

Ian Mackintosh
Chair of the Accounting Standards Board
Accounting Standards Board
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN



1st Floor, 30 Millbank
London, SW1P 4DU

t: 020 7674 2330
f: 020 7674 2308

Your Ref:

Our Ref:

Date: 7 August 2009

Dear Ian,

The Future of UK GAAP and Charities

Our Charities SORP Committee received a very helpful briefing at its June meeting from Alan O'Connor on your Board's plans to consult on the future of UK GAAP. I'm very sorry you were unwell and could not make the meeting, but Alan certainly dealt with the issues arising on the day very well.

The Charities SORP Committee certainly welcomed your consultation plans and your Board's recognition that there are significant issues around IFRS not being framed with charities and other not-for-profit entities in mind. We were pleased to hear that the proposed consultation will set out options, including a not-for-profit standard, for addressing the particular issues faced by our sector. In particular, we welcomed the recognition that simply leaving charities and other not-for-profit entities to directly apply either full IFRS or the Private Entities standard, without modification, would not be a satisfactory route forward.

Obviously, we will be responding in full to your consultation. However, there are some issues that the Charities SORP Committee believes it would be helpful to consider at an early stage in the process.

The first issue relates to how the concept of 'public accountability' might be defined in the context of charities. Whilst accountability underpins trust and confidence in our sector, we believe, for charities, accountability is about the provision of appropriate information to stakeholders and that the application of full IFRS would create a level of complexity ill-suited to the vast majority of our sector, and indeed the information needs of its stakeholders.

The second issue relates to what we mean by accountability within the charity sector. There is growing recognition of the role played by narrative reporting, particularly in explaining performance. We are aware this issue was recently discussed at CAPE and we would like to stress the vital role played by narrative reporting and its particular relevance in meeting the information needs of charity stakeholders. If the resulting standard(s) is to be comprehensive, and meet these reporting needs of our sector's stakeholders, then it will be essential for narrative reporting to be given full consideration at an early stage.

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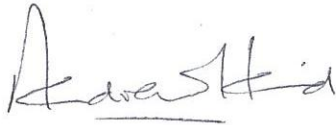
Textphone: 0845 300 0219

Website: www.charitycommission.gov.uk

Although not confirmed by Alan, I assume that much of the initial development work in relation to either a not-for-profit standard(s) or framework would take place within CAPE with your Board's involvement and sign-off. I would really value an opportunity to discuss with you how ASB might ensure appropriate sector involvement in the development process at both CAPE and Board level. Although perhaps more of an issue for the Nomination Committee of the FRC, it is also important to mention that if a not-for-profit standard(s) is developed by ASB then I think it would be extremely desirable for your Board to be able to call on charity sector experience and expertise from within its own membership.

If you are agreeable, I will ask my assistant to liaise with Alan on a convenient time and place to talk through these issues.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Andrew Hind', written in dark ink.

Andrew Hind
Chair of Charities SORP Committee