

## Impact case study (REF3)

<b>Institution:</b> Queen's University Belfast		
<b>Unit of Assessment:</b> 17		
<b>Title of case study:</b> Shaping the Regulation of Charity Accounting and Reporting		
<b>Period when the underpinning research was undertaken:</b> 2009 - 2020		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Ciaran Connolly	Professor of Accounting	1 December 2006 - ongoing
Noel Hyndman	Professor of Accounting	1 October 2002 – ongoing
Mariann Liguori	Professor of Accounting	1 June 2009 – ongoing
Danielle McConville [previously McMahon]	Senior Lecturer (Education) in Accounting	1 September 2008 - ongoing
<b>Period when the claimed impact occurred:</b> August 2013 – October 2020		
<b>Is this case study continued from a case study submitted in 2014?</b> No		
<b>1. Summary of the impact</b>		
<p>Connolly, Hyndman and colleagues' research has significantly influenced charity accounting, reporting and legislative frameworks in the United Kingdom (UK) and Republic of Ireland (RoI), playing a key role in framing reform of the UK's mandatory accounting and reporting by charities, which is contained in the charities Statement of Recommended Practice (SORP). The research also shaped legislation which made adherence to the SORP mandatory for large non-company (and all company) charities in Northern Ireland (NI). Moreover, the team's work has contributed greatly to stakeholder debate on charity reporting, with team members contributing proactively to the work of the SORP Committee and the NI Audit Office (NIAO).</p>		
<b>2. Underpinning research</b>		
<p>The research, utilising novel and far-reaching engagement with stakeholders, and extensive document analysis, has underpinned the reframing of accounting, reporting, governance and regulation in the UK's (and RoI's) charity sectors. This has included contributions towards developing the extant SORP (published in 2014), ongoing work in revising that SORP (expected in 2022) and producing NI's (2015) legal reporting requirements.</p> <p>In 2009, Connolly, Hyndman and McMahon [now McConville] were commissioned by the Charity Commission (CC) and the Office of the Scottish Charity Regulator (OSCR) to investigate how the accounting and reporting by UK and RoI charities could be made more effective via SORP (Reference 1). The SORP was produced jointly by these regulators and was required to be followed by all company charities (and non-company charities above a particular income threshold) in Britain (initially best practice in NI and RoI, and subsequently mandatory in NI).</p> <p>This research, which engaged with approximately 1,000 stakeholders, represented the most substantial SORP engagement exercise ever undertaken. Initially published as an official CC/OSCR report (Reference 1) and subsequently, when supplemented with more analysis and theorisation, in <i>British Accounting Review</i> (Reference 2), the research's key recommendations were:</p> <p>With respect to the Trustees' Annual Report (TAR):</p> <ul style="list-style-type: none"> <li>All stakeholder groups highly valued the reporting of performance, achievement and governance.</li> </ul>		

- There was strong support for a narrative approach to complement/interpret financial disclosures.
- Static standing information should be removed from the main body of the TAR.

On the application of SORP for smaller charities:

- Given that many charities are relatively small, the SORP should be written primarily for them.

On the study's stakeholder engagement process:

- This provided legitimization for the SORP, enhancing it as a powerful tool to drive improvements in charity accounting and reporting.

The team advanced this work by undertaking major studies of efficiency and effectiveness reporting (References 3 and 4), developing frameworks for analysing charities' publicly available information and focusing on stakeholders' needs and information "accessibility" and "assessability". The team found that transparency with regard to both efficiency and effectiveness-related information was weak, concluding that such limited transparency adversely affected less powerful stakeholders (particularly beneficiaries) and better reporting could assist in gaining legitimacy, building trust and sharpening decision making.

Connolly, Hyndman and Liguori, funded by Chartered Accountants Ireland (CAI) Educational Trust, conducted comparative research on charity reporting (UK v RoI) when major changes in regulation and accounting requirements were being considered in each jurisdiction. Aspects of this research, published in book format, found that the standard of reporting by RoI charities was significantly weaker than that of their UK counterparts (Reference 5). The reasons behind this, and its possible implications, were analysed in the context of the fluid regulatory regimes, particularly in RoI. Finally, as part of this project, the researchers explored how charity accountants understand, interpret and legitimate the introduction of accounting/reporting changes in the SORP. This was published as a paper in the *Journal of Accounting & Organizational Change* (Reference 6). The researchers were invited to present this to (and discuss it with) the SORP in October 2020 to inform deliberations regarding the next SORP (expected 2022), with the importance of the charity sector's culture being highlighted as a determinant of the legitimization and successful embedding of change.

### 3. References to the research

1. Connolly, C., Hyndman, N. and McMahon (now McConville), D. (2009), *Charity Reporting and Accounting: Taking Stock and Further Reform*, CC/OSCR, London, 45 pp.
2. Connolly, C., Hyndman, N. and McConville, D. (2013), 'UK Charity Accounting: An Exercise in Widening Stakeholder Engagement', *British Accounting Review*, Vol. 45, No. 1, pp. 58-69. DOI: <https://doi.org/10.1016/j.bar.2012.12.006>
3. Hyndman, N. and McConville, D. (2016), 'Transparency in Reporting on Charities' Efficiency: A Framework for Analysis', *Nonprofit and Voluntary Sector Quarterly*, Vol. 45, No. 4, pp. 844-865. DOI: <https://doi.org/10.1177%2F0899764015603205>
4. Hyndman, N. and McConville, D. (2018), 'Making Charity Effectiveness Transparent: Building a Stakeholder-focused Framework of Reporting', *Financial Accountability & Management*, Vol. 34, No. 1, pp. 1-15. DOI: <https://doi.org/10.1111/faam.12148>
5. Connolly, C., Hyndman, N. and Liguori, M. (2017), *Charity Accounting and Reporting at a Time of Change*, Chartered Accountants Ireland, 221 pp. ISBN: 978-1-910374-80-1

6. Connolly, C., Hyndman, N. and Liguori, M. (2020), 'Legitimizing accounting change in charities: When values count more than regulation', *Journal of Accounting & Organizational Change*. DOI: <https://doi.org/10.1108/JAOC-09-2020-0128>

#### 4. Details of the impact

The team's work has impacted on charity accounting, reporting and legislative frameworks in the UK and RoI during the period August 2013 – December 2020, playing a key role in the revision of the SORP which is now mandatory in the UK and 'best practice' in RoI (likely to become mandatory). Moreover, the team contributed to the introduction of legislation which made adherence to the SORP mandatory in NI. Reflecting on the team's impact on charity accounting, reporting and governance, the Head of Compliance at the Charity Commission for Northern Ireland (CCNI) and Joint Chair of the UK and Ireland Charities SORP Committee, stated (Impact source 1):

'Overall, I believe your work (and your co-operation with CCNI in what we seek to do) has facilitated better regulation, better governance and better accountability of the sector. Such helps the health and growth of the sector, and contributes to the building of increasing and improving social capital. I am sure that we will find many ways to continue this co-operation going forward.'

##### ***Impact on Shaping Extant SORP***

The team's review of how charity reporting could be more effective (Reference 1) provided the basis for the extant SORP (issued in 2014, effective from 1 January 2015 and applicable in the UK and RoI). Aspects of SORP 2015 that arose directly from the report's conclusions include (Impact source 2):

- That reporting requirements take account of charity size (SORP 2015, para 1.9).
- The TAR must summarise the charity's main achievements (SORP 2015, para 1.20).
- The TAR should focus on information relevant to the charity's stakeholders and tell the 'charity's story' (SORP 2015, para 1.11).

##### ***Impact on Developing Legal Requirements***

In May 2014, Connolly and Hyndman were invited to become members of the Department for Social Development (NI)/CCNI working group that produced the 2015 legislation relating to accounting and reporting by NI charities (Impact sources 3 and 4).

##### ***Impact Recognition in Academy for Social Sciences***

The team's research was highlighted as representing good practice in the 13<sup>th</sup> edition of *Making the Case for Social Sciences* (Impact source 5):

'The research has had a major influence on charity accounting, reporting and legislative frameworks within the UK and Ireland. Their work...was instrumental in the form and content of the 2015 Statement of Recommended Practice (SORP) for charities (something acknowledged by both the Charity Commission and OSCR).'

Reference is also made to the team's involvement in drafting NI-related legislation:

'The knowledge gained by the researchers also led to their direct input into the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 legislation... This was viewed as improving the regulatory and accounting basis for the Northern Ireland charity sector, and placing it on a similar footing to other parts of the UK.' (Impact source 5)

##### ***Impact on SORP Development to Date and Going Forward***

Hyndman has contributed to UK and RoI charity reform via membership of the SORP Committee. He has been the only academic member of this Committee since 2006 (Impact source 1) and, together with inputting to agenda setting and to the drafting, reviewing and revising of the SORP, he:

- Organised and presented (with colleagues) at a conference, held in October 2013, on the consultation of the draft SORP 2015 which was arranged by QUB's Centre for Not-for-profit and Public-sector Research (CNPR) and CCNI, with Ray Jones (Head of Accountancy Policy, CC) and Frances McCandless (Chief Executive, CCNI) participating. Over 150 people attended (including politicians, members of the legal/accountancy professions and government representatives), with the feedback being used in finalising SORP 2015 and the implementation of new NI regulatory arrangements (Impact source 6).
- Spoke at 'PMM Live! 2017: Charities in the public service space and beyond' in the House of Lords in October 2017 which highlighted the SORP's contribution (Impact source 7).
- Was a member of the Governance Working Group charged with updating Modules 1 and 9 of the extant SORP (2018-2019) (Impact source 8).
- In October 2020, presented research (Reference 6) and facilitated discussion on legitimisation and the successful embedding of accounting and reporting change to the SORP Committee, which will inform the SORP Committee and regulators in shaping the next SORP (expected 2022) (Impact source 9).

### **Impact on RoI Developments**

The team's comparative research (UK v RoI) attracted coverage in the *Irish Times* in September 2017 (Impact source 10). Commenting on this study, CAI's President acknowledged that it demonstrated the need for RoI's relatively new Charities Regulatory Authority 'to improve the accountability and transparency of the sector' (Impact source 10). Subsequently, CAI asked Connolly to provide annual CPD courses on charity reporting for a range of stakeholders (2017-present), with five having been delivered to date (Impact source 11).

### **Impact on Government Debate in NI**

In December 2017, Connolly, Hyndman and Liguori presented this research as part of the Knowledge Exchange Seminar Series (KESS) (Impact source 12), which is jointly organised by the NI Assembly and local universities, and which brings research findings to the attention of NI policy makers and the wider public sector. As a consequence, Hyndman was invited by the NI Comptroller and Auditor General to address the NIAO, and was subsequently appointed to the NIAO's Advisory Board, and as Chair of its Audit and Risk Assurance Committee (Impact source 13).

## **5. Sources to corroborate the impact**

1. Evidence of a number of these impacts is contained in correspondence received from the Head of Compliance and Enquiries, CCNI and Joint Chair of Charities SORP Committee) dated 4<sup>th</sup> February 2020.
2. CC/OSCR [Charities SORP \(FRS 102\)](#) (effective 1<sup>st</sup> January 2015).
3. Trail of emails between the team and the Department of Social Development (NI) requesting the team's involvement in drafting Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 legislation. See especially initial invitation from the Head of Charity Policy, Department for Social Development, 30<sup>th</sup> May 2014.
4. Email from official in Charities Team, Voluntary and Community Unit, Department of Social Development (NI) (7<sup>th</sup> December 2015) indicating that the legislation will commence from 1<sup>st</sup> January 2016 (and evidencing links between the legislation and the research), and thanking Connolly and Hyndman for their contribution to its drafting.
5. Academy for Social Sciences/Campaign for Social Sciences and British Accounting and Finance Association [Making the Case for Social Sciences No. 13 Accounting and Finance, pp. 24-5.](#)

6. Flyer for conference 'Charity Accounting, Reporting and Regulation: Reflections and Imminent Changes' hosted by CCNI and CNPR on 4<sup>th</sup> October 2013 at Queen's University Belfast.
7. Email from Corporate Communications Manager, CIPFA (20<sup>th</sup> September 2017) outlining 'PMM Live! 2017: Charities in the public service space and beyond' on 25<sup>th</sup> October 2017.
8. Paper 2.1 presented at the SORP Committee meeting 25<sup>th</sup> October 2018 'Governance Disclosures Working Group'.
9. Minutes of SORP Committee on 22<sup>nd</sup> October 2020, pp. 6-7.
10. ['More than half of Irish charities fail to disclose income sources'](#), *Irish Times*, 4<sup>th</sup> September, 2017.
11. Email from CPD Department, Chartered Accountants Ireland referring to September 2020 Accounting and Reporting for Charities CPD event, together with previous courses.
12. Connolly, Hyndman and Liguori, [Knowledge Exchange Seminar series \(KESS\), Stormont, NI Assembly Building, December 2017](#)
13. Information about the Advisory Board on the NIAO website:  
<https://www.niauditoffice.gov.uk/advisory-group>