

Institution: Queen's University Belfast
Unit of Assessment: 19
Title of case study: Improving charity reporting and accounting
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>For the past decade, a research programme led by Professor Noel Hyndman has investigated accountability and governance in the UK charity sector. Outputs from the research have shaped the national draft reporting and accounting framework, Statement of Recommended Practice (SORP), which provides a mechanism for charities to meet legal accounting requirements and provides consistency in the sector's interpretation of accounting standards. The new framework will apply to more than 200,000 charities in the UK, which have an estimated total annual income of over £60 billion.</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>Since 2003, an important stream of research at Queen's University Management School has examined charity accounting, accountability and governance, focusing particularly on performance reporting, stakeholder engagement, and reporting frameworks. The publications arising from the research have highlighted the critical importance of the sector's accountability and have shaped the regulatory framework and reporting practices of charities.</p> <p>One facet of the research developed by Hyndman, in conjunction with Connolly, has explored the accounting methods used by charities to enable them to be held accountable for their performance (see Outputs 1 and 5). A key conclusion of this research was that the information provided on performance in the reports of charities was deficient. On the basis of this and related research, calls were made (for example, by the Charity Finance Group and New Philanthropy Capital) for charities to improve how they reported information on performance and impact.</p> <p>Complementary research conducted by Hyndman (with McDonnell) explored the extent and impact of stakeholder engagement in relation to reporting frameworks; this led to a detailed critique of the 'governance' of charities (see Output 2). Subsequent research by Connolly, Hyndman and McConville, using a stakeholder salience framework to analyse the evolution of the UK charity Statement of Recommended Practice, produced further evidence in support of the critique (see Outputs 4 and 6 below).</p> <p>The most visible manifestation of this research was seen in work for the Charity Commission and the Office of the Scottish Charity Regulator (OSCR) (the charity regulators in Britain) in 2009, which resulted in the publication of the report, <i>Charity Reporting and Accounting: Taking Stock and Future Reform</i> (see Output 3). This was effected by a team from QUMS (Connolly, Hyndman and McConville) who used the UK's largest ever consultation of stakeholders on a charity-related accounting pronouncement. Key findings of this research included:</p> <ul style="list-style-type: none"> • The SORP to date has been a force for good, but any new framework should be written for small charities with 'add-ons' for medium and large charities; • There is great value in reporting achievements, and the 'story' approach is particularly useful; • There is a need to develop clear definitions of the different types of reserves, especially regarding the calculation of 'free' reserves. <p>The launch of the report was part of a 'Roadmap' event hosted by the Charity Commission and OSCR at Church House Conference Centre, Westminster, London in December 2009 to guide the development of future Charity SORPs. The event was attended by about 200 key individuals connected to the UK charity sector, and the research was subsequently rolled out in a series of subsequent events throughout the UK and Ireland (Cardiff, Sheffield, Belfast, Edinburgh and</p>

Dublin).

As part of the roll out (and discussion) of the proposed new SORP and regulatory frameworks for Northern Irish and GB charities, a conference 'Charity Accounting, Reporting and Regulation: Reflections and Imminent Changes' took place at QUMS on Friday 4th October 2013. This was organised jointly by QUMS (Hyndman, Connolly and McConville), the Charity Commission for Northern Ireland (CCNI) and the Charity Commission (England & Wales). It had plenary speakers from each of these institutions: Professor Noel Hyndman (QUMS); Ray Jones (Head of Accountancy Policy, Charity Commission England and Wales); and Frances McCandless (Chief Executive, CCNI). Participants from the sector and other key stakeholder groups attended (including politicians, members of the legal and accountancy professions, and representatives of government departments). In total, over 150 attended (which was the maximum capacity for the venue; the conference being significantly oversubscribed). The feedback elicited was collected for use in the finalising of the new SORP and regulatory arrangements in Northern Ireland

The coverage, dissemination and contribution of the research were factors in the appointment of Hyndman to a number of influential committees charged with steering charity reporting and accounting, including, between 2003 and 2005, the *Annual Reporting Advisory Group* of the Charity Commission for England and Wales; and the Charity SORP Committee from 2006 to date.

3. References to the research (indicative maximum of six references)

Output 1

Connolly, C. and N Hyndman (2004), 'Performance reporting: a comparative study of British and Irish charities', *British Accounting Review*, 36(2), 2004, pp. 127-154.

<http://dx.doi.org/10.1016/j.bar.2003.10.004>

Output 2

Hyndman, N. and P. McDonnell (2009), 'Governance and Charities: An Exploration of Key Themes and the Development of a Research Agenda', *Financial Accountability & Management*, 25(1), pp. 5-31. Listed in REF2

Output 3

Connolly C., N. Hyndman and D. McMahon (now McConville) (2009), *Charity Reporting and Accounting: Taking Stock and Future Reform*, Charity Commission/Office of the Scottish Charity Regulator (OSCR), London, 51 pp. Available at:

<http://www.charity-commission.gov.uk/Library/guidance/rs21text.pdf>

Output 4

Connolly, C., Hyndman, N. and D. McConville (2013), 'UK charity accounting: An exercise in widening stakeholder engagement', *British Accounting Review*, 45(1), pp. 58-69. Listed in REF2

Output 5

Connolly, C. and N. Hyndman (2013), 'Towards charity accountability: Narrowing the gap between provision and needs?', *Public Management Review*, this article is in press at:

<http://dx.doi.org/10.1080/14719037.2012.757349>. Listed in REF2.

Output 6

Connolly, C., Hyndman, N. and D. McConville (2013), 'Conversion Ratios, Efficiency and Obfuscation: A Study of the Impact of Changed UK Charity Accounting Requirements on External Stakeholders', *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, this article is in press at:

<http://www.springerlink.com/openurl.asp?genre=article&id=doi:10.1007/s11266-013-9371-8>

4. Details of the impact (indicative maximum 750 words)

The analysis provided by QUMS researchers at the request of the Charity Commission and OSCR strongly influenced the SORP Committee's review and amendment of the present (2005) SORP. A new SORP, has now been drafted and is out for consultation drawing heavily on the QUMS research.

In the foreword to the 2009 report, *Charity Reporting and Accounting: Taking Stock and Future Reform*, Andrew Hind (Chief Executive, Charity Commission) and Jane Ryder (Chief Executive, OSCR) wrote:

"The Charity Commission and the Office of the Scottish Charity Regulator, as the joint SORP-making body, welcome this insightful and independent analysis of the SORP research undertaken with the assistance of the SORP Committee and our sector partners...We would like to thank Professor Noel Hyndman and the team at Queen's University Belfast for their report... We commend this thoughtful report... As the evidence demonstrates, high-quality charity reporting is essential to maintaining public confidence in the work of charities."

The impact of the QUMS research is evidenced in the minutes of SORP Committee, which are publicly available. Two of many examples of extracts from these minutes that show the impact of the research are:

Minutes of 22nd September 2009

"3.8 The Committee concluded that:

- The findings of the report were extremely valuable in identifying the strengths of SORP and those areas where improvements could be made;
- The outcome should be shared with the sector. The Charity Commission and OSCR will publish the report as the joint SORP making body, acknowledging the role of Queen's University Belfast, in analysing and summarising the findings;
- The overwhelming support for SORP shows that a SORP or similar framework is essential to underpin confidence in charity reporting and accounting."

Minutes of 13th October 2010

"Item 7: New SORP module – Fund Accounting

7.1 Nigel Davies introduced this module. He noted that the 2008-09 SORP research findings had identified that the analysis of funds was an essential aspect of charity accounting and that real difficulties existed in practice in properly identifying the funds held."

The research has also been widely cited and used by other accounting bodies.

The Charity Commission has cited *Charity Reporting and Accounting: Taking Stock and Future Reform* in responses to a range of consultations to outside parties, including to the:

- Accounting Standards Board consultation on the future of UK GAPP on 27th January 2010;
- Financial Reporting Council's discussion paper *Cutting Clutter* on 30th September 2011; and
- the International Accounting Standards Board in their 'Exposure Draft: revenue from contracts with customers' on 9th January 2012.

In addition, it has been promoted and used by other parties, including:

- the Welsh Audit Office in responding to the Accounting Standards Board consultation on the future of UK GAPP (26th January 2010); and
- Howieson, B. in an agenda paper to the Australian Accounting Standards Board '*Defining the Reporting Entity in the Not-for-Profit Private Sector (including consideration of the concept of control) Part 1 of Phase 1 – Identification of Issues Associated with the Application of Control*' at their meeting of 18-19 April 2012.

5. Sources to corroborate the impact (indicative maximum of 10 references)

1. As a basis for corroboration of impact of the *Charity Reporting and Accounting: Taking Stock and Future Reform* report on the development of the revised SORP, a testimony has been provided by Head of Accountancy Policy at the Charity Commission
2. The Foreword to *Charity Reporting and Accounting: Taking Stock and Future Reform* (Charity Commission and OSCR) by Andrew Hind (Chief Executive, Charity Commission) and Jane Ryder (Chief Executive, OSCR), outlining the research's importance to the development of appropriate accounting and reporting by charities, can be accessed at:
<http://www.charity-commission.gov.uk/Library/publications/pdfs/rs21text.pdf>
3. Minutes of SORP Committee 22nd September 2009 (Charity Commission and OSCR), referring to the importance and potential use of the research, can be accessed at:
<http://www.charitycommission.gov.uk/Library/minutes220909final.pdf>
4. Minutes of SORP Committee 13th October 2010 (Charity Commission and OSCR), illustrating how the research influenced the development of a draft module of the new SORP, can be accessed at:
<http://www.charitycommission.gov.uk/Library/minutes131010.pdf>
5. The use of the research by the Charity Commission on the Accounting Standards Board's consultation on the future of UK GAPP on 27th January 2010 can be accessed at:
http://www.charitycommission.gov.uk/Library/about_us/paper10obm03.pdf
6. The use of the research by the Charity Commission and OSCR on the Financial Reporting Council's discussion paper *Cutting Clutter* on 30th September 2011 can be accessed at:
http://www.charitycommission.gov.uk/library/FRC_paper.pdf
7. The use of the research by the Charity Commission in responding to the International Accounting Standards Board's 'Exposure Draft: revenue from contracts with customers' on 9th January 2012 can be accessed at:
<http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175823633209&blobheader=application%2Fpdf>
8. The use of the research by the Welsh Audit Office in responding to the Accounting Standards Board consultation on the future of UK GAPP (26th January 2010) can be accessed at:
<http://www.frc.org.uk/Our-Work/Publications/ASB/Consultation-Paper-Policy-Proposal-The-Future-of-U/UK-GAAP-August-2009/CL31-Wales-Audit-Office.aspx>
9. The use of the research in an agenda paper to the Australian Accounting Standards Board '*Defining the Reporting Entity in the Not-for-Profit Private Sector (including consideration of the concept of control) Part 1 of Phase 1 – Identification of Issues Associated with the Application of Control*' at its meeting of 18-19 April 2012 can be accessed at:
http://www.aasb.gov.au/admin/file/content102/c3/2012_Apr_AP_6.3_Howieson_NFP_Private_Sector_Paper.pdf