



Knowledge Exchange Seminar Series (KESS)

...is a forum that encourages debate on a wide range of research findings, with the overall aim of promoting evidence-based policy and law-making within Northern Ireland



REGULATION AND ACCOUNTABILITY OF NORTHERN IRELAND'S CHARITY SECTOR

The Importance of Regulation, Accountability and Trust

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Structure of the presentation

- Definition, size and regulation
- A changing sector
- Accountability, transparency and trust
- Importance of good accounting and reporting
- The Charities Statement of Recommended Practice
- Our research
- Our findings
- Relevance for Northern Ireland policy and practice



Definition, Size and Regulation

- In the UK and ROI, an organisation is considered a charity if its purposes are deemed to be 'charitable' and those purposes are for the 'public benefit' (200,000 registered charities in the UK; over 8,000 in ROI).
- The Charity Commission for Northern Ireland (CCNI):
 - independent regulator established in 2009 (under the Charities Act (NI) 2008)
 - compulsory registration from December 2013
 - between 7,000 and 11,500 charitable organisations registered.



A Changing Sector

- Pressures on funding/financial crisis.
- Increasing demands from society (the 'perfect storm' - try to do more with less).
- Pressures from government to deliver more services.



A Changing Sector

- Charities need to:
 - Do good – create positive change
 - Be good – spend wisely; act ethically
- Trust is a belief in the reliability, truth or ability of something or someone.
- Trust is essential for ensuring the health and growth of the charity sector.

Accountability, Transparency and Trust


- Perceptions of accountability, transparency and trust are important.
- Scandals, however isolated, have the potential to inflict considerable damage:
 - the collapse of Kids Company and suicide of the 92-year-old poppy seller Olive Cooke in the UK in 2015,
 - the now-reconstituted Central Remedial Clinic and Rehab in RoI in 2013/14.

Importance of Good Accounting and Reporting

- Good accounting and reporting underpin good accountability, which supports the building of trust, essential to the continuing health of the sector.
- Poor accounting and reporting undermine accountability, undermined accountability damages trust, and damaged trust weakens the sector.

Transparency implies openness, communication and accountability.

Accountability is about being answerable for one's conduct and responsibilities (e.g. due to funding pressures and high-profile scandals).

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- Good accounting and reporting
 - Underpins good accountability
 - Supports the building of trust

Importance of Good Accounting and Reporting

Types of accountability:

- Financial accountability
- Performance (and results/impact-based) accountability

The Charities Statement of Recommended Practice

- SORPs are recommendations on accounting practice for specialised industries or sectors; they do not replace other legal and regulatory requirements, but supplement and interpret them.
- The SORP consists of:
 - Financial statements; and
 - A Trustees' Annual Report (TAR, focussed on the disclosure of non-financial information, performance and governance).



The Charities Statement of Recommended Practice

Development of the SORP 1988-2015:

*Accounting by Charities,
Statement of Recommended Practice (SORP) 2 (1988)*

Succeeded by:

Accounting by Charities SORP 2 (1995)

Accounting and Reporting by Charities SORP (2000)

Accounting and Reporting by Charities SORP (2005)

Charities SORP (FRS 102) Accounting and Reporting by Charities (2015)



Our Research

- Reporting by 25 large UK and 25 large RoI charities.
- Five categories of activities:
 - Medical/Health/Sickness
 - Medical Research
 - Overseas Aid/Famine Relief
 - Animal Welfare
 - Wider Social Objects (Children/Poverty/Social Welfare).
- Each charity published an annual report and 20 (UK – 16; RoI – 4) prepared a separate annual review.
- A checklist was developed to capture nine key performance information types: objectives; activities; input; output; impact; efficiency; effectiveness; future targets; and lessons learned.



Our Findings

- Performance accountability weak in both the UK and RoI – but weaker in RoI: low percentage (50%) of UK and RoI charities providing performance-accountability disclosures in both their TARs and annual reviews.
- Very limited use of annual reviews as a communication channel by RoI charities (only 16% (four) of surveyed charities versus 64% (16) UK charities).
- Little information on effectiveness and efficiency.
- Such shortcomings can undermine trust and confidence in the sector, and damage reputation, which, ultimately, could impact on funding flows.
- A persuasive case (related to concepts of accountability, legitimacy and trust) for greater endeavour for the development and use of more substantial charity performance measurement and reporting.



Relevance for Northern Ireland Policy and Practice

- Greater push for performance reporting in the UK compared to RoI, leading to engagement by UK charities in such discussions.
- A mandatory reporting system increases the likelihood of disclosure.
- CCNI has a key role in requiring/encouraging performance accountability (and performance focus) by NI charities.
- This is vital to support the continued health and growth of the NI charity sector.
- A real concern: resourcing (financially and legislatively) of CCNI.
- Charity-specific guidance should be developed (or supported in its development) by those concerned with the administration and control of the sector (e.g. CCNI, NICVA).





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