



CHARITY COMMISSION  
FOR ENGLAND AND WALES

# Key findings from research on trustees' annual reports and accounts filed with the Charity Commission for England and Wales

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# Introduction

This presentation highlights the key themes arising from the Charity Commission for England and Wales' (CCEW's) research into public reporting by charities through their trustees' annual reports and accounts.

The research findings are based on statistically valid random samples of trustees' annual reports and accounts filed with CCEW.

Where we refer to 'all charities', this means those with incomes over CCEW's filing threshold of £25,000. 'Larger charities' are those with incomes over £500,000 and 'smaller charities' have incomes below £500,000.



# The trustees' annual report: all charities

There is a high level of awareness of the duty to produce a trustees' annual report and, to a lesser extent, of some key areas within it:

- Nine out of ten charities filed a trustees' annual report. Nearly all charities with an income over £250k filed one
- Seven out of ten charities provided a summary of the charity's purposes and of the main activities carried out to achieve them

CCEW's research has found that the public want charities to show that they are making the impact they promise to make. This is a SORP 'should' disclosure. However, fewer than one in ten charities went beyond the requirements and identified the impact of the charity's work.



# The trustees' annual report: larger charities

There is a high level of awareness of the requirements to provide disclosures of reserves and risk:

- Nearly all charities included a reference to their reserves policy
- More than nine out ten charities included a risk statement

But the content of these disclosures often fell short of what is required:

- Four out of five charities did not state the correct reserves figure. A third did not state a reserves figure
- Half of the charities did not provide the 'new' risk disclosures introduced in the current SORP. One in five used the SORP 2005 risk statement. A quarter provided generic statements

Two out of five charities with a pension liability included the 'should' disclosure of the impact on the charity's financial position.



## The accounts: income £25,000 - £250,000 (non-company charities)

Three quarters of charities of this size can opt to prepare receipts and payments accounts. Half of them prepared accruals accounts.

One in four accruals accounts met CCEW's benchmark of a basic SORP compliance standard. Particular issues were:

- One in five accounts did not include a SOFA and/ or information on the charitable funds held
- Half of the accounting policies did not refer to the current SORP, including a quarter referring to a previous SORP or 'the SORP'
- Two thirds of charities did not disclose transactions with related parties (requiring nil disclosure was a change in the current SORP)



# The accounts: income over £250,000

The standard of the accounts was much higher, but concerns remain:

- Half of charities with incomes between £250,000 and £1 million met CCEW's benchmark
- Three quarters of charities with incomes over £1 million met the benchmark

The two recurring issues were:

- Failure to disclose transactions with related parties
- Companies not including an income and expenditure account, or incorporating this within the SOFA



# Key reflections: trustees' annual report

- There is a 'compliance culture'. Many trustees appear to see preparing the trustees' annual report as an obligation rather than an opportunity to engage with the charity's stakeholders and the wider public about the things that matter to them
- The contents of disclosures often show an incomplete understanding of the concepts behind key reporting requirements. Awareness of changes to the requirements can take time



# Key reflections: the accounts

- The standard of compliance improves significantly with the size of the charity, although there are issues with larger charities too
- The next SORP must consider the needs of smaller charities that have the option of preparing receipts and payments accounts, not just those that are required to follow the SORP
- The lack of knowledge and skills amongst the trustees of many smaller charities could limit the impact of the new SORP on public reporting by this group of charities