



**Institute of Fundraising response to the Accounting Standards Board's consultation
on the Future of UK GAAP**

January 2009

About the Institute of Fundraising

The Institute of Fundraising (registered charity in England and Wales (no. 1079573) and Scotland (no. SC038971)) represents fundraisers and fundraising throughout the United Kingdom. Its mission is to support fundraisers, through leadership, representation, standards setting and education, to deliver excellent fundraising. It is a membership organisation committed to the highest standards in fundraising management and practice. Members are supported through training, networking, the dissemination of best practice and representation on issues that affect the fundraising environment. The Institute of Fundraising is the largest individual representative body in the voluntary sector with over 5,000 Individual members and more than 300 Organisational members. Membership reflects income to the sector of some £5 billion per annum and delivers more than £12 billion service-output covering all areas of social activity.

Introduction

The Institute of Fundraising welcomes the chance to respond to this consultation. Financial reporting is important for all sectors, as it allows the public to see if organisations are fulfilling their duties and acting diligently and appropriately. Financial reporting in the charity sector is absolutely crucial, as much of the money held by charities has been donated by the public, who want to know that their money is being used in a manner that best assists the charity in its work and helps as many beneficiaries as possible. Financial reporting in the charity sector is widely overlooked and so the Institute is very glad that the Accounting Standards Board (ASB) has understood the importance of charity financial reporting and is giving the sector a chance to be involved in and comment on potential changes that could affect them.

The Current System

The current system of Statements of Recommended Practice (SORPs) has provided charities with a one stop shop document, giving the framework they need to present the necessary information. This promotes accountability and transparency throughout the sector and adds consistency, allowing for comparison and standardisation across the sector.

The Institute of Fundraising is a charity registered in England and Wales (No. 1079573) and Scotland (No. SC038971) as well as a company limited by guarantee (No 3870883). VAT registration number 547 8930 96.

The SORP method has been well thought out to really address the needs of the sector, for example, it provides for narrative reporting, so rather than just having to give a bottom line figure, organisations can put their investments, donations and so on into context, giving a more accurate picture of how a charity's finances are structured.

The need for a new Public Benefit Standard

There has been much talk since 2004 of the Accounting Standards Board (ASB) converging with the International Financial Reporting Standards (IFRS). If this were to occur, it would create a problem for charities as the IFRS was not designed with charities and other public sector bodies in mind which are clearly distinct from commercial entities. To counter this, the ASB have suggested the development of a public benefit accounting standard. The Institute is heartened to see that the ASB has recognised the potential negative consequences of adopting IFRS and has put so much thought into what solutions would be appropriate.

In terms of a potentially new public benefit standard, the Institute has a number of recommendations:

Sector Involvement

As mentioned above, it would be beneficial to all parties if the charity sector had increased involvement in the development process. This would help allay charity fears that the system would be overly complex or that the system would not take into account any needs specific to charities. Charities could also provide valuable help and guidance on highlighting potential problems or areas that need to be covered.

A single, comprehensive standard

One of the greatest successes of the SORP was the 'one-stop shop' approach. This was a significant benefit to charities, simplifying the process and unifying the system of charity financial reporting. This contributed to increasing accountability and transparency within the sector and made it easier for donors to understand and compare the financial viability of different charities.

Narrative Reporting

Due to the nature of how charities gain and utilize money, having a bottom line figure is not always representative of a charity's financial status. By providing a narrative reporting element, it allows charities to provide a context to their financial standing and include important elements that would fall by the wayside if a bottom line standard was employed.

Accountability and transparency

With the charity sector ever growing in size and donors becoming more demanding in how their money is used, it is imperative that charities are as transparent as they can be to donors and beneficiaries as to how charity money is used. Any new accounting system needs to be simple, to enable donors and beneficiaries to fully understand the figures.

Flexibility

With around 190,000 registered charities in England and Wales, the sector is awash with diversity. While most are familiar with the larger charities, it is much small organisations that make up the majority of this number. The Institute would urge the ASB to not forget that needs of these smaller charities, who may have limited resources and expertise, and who may find certain general private sector obligations particularly onerous.

Guidance

Finally and potentially most importantly, the Institute would ask the ASB that if any new standard is designed and implemented, there is plenty of guidance, written in Plain English, to accompany it. Many charities do not have the resources to employ a full-time accounts professional and so will need to do adopt the new system themselves. However, simply producing such guidance would be insufficient on its own. If charities are to make full use of and implement any guidance, it would need to be advertised to charities, be well placed and easily accessible so they would know where to find it.

Conclusion

As already mentioned, the Institute welcomes the ASB's efforts to gain the sectors views on any potential changes. If a new standard is adopted, it would bode well for the sector to take over some of the positives of the existing SORP standard and build on them to provide a comprehensive and accessible system that best reflects the needs and achievements of the charity sector.

For further information or discussion, please contact:

Sarah Tirrell,
Information and Training Officer
Institute of Fundraising
12 Lawn Lane
Vauxhall
London
SW8 1UD
Email: sarah@institute-of-fundraising.org.uk
Phone: 0207 840 1028