



Accountancy & Reporting: **LIVING BY NUMBERS**

Sponsored by:



Panel:



Kay Bonar
Finance consultant,
ellenor

Ellenor provides care for the terminally ill of all ages and their families in the Kent and Bexley areas. Where possible it attempts to organise care in a person's own home.



Michael Egan
Trustee, FDSD
FDSD brings together civil society, government, business and academia to

explore the relationship between sustainable development and democracy and contribute ideas for its adaptation and transformation.



Richard Hill
Partner, GSM
GSM is a central London accountancy firm founded in 1918 and recognised

providers of ethical accountancy services. Currently acting for over 80 charities, it is one of the few firms recommended by the London Diocese.

Breakfast briefing

Panel:



David Pope
Finance manager,
Best Beginnings

Best Beginnings hopes to reduce inequalities in child

health and to give every child in the UK the best start, working with parents, healthcare professionals, Royal Colleges, other charities and the Department of Health.



Clare Lubin
Treasurer, Jewish Joint
Burial Society

The Jewish Joint Burial Society was founded in 1969 and provides funerals for synagogue members as part of the benefits of belonging to a synagogue. Currently, the JJBS covers over 17,000 members in 39 synagogues.



Kabba Njie
Director of finance and
operations, St George's
Hospital Charity

St George's Hospital Charity enhances the physical environment of the hospitals for patients, staff and visitors and funds research and state-of-the-art equipment.



that's how we fundraise. We put together a nice glossy document and it's a really important selling document for us. It's the first thing that gets our foot in the door."

There are others, however, that question such an approach in the internet era, pointing out that by their very nature accounts are historical records, and that more immediate stories are needed to attract attention. Michael Egan, a trustee at the Foundation for Democracy and Sustainable Development, explains, "I think the days in which the accounts are the main tool in communication are seriously over. A well organised charity will file its annual accounts three months after the year end. A lot of charities will file six or nine months after the year end. If the explanation of your activities and your demonstration of your impact are not already on your website ages before then, what are you doing these days?"

A view that is shared by Kay Bonar of ellenor, "I think the everyday donor on the street, who has no knowledge of accounts would rather look at the website. That's more meaningful to them."

However, both views focus on the suitability, or not, of using figures as a marketing device, and this might miss the importance of information that can be read by several parties, Jonathan Taylor of JDRF notes:

"Thinking of external readers, there are beneficiaries or service users and funders, and those are very different audiences in terms of what they might be interested in."

Richard Hill of GSM is acutely aware of these conflicting views, explaining that the firm has extensive debates with its clients about how accounts are used. "We certainly have discussions with our clients in terms of the merits of preparing a separate document because they're conscious about the volume and detail that can be contained in the accounts and that it can be overwhelming for stakeholders to understand, perhaps in particular if they are looking to appeal to individual donors rather than grant-making trusts."

SORP

All of this starts to suggest that there might be an issue with the complexity of charity accounts and the SORP.

Hill is open about the issues, noting that "As is often the case with accounting theory, the standard setters may be perceived to be sitting in a bit of an ivory tower thinking up the technical requirements. I think there are some very important things within the SORP that are required, but some other aspects which can perhaps be simplified, because the volume that's encouraged by the SORP can take

Accounts attempt to fulfil a variety of different functions – to some they are a legal requirement, to others a method of communication, and to some a method of explaining a charity's operations and how it is fulfilling its remit. In reality, accounts, and the reporting that goes with them, are likely to be seen as a combination of these functions.

As Leigh Renak notes, it all depends on who you are trying to communicate with: "We are constantly explaining to the user base the charity's accounts because

away from the message that was probably intended by the original underlying principles.”

Taylor goes further: “It is in the nature of regulation, that it has been impacted by responding to one controversy or another and I was astonished how much longer our accounts were last year after the implementation of the 2015 SORP because of all the extra disclosures. I think we are now at the point where the level of disclosure is at risk of unhelpfully taking away from the key message of the accounts. I think it is extremely challenging for the SORP to be that relevant across the incredible diversity of the sector. There are cycles of increasing levels of disclosure and then cycles of simplifying things again and over the next 10 years, my hope and guess is that things will get simplified again.”

Taylor touches on the difficult subject of public trust. Something that has been shaken by several high profile recent events, and the point was raised by Kabba Njie of St George’s Hospital Charity that it might be a bad time to question regulation: “I heard someone mention public trust because at the moment for charities that’s probably one of the biggest challenges apart from raising money. SORP is there in a sense to address part of that.”

Of course, part of the issue is the internal effort required to generate the necessary accounts, as one delegate explains: “From a personal point of view, I think with the introduction of the new Charity SORP last year, capacity was an issue; it was easy to underestimate the amount of time required to respond to the new regulations. It

was also a challenge for non-finance staff and trustees to understand what was involved. Capacity was particularly an issue as, in small charities, finance staff are often not just doing finance, but also IT, office

management, and so on.”

This is a point the roundtable generally agrees on, with Renak stating that if the charity had supplied all the information that its trustees had requested for day-to-day management it was estimated that it would have risked a spend in the order of 20 per cent of its turnover – which would clearly be unacceptable, especially to the donors.

Hill is sympathetic, recounting his experiences with the desire to get a complete financial picture, but that there must be an expectation of the cost that goes with that.

Ethics and a risk to reputation

To some extent, in a changing world, one issue can knock on to others, and inevitably end with a financial issue. As Hill notes, the role of auditing and accounts in this is something of a grey area – with the need for the profession to deal with factual issues, but he admits that there is ground for comment: “If there is something which we identify during the course of the audit which we assess has potential to have a negative impact on a charity’s objectives and effectiveness, we should be saying to the trustees ‘have you thought about what the perception could be to the public, to your stakeholders if this is interpreted in a particular way? Have you assessed this as a risk, and if so how are you managing that risk?’ Because our job is to identify these issues and try and advise on them as they come to light during the course of the audit, and then put the ball in the trustees’ court for them to make their decisions.”

Does this include the charity’s position on ethics? Njie asks, “Would you like to see something like an ethical policy from your clients?”

Hill points to the Charity



Nicola Hutcheson
Head of finance and resources, Local Trust

Local Trust is a place-based charity working in 150

local areas across the country and providing a mix of funding and finance to support people in making sustainable change, maximising impact and best use of resources.



Jonathan Taylor
Director of finance and resources, JDRF

JDRF funds research to cure, treat and prevent

type 1 diabetes, working with government, academia and industry to accelerate research in the UK and within healthcare policy to ensure that the outcomes of research are delivered.



Leigh Renak
Trustee, The Joely Bear Appeal and consultant finance director at Best Beginnings

The Joely Bear Appeal was set up to make stays in hospital more comfortable for young cancer patients and their families, and now also makes research grants and promotes donation.

Commission annual return, noting that it asks for comment in terms of a written ethical policy, but admits it can be unclear, and that trying to understand particular controls and procedures that are relevant to that charity can be a challenge, especially if it has overseas activities, perhaps where the business ethics or the ethics in which to get business done is a little bit different, and that dialogue with the Charity Commission is part of the role.

Hill also advises that the new SORP has had a greater focus on reporting on risk management, and

Breakfast briefing



that this is likely to increase. “Some of our charities are very clear on the key risks that have to be actively managed to safeguard their position and reputation. For example we have one organisation that runs four adventure centres, and they recognise the key material risk they have to actively manage and promote is Health and Safety. They have always done this in the four years that we have been acting for them, but their reporting on this is enhanced by the SORP”.

Going electronic

Of course, the Annual Return is something of an evolving beast, and there are several other changes on the horizon. Perhaps the most significant will be the adoption of electronic filing. The roundtable was in favour, in principle, but with the Devil in the detail as always, there was some concern over the timescales and implementation.

One comments: “Just like making tax digital for a business. It’s gone so well [sarcasm]. There is, within the profession and without I’m sure, a healthy professional scepticism about any government body being able to implement an infrastructure, or an IT infrastructure to support the

project efficiently.”

Another comment was that the timing was out, with the authorities being at the place where they should have been about two years ago before they started making sweeping announcements.

The Charity Commission is also consulting about the future of the annual return at the moment with the concept of having the same annual return for every charity with income over a particular level and taking questions about the regulatory bodies out of the main return into a supplementary area with the intention of creating a short account with core details.

However, progress can be sideways as well as forward, as one delegate complains: “I have just had to file a set of accounts for a small charity. You used to be able to just upload a PDF of a perfectly good informative set of accounts, and that was it, and you could do that in 15 seconds. Now you can’t do that. You have to rekey information into their template and the person who accesses our page on the Charity Commission website, has now got an entirely standardised, entirely uninformative small set of numbers and I’m struggling to think

who is going to see the value in a set of accounts that were prepared for the use of anybody who might care to see them. So, I think what the Charity Commission have just done in respect of small charities is really, really unhelpful, and I wish they hadn’t.”

Clare Lubin of the Jewish Joint Burial Society agrees. “I have just filled in the charity’s annual return and I found it very difficult. I thought it was poorly explained, and when actually putting your reserves in there wasn’t enough information to allow others to understand what we do.”

However, if it appears that the roundtable was moving towards being hostile to SORP, then it was not a universally shared view.

As Egan proclaims: “I will strongly defend the current SORP. I think it’s a great improvement on its predecessor. I think it’s modular structure based on the smaller charities with add-ons for the larger, rather than the other way around, is extremely helpful and please SORP committee, now stop tinkering. Just let us use it for several years before messing about with it again.” ■