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Kate Sayer: The annual report is an opportunity

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Well-run charities should see this requirement as a way to report on their practices and demonstrate openness, writes our columnist



Kate Sayer

Charities still need to do more to build trust and confidence, so they should think about the opportunities offered by the annual report published with the accounts. **It's** worth starting to plan your report early, because some of the additional reporting required will need some preparation.

After the implementation of the [Charities \(Protection and Social Investment\) Act 2016](#), any charity above the audit threshold should report on its approach to

fundraising. This should include a description of the activities and whether it uses professional fundraisers or commercial firms, how it participates in fundraising regulation and complies with codes, and any non-compliance. If the charity uses third parties for fundraising, then it should describe how it monitors their performance. A charity also has to report the number of complaints received and describe how it protects vulnerable people. This is a reporting requirement, but it also presents an opportunity for fundraising charities to talk positively about fundraising.

The new [Charity Governance Code](#) presents another opportunity for charities to explain how they are accountable. A charity that adopts the code can state this in its annual report. The governance statement should include a few things specifically recommended in the code, but it is not prescriptive.

It is worth thinking about how the additional matters can be fitted together with the items already required by the charity Statement of Recommended Practice. This includes the **charity's** approach to risk, specifically its risk policy or appetite, which provides a context for the review of significant risks required by the Sorp.

How the charity reviews or evaluates the board could also be included. It is expected that this will be an annual process for larger charities, with an external facilitator used every three years.

An annual description of what it has done to address the diversity of the board and the **charity's** leadership, its performance against its diversity objectives, with an explanation of where they have not been met, and the process for setting the remuneration of senior staff, plus their remuneration levels, can also be included. Charities below the audit threshold can adopt appropriate disclosures that follow a version of the code for smaller charities.

The Sorp requires charities to describe how the charity recruits and trains trustees, so it should be possible to introduce these additional explanations into the relevant section of the report. The Sorp also requires a remuneration policy in the **trustees'** annual report and disclosure of the total amount paid to the senior management team. A 2014 report on executive pay by the [National Council for Voluntary Organisations](#) went further, recommending that chief executive reward be disclosed. Charities should note that housing associations disclose the reward of each person in the senior management team. Perhaps **it's** time to voluntarily disclose more and explain why.

It is not enough to do things well – you need to report on your practices and demonstrate openness. The **trustees'** annual report presents an opportunity for well-run charities to explain how they ensure they follow good practice and provide oversight and good leadership of the charity.

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