

The Charity SORP post UK-GAAP and the ASB Consultation.

Response from Scope.

Vicki Thornton – Financial Controller.
(vicki.thornton@scope.org.uk)

This paper considers each of the four options in turn, giving a brief response to the proposals.

1) Public Benefit Entity Framework

Since the charity sector is so diverse, in size, purpose and character, it is debateable whether it is possible to construct a 'one size fits all' standard. To achieve this, it is likely that it would have to be extremely 'top-level', just as the Statement of Principles also provides overarching guidance. However, just as the Statement requires further detailed supporting Standards, so there would be a need for additional clarification (possibly leading to a position closer to that of option 2 or 3). Without the additional direction, this would inevitably lead to either increased confusion or cost or both for reporting charities.

Moving from the current SORP and SoFA to a Framework alone, would seem to be a backward step.

2) Public Benefit Standard

This would appear to be the most effective option as it allows a divergence where appropriate, but retains links to IAS/IFRS, which can only enhance the reputability of the Public Benefit Standard. Approaching each accounting area as it applies to PBEs is likely to bring the most flexibility according to the issue at hand. In addition it permits the possibility of recognising different activities within the charity sector, rather than assuming that stakeholders desire an homogeneous report from the sector. For example, the narrative reports arguably have more value compared to other sectors.

This approach is liable to be the longest and most complicated process, and so unlikely to resolve the question of a sector framework in the near future.

3) Separate Standards on public benefit issues

While this method is used in the US, it is questionable how similar the US and UK charity sectors are. That they have, over time, both established separate and very different reporting practices, suggests the stakeholder needs are also dissimilar.

It is difficult to comment further without additional guidance on how such Standards would be constructed, however, it is noted that it is unlikely to bring the UK charity sector closer to IAS/IFRS.

4) Supplementary text in UK-GAAP

It is unlikely that notes to the current FRS will be sufficient for the charity sector. The FRS are primarily written for a very different audience from charity stakeholders; which means that any useful supplementary text would be so divergent as to lose any link to the original Standard. Attempting to append to current FRS would not address areas which simply do not occur outside the charity sector; for example Restricted funds, Volunteers, Fundraising, etc.

This approach would also most likely lead to much confusion and expense as charities would have to work through the FRS in order to locate and apply the supplementary guidance.

Again, this seems a backward step from the SORP and SoFA.

Conclusion

Option 2 – A new Public Benefit Standard would appear to be the approach favoured by Scope.