current approach of the Exposure Draft but separately identify those disclosures that are required by charity law or for the public accountability.
  - d) Move the disclosures required by accounting standards into a separate appendix and refer in the module to the appendix and/or accounting standards as necessary.
57. We consider option (c) to be the best way of achieving this distinction. In a modular structure each module should be self-contained where possible. It is important to identify the source of the disclosure, as there will be occasions where it is necessary to refer back to this. We recommend that this includes charity law, company law and accounting standards.

**Q14: Do you agree that charities should not be able to adopt the reduced disclosure framework provided by FRS 102? If not, please explain why you think charities should be able to take advantage of this framework.**

58. No. We believe that charities should be allowed to adopt the reduced disclosure framework, subject to there being sufficient disclosure of trustees' remuneration and related party disclosures.

**Q15: Do you agree that the next SORP should support both charities that prepare their accounts using FRS 102 and also those that are eligible and choose to use the FRSE? If not, please explain why.**

59. Yes, we agree that the SORP should support charities using either FRSE or FRS 102.

**Q16: Do you agree that the Exposure Draft successfully supports the use of the FRSE and FRS 102? If not, what changes would you suggest and why?**

60. We believe the Exposure Draft successfully supports the use of the FRSE and FRS 102 reasonably well given that it is one document. We suggest that the requirements be more clearly differentiated, for example by colour-coding.

61. However, consideration should be given to producing two different versions of the SORP, one for FRSE and one for FRS 102. This could be achieved by introducing a tailoring question within the tailoring section of the microsite. We recommend that a summary compare/contrast narrative be provided as well. (See our answer to Q2 above.)

62. However we recognise that, as the adoption of FRSE is such that where you currently do not have an accounting policy then you follow FRS 102, it may be difficult to separate them.

**Q17: Do you agree that investments held both to produce an investment return and also for the contribution the funding makes to a charity's purposes (mixed motive investments) should be classed as a component of financial investments and separately disclosed on the balance sheet or in the notes to the accounts where material? If not, what alternate approach to classification do you recommend and why?**

63. We do not agree that mixed motive investments should be classed as a component of financial investments and separately disclosed.

64. Whilst we recognise the increasing focus on mixed motive investments, the definition is challenging. We recommend that the guidance in the publication 'Investment of charitable funds: basic principles' (CC14) be clarified. We recommend that the treatment set out in SORP 2005 is retained, whereby the primary motive for making the investment determines the classification in the accounts. We believe that the distinction between financial investments and programme-related investments should be made on the face of the balance sheet.

**Q18: Do you agree that an impairment loss arising on a mixed motive investment should be analysed as an investment loss in a charity's SoFA? If not, how else might the loss be analysed in a charity's SoFA and why?**

65. We do not agree that an impairment loss arising on a mixed motive investment should necessarily be analysed as an investment loss in a charity's SoFA. In accordance with our response to question 17, above, the treatment of any impairment loss should follow the classification of the initial investment.

**Q19: Are there any circumstances in which a separate corporate body can be regarded as a branch and included in a charity own individual entity accounts? If so, how would you distinguish a separate corporate body that is a branch from one which is a subsidiary and included in a parent charity's group accounts?**

66. We believe there are circumstances when a separate corporate or legal entity may be treated as a branch and included in a charity's own accounts as a branch. An example is where a charity controls one or more trusts, perhaps through historical arrangements, when the trusts do not have any operational independence, and are fundamentally operated as part of the main charity. These trusts may be linked charities which do not have any independent requirements to report to the charity regulators.

67. This treatment is consistent with the treatment of intermediate payment arrangements in FRS102 (paragraphs 9.33 to 9.38). We request clarity of guidance as to when this treatment should be adopted, and when the entity should be treated as a subsidiary and consolidated.

**Q20: The Exposure Draft requires a charity's share of any surplus or deficit in an associate or jointly controlled entity to be shown as a single line in a parent charity's consolidated SoFA. Do you agree with this accounting treatment? If not, should the charity's share of income and expenditure be shown separately so that the user of the accounts can better understand the scale of the charitable activities carried out by the associate or joint venture?**

68. We agree that a charity's share of any surplus or deficit in an associate or jointly controlled entity should be shown as a single line in a parent charity's consolidated SoFA, consistent with FRS 102. We do however recommend that further disclosure is included in the notes to the accounts, showing both income and expenditure for all material items and a total of other items.

**Q21: Do you agree that income from government grants should be recognised on the same basis as other grants and donations? If not, why should government grants be recognised on a different basis?**

69. We agree that income from government grants should be recognised on the same basis as other grants and donations.

**Q22: Do you have any comments on any other accounting principles or treatment within the Exposure Draft? If making a comment, please state:**

- the name of the module(s) and the paragraph number(s);
- your suggestion for change(s) to be made; and
- the reason(s) why change is needed

70. We consider that paragraph 5.13 is confusing as it stands. Unless a charity has entitlement to a pledge or promise of a donation it cannot be recognised as a debtor in the accounts of the charity and included as income. Pledges and promises are not normally understood to be binding on the person making them. We therefore recommend that the paragraph be clarified.

71. Minor amendments:

- Paragraph 4.26 refers to a 'natural' basis of analysis. This term should be defined.
- Table 4 on page 75 should include a total column on the right hand side.

72. Regarding the discount rate to be applied to long term liabilities, there is a potential inconsistency when applying FRS 102. When accruing for its pension scheme liabilities, a charity can use a markedly different discount rate from that used in respect of its other liabilities. We do not disagree with the suggestion of different rates, as long as it is appropriate in the circumstances. However, it would be useful to have clarification on this in the SORP.

**Q23: Do you agree with the simplifications made to the current SORP's recommendations and if not why do you consider a particular requirement should be retained?**

73. We agree with the simplifications made to the current SORP's recommendations, in particular the removal of requirements in relation to summary financial statements.

**Q24: Do you have any suggestions for further simplifications to the Exposure Draft and if so what are they and what do you believe are the benefits of the additional simplification(s) you propose?**

74. We have no other suggestions for further simplifications to the Exposure Draft

**Q25: In responding to the FRC's report 'Cutting Clutter' would you recommend that the joint SORP-making body:**

- a) Cease publishing any illustrative examples of trustees' annual reports and accounts; or**
- b) Publish only two illustrative examples of trustees' annual reports and accounts, one for a charity adopting the FRSSE and a second for a charity adopting FRS 102; or**
- c) Publish a series of examples for different types and sizes of charity?**

75. Regarding the FRC's report 'Cutting Clutter' we strongly recommend that the joint SORP-making body publish a series of examples for different types and sizes of charity (option c).

76. The examples are very valuable, particularly for charities looking to raise funds. Many small charities have limited accounting resources and cannot easily afford professional fees. The model accounts, whilst not a perfect solution, do help provide valuable quality control and help at minimal cost. The risk of some preparers rather slavishly following these examples should not outweigh the benefit to other preparers. We strongly recommend that there is pre-consultation on the examples used.

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