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Cutting Clutter: FRC Discussion Paper

The Charity Commission and the Office of the Scottish Charity Regulator act together as the joint SORP-making body for UK charities and our response to your discussion paper is made in that capacity. Your discussion paper 'Cutting Clutter' was considered, with interest, by our SORP Committee at a recent meeting and our response, which supports your initiative, incorporates the views and advice we have received from that Committee.

Our SORP Committee warmly welcomed the agenda set by the discussion paper and concurred with its identification of the behavioural influences encouraging 'kitchen sink' reporting and the barriers to tackling 'clutter' in financial reporting. Whilst the UK charity sector does not report under EU-adopted IFRS or the Combined Code, there are still concerns that the length of charity annual financial reporting is increasing and that important stakeholder information can be lost in lengthy and detailed disclosures of marginal value.

The issue of 'standing data' adding 'clutter' to reporting was also identified by our own stakeholder research undertaken by Queen's University, Management School published in 2009 (Charity Reporting and Accounting – Taking Stock and Future Reform). A key research finding was that 'the need to report static, recurring information was ...diluting the impact of the Trustees' Annual Report'.

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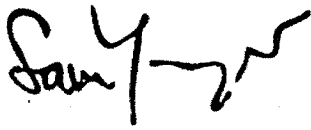
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Our SORP Committee felt this debate needed to be taken forward with UK and International Standard Setters and that the behavioural barriers identified will prove difficult to overcome without a shared commitment to this agenda. We note, for example, a number of the responses to the recent FRED 44 and 45 consultations questioned the need for particular disclosures. In this context, it would be particularly helpful if the published version of the Financial Reporting Standard for Medium-sized Entities contained a clear statement that 'an entity need not provide a specific disclosure required by the standard if the information is not material'.



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