

## SORP 2005



# Quick off the mark

Despite grumblings in the sector, SORP 2005 will improve transparency and accountability, and will actually lead to more people reading and appreciating charities' reports. This according to Vanessa Pritchard, whose organisation has already adopted the new reporting standard

**T**he environment in which charities operate is continually changing, and with this evolution comes a requirement for increasingly accountable reporting structures. St. John Ambulance became the first major charity to adopt the Statement of Recommended Practice issued in March 2005 (SORP 2005), two years earlier than required, in the production of its 2004 annual report.

Naturally questions have been raised, including how SORP 2005 differs from the previous SORP, how time consuming the report preparation is, and whether the finished product is more complicated or easier to understand than reports prepared under the previous SORP. Along those lines, what benefits will the new SORP bring to the charity sector, and what can other charities learn from our initial experiences?

The SORP provides guidance to charities in the United Kingdom on the preparation of trustees' annual reports and accruals accounts by charities. As with previous versions, SORP 2005 presents a comprehensive summary of how accounting standards, charity law, relevant company law and best practice impact on the preparation of charity reports and accounts.

While SORP 2005 is longer than its predecessor created in 2000, this is due to expanded explanations, largely in response to requests for further guidance and examples from users of the SORP, as well as the need to address the increasing number of accounting standards in issue. This new information

is designed to provide those reading the annual report and accounts with a more transparent and comprehensive account of a charity's operations, allowing them to make more informed decisions about donations, volunteering or the success of a charity's activities.

At St. John Ambulance we recognised that SORP 2005 would allow us to make our annual report more practical and usable for those who read it and for that reason we went ahead and implemented the new requirements much earlier than required.

While the SORP requirements cover both the annual report and the annual accounts, it is in the production of the annual report where the changes in SORP 2005 have the most significant impact. SORP 2005 presents the recommendations for the annual report in a more structured way, a key element of this being the increased clarity concerning organisational objectives and activities. Crucially this enhanced guidance creates a stronger and more focused structure than past SORP recommendations. It is designed to help the reader understand the aims and objectives set by the charity, its short and long-term strategies, the activities undertaken to implement them and what the charity has achieved.

Practicality is at the forefront of the amendments incorporated in SORP 2005. Following the new requirements helped us, in preparing our annual report for 2004, to provide a practical guide to our operations and our future plans while also reporting on how successfully our operations had been delivered against the stated objectives. Again, the improved guidance in the new SORP promoted greater clarity of disclosure concerning the achievements and performance of

the charity and its subsidiary undertakings in the year. As stipulated by the SORP, St. John Ambulance included in its annual report a summary of any measures or indicators we used to assess our achievements.

One obvious area of concern for any organisation is how time consuming the preparation of reports will be under the new SORP. As we found in undertaking our reporting for 2004, while the process may take longer initially, this period can be effectively used to sharpen thinking and identify where to review current processes.

SORP 2005 gave us licence to take a blank piece of paper and begin to think about how we could best explain St. John Ambulance and its activities to our key audiences. This enabled us to highlight where more development was required around our planning processes so that a stronger link could be made between plans, assessment indicators and measurable results. Once this structure is in place, the creation of future reports should be a lot simpler and no more time consuming than in previous years.

When a charity produces an annual report the hope is that people will actually read it and understand it, yet this has not always been the case. The new SORP requirements encourage charities to deliver a finished product that provides greater clarity, measures its achievements against specified targets and is far easier to understand. Having implemented the new SORP, we at St. John Ambulance strongly believe it will improve the transparency and accountability of charities' annual reports and accounts.

**Vanessa Pritchard is director of finance at St. John Ambulance**