



Surveying the sector
A review of Charitable Trustees'
Annual Reports



Contents

Section 1 – Executive summary	1
Section 2 – Reporting requirements	2
Section 3 – The Survey’s objectives and basis	4
Section 4 – Survey results	5
Appendix 1 – Trustees’ Annual Report disclosure checklist	17
Appendix 2 – Contacts	24

Section 1 – Executive summary

As uncertain economic conditions continue, charities will face increasing competition for shrinking revenues from donors and the public sector alike. One way for charities to help secure those revenues is to clearly demonstrate the effectiveness of their activities and management policies through a high quality annual report.

The purpose of preparing a Trustees' Annual Report and Accounts is to discharge the charity trustees' duty of public accountability and stewardship. The Statement of Recommended Practice (SORP) sets out recommended accounting practice for this purpose. But a charity's trustees can consider providing additional information to give donors, beneficiaries and the general public a greater insight into the charity's activities and achievements.

The SORP recognises the importance of that insight and therefore places significant weight on the Trustees' Annual Report to provide a necessary link between objectives, strategies, activities and the achievements that flow from them. Without this information the value of the accounts to the reader may be significantly diminished. Deloitte's Review of Charity Trustees' Annual Reports looks at the extent to which 50 of the UK's largest charities are using the Trustees' Annual Report to achieve that. It will provide them with a clear sense of where improvements can be made.

The majority of charities in our survey complied with the letter of the regulatory requirements for narrative reporting if not necessarily the spirit. In other words, most ticked the right boxes to comply with reporting requirements but did not recognise or capture SORP's intended purpose and thereby they missed a valuable opportunity to communicate with stakeholders.

For example, the SORP requires there be a statement confirming there are systems or procedures in place to manage the major risks to which the charity is exposed; the value of this disclosure is limited without discussion of the major risks to the charity. Without this transparency, beneficiaries and donors do not have complete information on which to base decisions.

There were other more superficial, but nonetheless important, issues relating to the way information is presented. The vast majority of charities strictly followed the headings in the SORP whereas some of the more imaginative reports brought a number of requirements together by activity, such as the objectives for the year, the review of performance and the future plans for each specific activity.

In addition, the majority of the reports were not visually stimulating, composed of large amounts of text and few pictures which often made the reports impenetrable.

High quality reporting should be as much of an imperative for the charitable sector as it is for the commercial world. Charities depend on donors in the same way that businesses depend on investors and both these communities require high quality reporting to make decisions. Clearly, a charity's achievements cannot be measured in monetary terms. Indeed some areas are difficult to measure with any numbers at all. So the Trustees' Annual Report provides an invaluable opportunity for a charity to demonstrate the purpose of the charity, what it has achieved and the future role it should play.

If you would like further, more detailed information and advice on specific application of the principles set out in the SORP, or would like to meet with us to discuss any current issues for your charity, please contact Mary Reilly (mmreilly@deloitte.co.uk or 020 7007 2994) or any of the names listed in Appendix 2.

Section 2 – Reporting requirements

This section summarises the regulatory requirements for narrative reporting applicable to charities subject to statutory audit in the United Kingdom.

The requirements stem from three main sources:

- the Charities Statement of Recommended Practice (SORP);
- the Charity Commission’s guidance on public benefit reporting;¹ and
- the Companies Act 2006 (applicable to charitable companies only).

Charities SORP

The Charities SORP states that charity financial statements should be accompanied by information contained within the Trustees’ Annual Report as many of a charity’s activities cannot be described in pure monetary terms. The Trustees’ Annual Report should provide a fair review of the charity’s structure, aims, objectives, activities and performance to summarise what the charity has achieved in the year and what impact it has made.

The responsibility for preparing the Trustees’ Annual Report rests with the charity trustees. As it provides important accompanying information to the financial statements it should be attached to them whenever a full set of financial statements is distributed or otherwise made available.

Paragraphs 41 to 59 of the Charities SORP detail the specific content of the Trustees’ Annual Report and are summarised into the following 7 categories:

1. Reference and administrative details of the charity, its trustees and advisers.
2. Structure, governance and management.
3. Objectives and activities.
4. Achievements and performance.

5. Financial review.

6. Plans for future periods.

7. Funds held as custodian trustee on behalf of others.

These requirements are set out in more detail in Appendix 1.

Companies Act 2006

Charities that are companies are also required to disclose specific matters in accordance with the Companies Act 2006. These are covered in sections 415 to 419 of the Companies Act 2006 and the relevant accounting regulations (Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 or Schedule 5 of the Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008).

A separate statutory Directors’ Report does not need to be prepared for charitable companies provided that the Trustees’ Annual Report contains all the information required to be provided under the Companies Act 2006.

A summary of the Companies Act 2006 requirements is included in Appendix 1.

Public benefit reporting

The Charity Commission published guidance in 2008 on public benefit reporting which stated that public benefit is an integral part of what every charity does and should be integrated into any overall report of the charity’s activities and performance during the year. Charity trustees are required to have regard to the Charity Commission’s public benefit guidance and to report on their charity’s public benefit.

¹ Applicable to charities registered in England and Wales

Financial Reporting Council Guidance on Going Concern and Liquidity Risk

In addition, the Financial Reporting Council published “Going Concern and Liquidity Risk: Guidance for Directors of UK Companies” in October 2009.

The document included guidance on going concern disclosures and recommended that these disclosures are brought together in a single place in the financial statements. As part of the discussion about the charity’s financial review, it may be useful for the trustees’ annual report to cross refer to the going concern disclosures in the financial statements.

The guidance includes suggested disclosures in respect of going concern and makes explicit that it applies to all companies, not just listed companies. In addition, the guidance states that “it may also be useful to the management of other entities that produce financial statements that are intended to give a true and fair view”, which would be the case for charities preparing accounts under the Charities SORP.

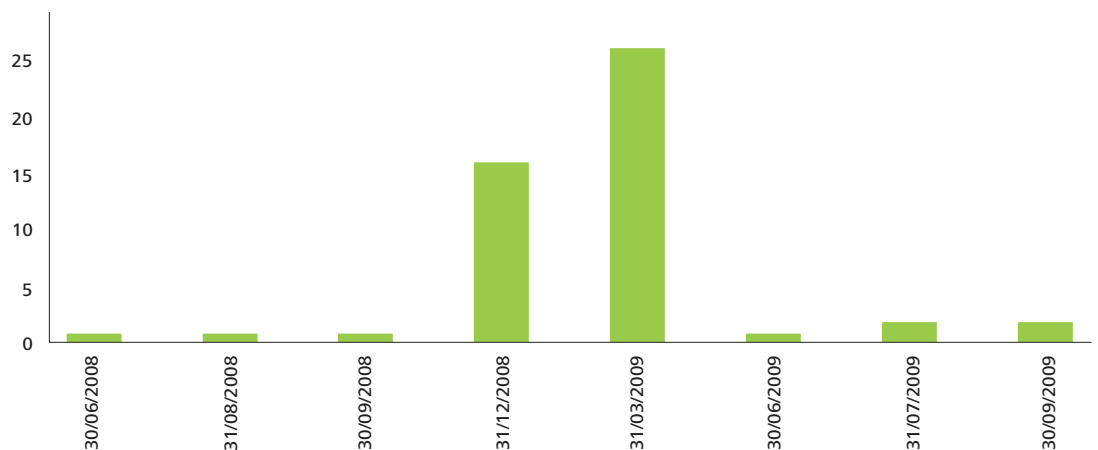
Section 3 – The Survey’s objectives and basis

The main objective of the survey was to consider how the particular requirements regarding the content of the trustees’ annual report have been applied by charities, including the recent guidance issued by the Charity Commission in respect of public benefit.

In addition, we have considered the compliance with the guidance issued by the Financial Reporting Council in respect of going concern and liquidity disclosures and also considered some matters that we deemed to be of particular interest in the current economic environment, such as the disclosure of details of the trustees’ expenses and remuneration. We have not considered the specific Companies Act 2006 requirements regarding matters required to be disclosed in the directors’ report.

The survey was conducted by obtaining a list of the Top 1000 charities by income in the United Kingdom from the Top 3000 Charities 2009/10 publication produced by CaritasData. The sample selected comprised 50 charities from the list of the top 1000 charities by income. 10 of these 100 charities were randomly selected from the top 100 charities, 10 from charities ranked 101 to 200 and the remainder from the top 1000 charities.

The split of the charities surveyed by year end was as follows:



In certain instances, we have provided results split by top 100 charities, charities ranked 101-200 and other charities in the top 1000 for the interest of the reader.

We have included at Appendix 1, a trustees’ annual report disclosure checklist which has been based on Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), the Companies Act 2006 and the Charity Commission’s guidance on public benefit reporting. We used this disclosure checklist in helping us design some of the questions posed in this survey.

Section 4 – Survey results

This section sets out our survey findings in respect of the elements of the trustees' annual report.

4.1 Time to report

The deadline date for submission of the financial statements with both the Charity Commission and, where relevant, Companies House was ten months after the date of the year end. We were unable to determine the dates that the financial statements were filed with OSCR (where relevant) as this information is not made available on OSCR's website.

It is important to note that for accounting periods commencing on or after 6 April 2008, company accounts are required to be filed at Companies House within nine months of the year end but the Charity Commission deadline remains at ten months.

The average length of time before the financial statements were approved by the charity was 161 days after the year end. The quickest and slowest lengths of time for approval were 44 days and 302 days respectively.

All of the financial statements reviewed were filed at the Charity Commission prior to the ten month deadline. The average length of time before the financial statements were filed with the Charity Commission was 208 days after the year end. The quickest and slowest times to file were 77 days and 304 days respectively.

Figure 1a. How quickly after the year end are the financial statements approved by the trustees?

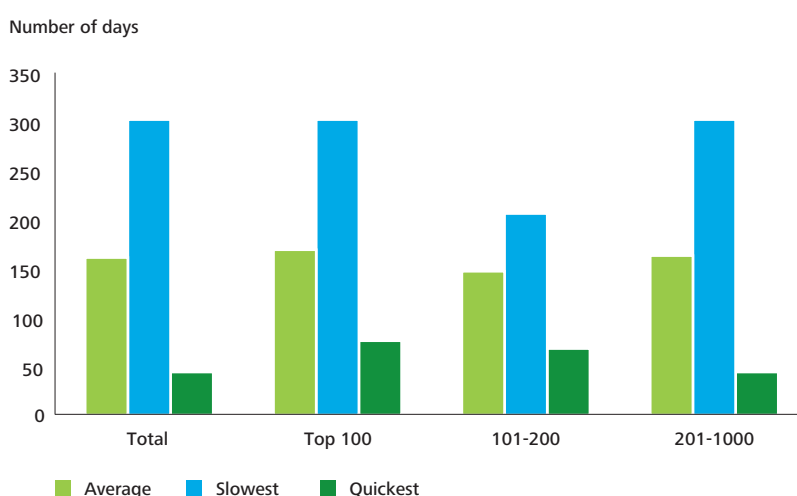


Figure 1b. How quickly after the year end are the financial statements filed with the Charity Commission?

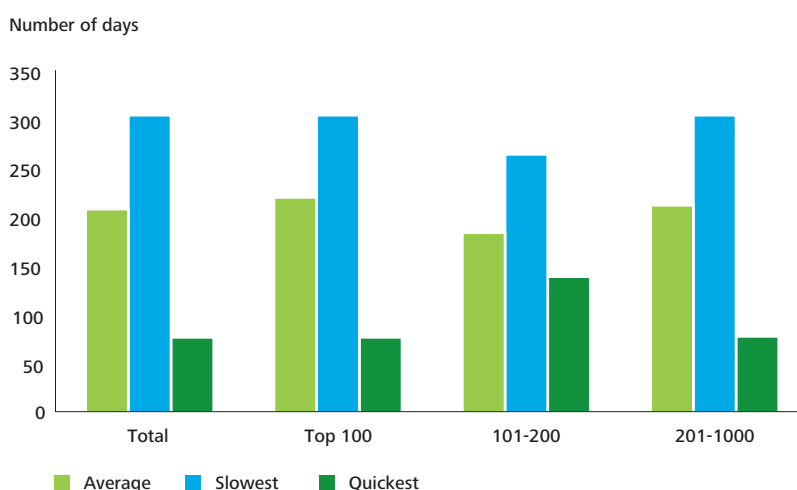


Figure 2. Who signs the trustees' annual report? (%)

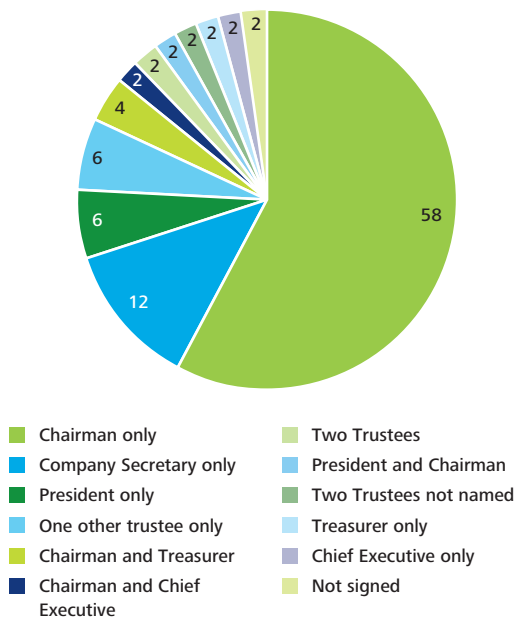
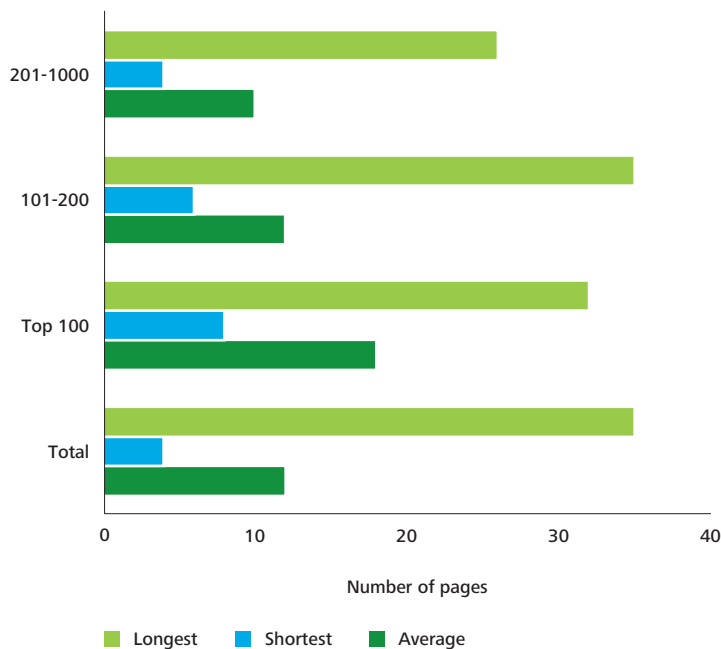


Figure 3. Length of the trustees' annual report



4.2 Signing of the trustees' annual report

The Charities SORP requires that both the Annual Report and Accounts should be approved by the charity trustees as a body and should be signed on behalf of the charity trustees by one of their number authorised so to do or as otherwise required by law but does not require any particular trustee to sign the report.

Our survey showed that 58% of the trustees' reports were signed by the Chairman only. There was a wide variety of practices as to who signed the report for the remaining 42%. 2% of reports were not signed by a trustee.

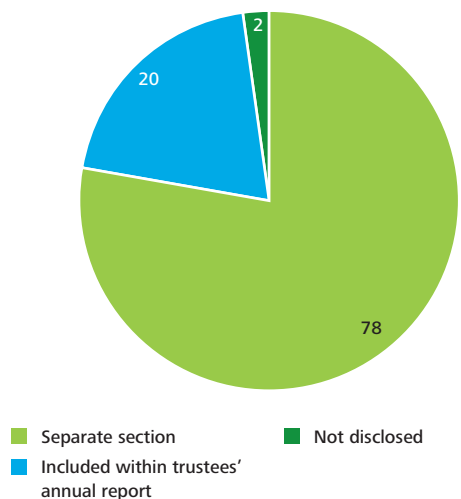
4.3 Length of the trustees' annual report

The average length of the financial statements and the trustees' annual report surveyed was 36 pages. The average length of the trustees' annual report was 12 pages. The longest trustees' report at 35 pages was produced by a charity in the top 200. The shortest report was 4 pages long.

4.4 Reference and administrative disclosures

The SORP requires disclosure of a number of administrative matters, such as the name of the charity, the registration numbers, address and the names and addresses of its professional advisers. 78% of those charities surveyed, chose to comply with these administrative requirements by including a separate legal and administration section rather than include the information within the main body of the trustees' report. 2% of charities surveyed did not disclose the reference and administrative details at all although some requirements were met on the cover and in the auditors' report.

Figure 4. Disclosure of reference and administrative details (%)



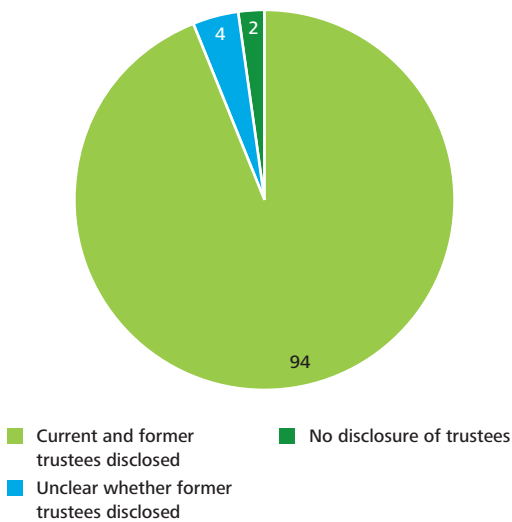
4.5 Details of trustees and the executive team

The SORP also requires charities to disclose details about the names of the trustees and other members of the senior management team to whom day to day management is delegated.

94% of charities surveyed clearly disclosed their current and former trustees, for 4% it was unclear whether the former trustees had been disclosed and for 2% there was no disclosure of the names of the trustees.

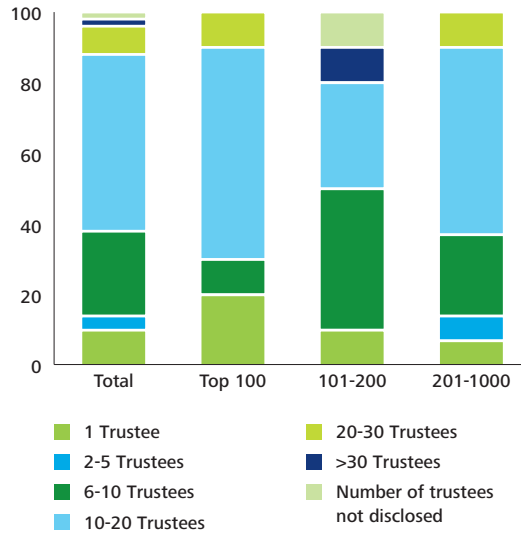
Of the charities surveyed who had a corporate trustee (10% of the sample), 100% disclosed the names of the directors of that corporate trustee.

Figure 5a. Disclosure of trustees (%)



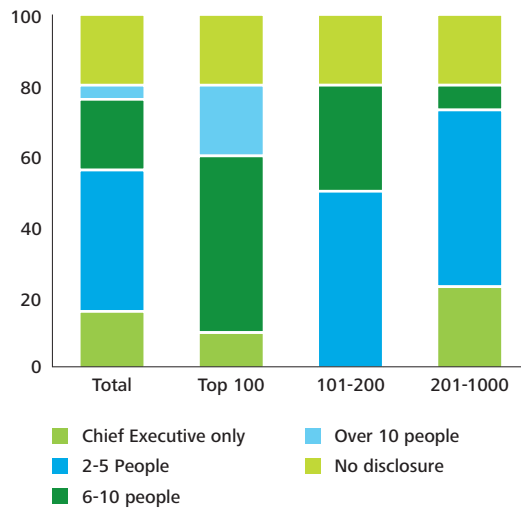
The average number of trustees was 12, with the maximum being 48 and the minimum 1 (where there were corporate trustees).

Figure 5b. Number of trustees (%)



80% of charities disclosed the names of the members of the senior management team to whom day to day management of the charity is delegated and the average number of people listed was 5.

Figure 5c. Disclosure members of the senior management team (%)

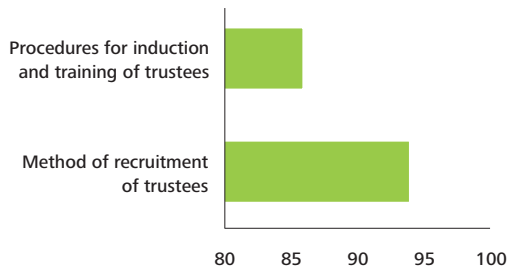


4.6 Structure, governance and management

As part of the SORP requirements on the structure, governance and management of the charity, there is a requirement that the annual report provides the reader with an understanding of how the trustees are appointed and trained. 94% complied with the requirement to explain the method of appointing trustees but only 86% included details of the procedures for the induction and training of trustees.

Although the vast majority of charities complied with these requirements, in many cases this was done in very minimalist terms complying with the letter of the SORP but not giving much detail to aid the reader of the financial statements. A common example was stating that trustees were elected at the annual general meeting without explaining the process by which trustees are nominated to stand.

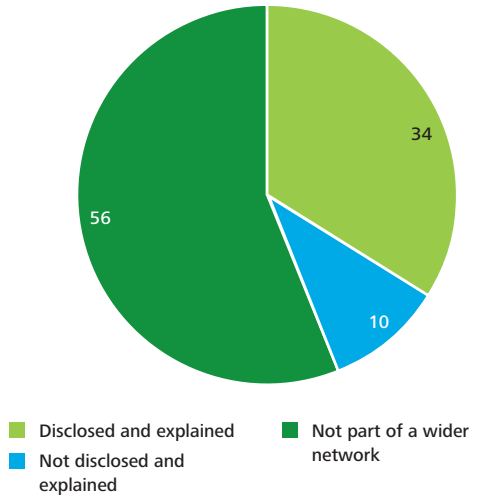
Figure 6. Recruitment and training of trustees (%)



4.7 Charities part of a wider network

The SORP requires that where the charity is part of a wider network (for example charities affiliated within an umbrella group) then the relationship involved should also be explained where this impacts on the operating policies adopted by the charity. Of the charities surveyed, 44% were part of a wider network but only 77% of those charities gave any detail about the impact of that network.

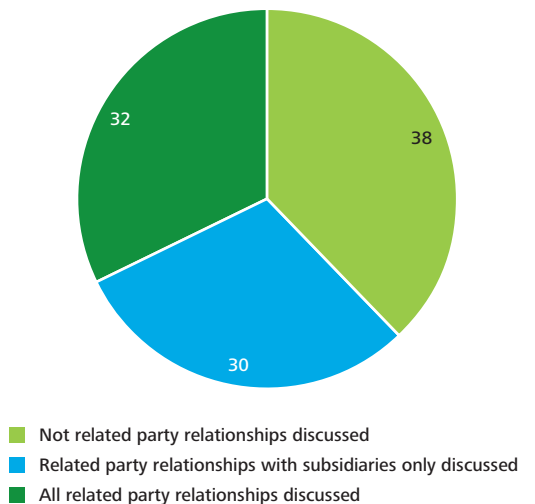
Figure 7. Charities part of a wider network (%)



4.8 Relationships with related parties

The SORP requires that the trustees' annual report discloses the relationships between the charity and related parties, including its subsidiaries. Of those surveyed, 38% made no disclosure about related parties in the trustees' annual report even though 14% clearly had material subsidiary undertakings. A further 30% only disclosed related party relationships with the charity's subsidiaries and did not mention other related party relationships such as with the trustees.

Figure 8a. Relationships with related parties (%)



One key type of related party to any charity will be the trustees. In addition to the trustees' annual report disclosures, the charities SORP includes requirements relating to the disclosure of the level of trustees' expenses and remuneration and in view of the level of interest in these items the relevant notes to the financial statements were reviewed.

Of those charities surveyed, 10% paid trustees remuneration which was disclosed in the notes to the financial statements but only one of those charities included any discussion of the remuneration in the trustees' report.

The main type of expenses reimbursed was travel costs, which were incurred by 54% of those charities surveyed. 24% of the charities surveyed did not disclose the type of expense involved. There was also a disparity in the treatment of trustee indemnity insurance as some charities included this in their trustees' expenses while others did not but did disclose the amount.

4.9 Major risks to which the charity is exposed

The SORP states that there should be a statement confirming that there are systems or procedures established to manage the major risks to which the charity is exposed. 4% of the charities surveyed did not comply with this requirement.

The SORP itself does not require the major risks themselves to be disclosed, although for charitable companies section 417 of the Companies Act 2006 does require a description of the principal risks and uncertainties facing the charity. 40% of charities (not all which were companies) disclosed details about the nature of the major risks; the average number of risks disclosed was 4 with the maximum being 10 risks and the minimum 1 risk.

Figure 8b. Type of trustees' expense (%)

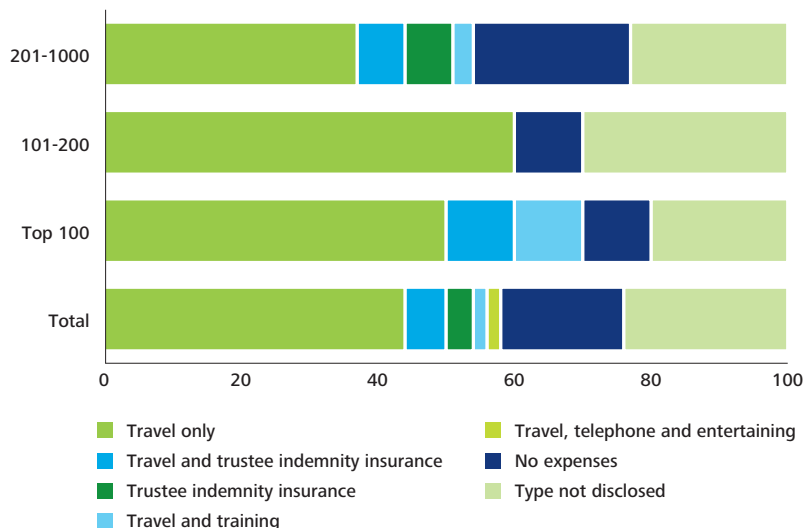
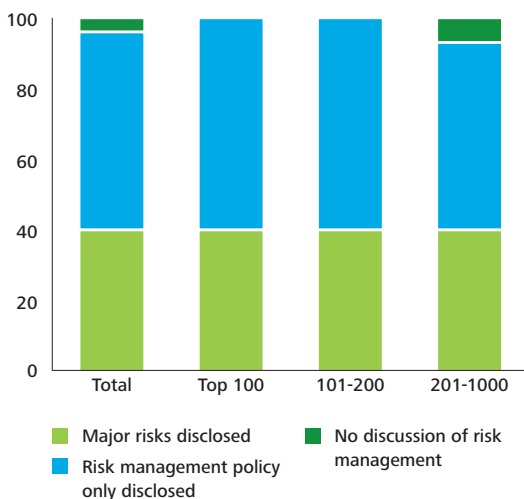


Figure 9a. Disclosure of major risks to which the charity is exposed (%)



The most common types of risks that were disclosed were operation issues (24%), followed by concerns about the state of the economy (15%) and reductions in income levels (15%).

Figure 9b. Type of risks disclosed (%)

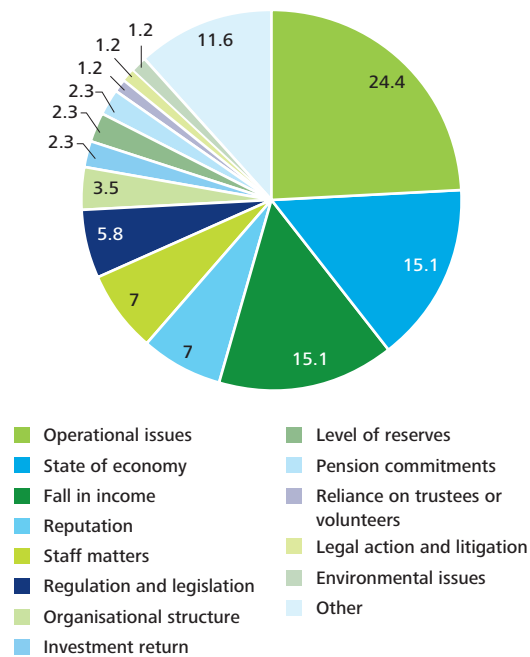
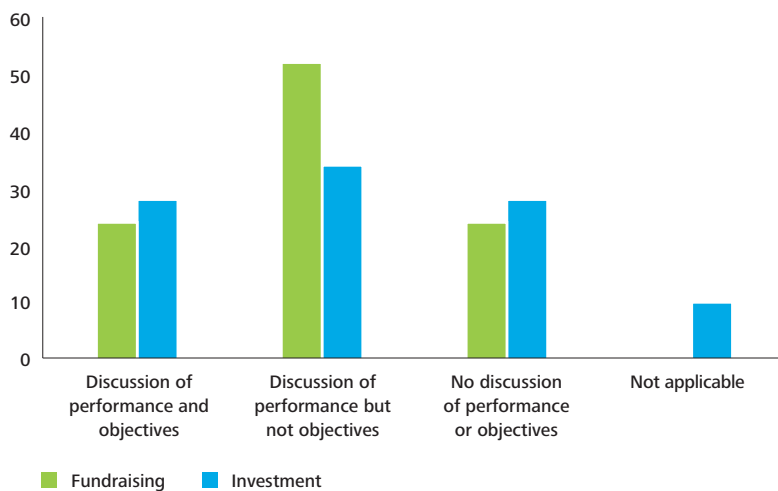


Figure 11. Fundraising and investment performance (%)

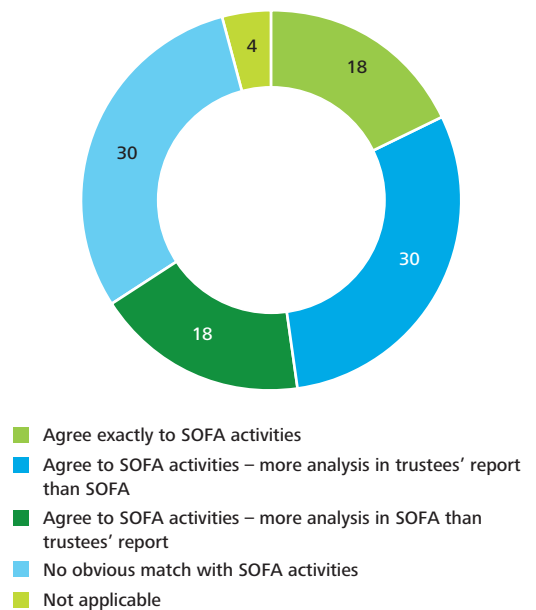


4.10 Strategy to achieve the charity's objectives

The discussion of the significant activities in the trustees' annual report should explain the objectives, activities, projects or services identified within the analysis of charitable activities shown in the Statement of Financial Activities.

There was broad consistency between the analysis of activities shown in the SOFA and that in the trustees' annual report, but in 30% of reports there did not appear to be any obvious correlation between the headings used in the trustees' annual report and the activities listed in the SOFA.

Figure 10. Comparison of SOFA activities to headings used in trustees' report (%)



In addition, some of the larger charities brought a number of trustees' annual report requirements together by activity so that the objectives for the year, the review of the performance in the year and the future plans for that specific activity were all in one section.

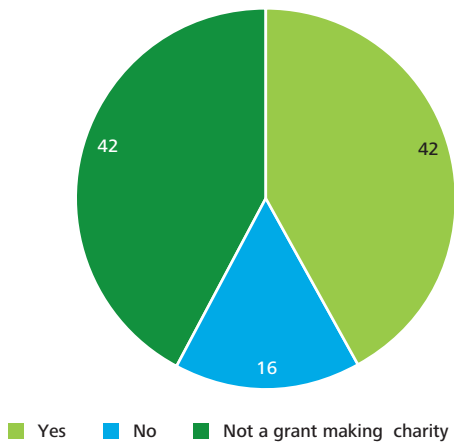
4.11 Fundraising and investment performance

The SORP requires that where material fundraising is undertaken or material investments held, the performance should be compared to the objectives set. 74% of charities surveyed included an explicit discussion of fundraising performance and 62% for investment performance. However, 52% of charities did not explicitly compare their fundraising performance to the objectives set and in the case of investment performance, this figure was 34%.

4.12 Grant making policy

The SORP requires that the annual report includes a requirement that where the charity conducts a material part of its activities through grantmaking, a statement should be provided setting out its grantmaking policies. 16% of those charities surveyed did not disclose the grant making policy.

Figure 12. Grant making policy (%)

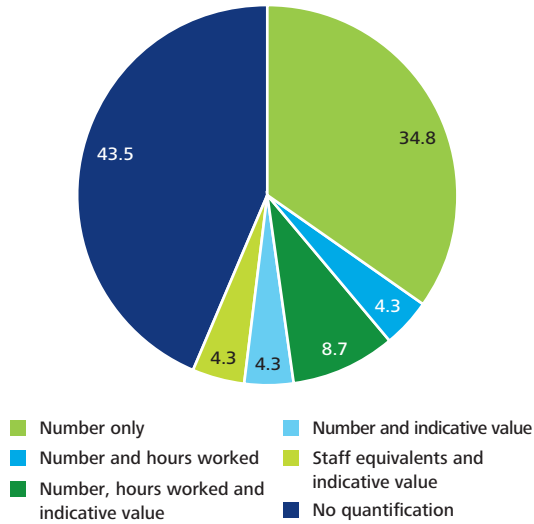


4.13 Use of volunteers

The SORP includes a requirement that where a charity makes significant use of volunteers in the course of undertaking its charitable or income generating activities this should be explained. The SORP recognises that there may be measurement issues, which is the reason why the amounts are not included in the SOFA, but suggests that readers should be given sufficient information to understand the role of volunteers and suggests measures such as hours worked, staff equivalents or an indicative value.

Of the charities surveyed, 46% clearly stated that they used volunteers and included a description of the help that the volunteers provided. However, of those that included such a description, 44% included no quantification about the about of assistance given by volunteers. The most popular quantifying measure that was used was the number of volunteers who assisted the charity in the year.

Figure 13. Quantification of use of volunteers



4.14 Reserves policy

As part of the financial review, the trustees’ annual report should include a statement of the policy on reserves stating the level of reserves held and why they are held.²

All charities in the survey included a section of the reserves policy although the usefulness of this section varied considerably.

In terms of the length of the section, the average length of the statement was 213 words. The longest statement was 690 words and the shortest was 28 words.

² CC19 Charities’ Reserves provides useful guidance about what should be included in the reserves policy

Figure 14a. Length of the reserves policy

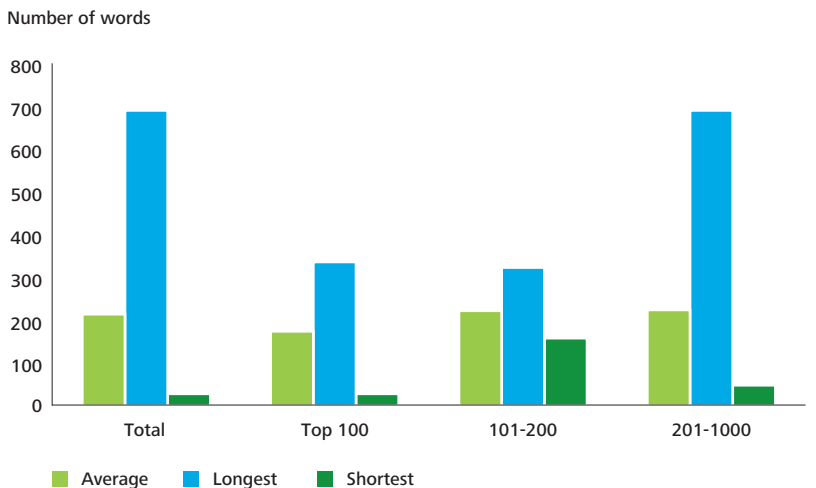
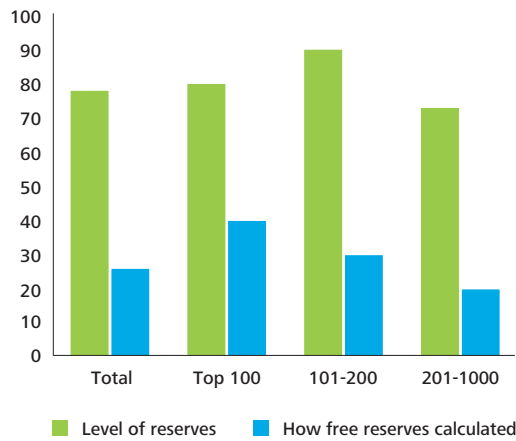


Figure 14b. Disclosure of level of free reserves and how free reserves calculated (%)



Only 78% of charities disclosed the level of reserves that are freely available for spending in their trustees' annual report and only 26% explained how this figure was calculated through reconciling the unrestricted funds less designated funds to free reserves.

50% of charities disclosed their target level of reserves in terms of months of expenditure with 22% of charities disclosing the target in terms of a monetary amount. 22% of charities did not disclose any targeted level of free reserves.

Of the charities surveyed, 24% were below their targeted level of reserves. 40% were either on target or exceeded their targeted level of reserves.

64% of charities did not state in their trustees' annual report how frequently they reviewed their reserves policy. 10% included the date of the last review but did not state the date of the next review and 26% disclosed that they reviewed their reserves policy on an annual basis.

Figure 14c. Target for free reserves (%)

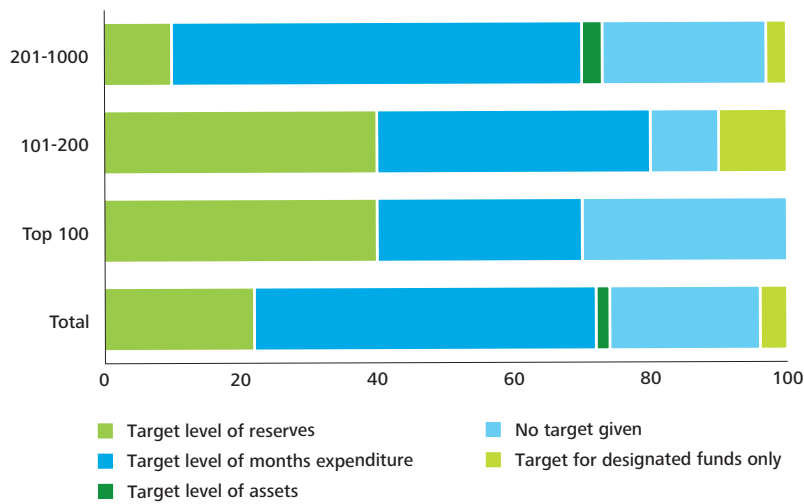


Figure 14e. Frequency of review of reserves policy (%)

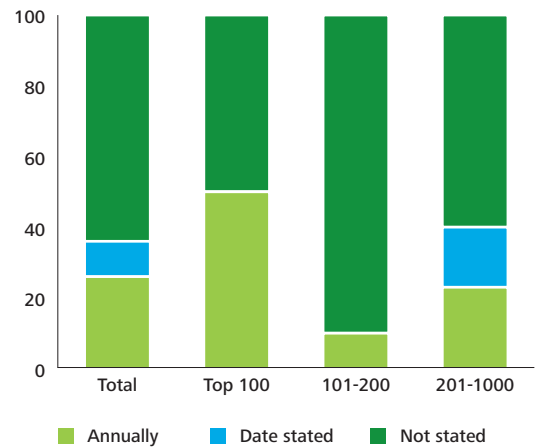
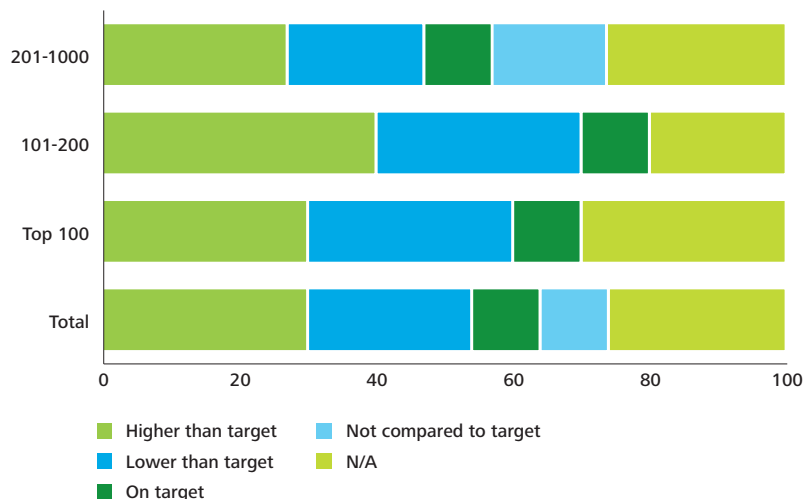


Figure 14d. Level of reserves against target (%)



Where material funds have been designated, the reserves policy statement should quantify and explain the purpose of the designations and the likely timing of that expenditure.

42% of those charities surveyed only disclosed information in the designated funds in the notes to the financial statements with no cross referencing from the trustees' annual report. 8% of charities surveyed did not disclose any details about their designated funds.

4.15 Investment policy

The SORP requires that where material investments are held, the investment policy and objectives, including any social, environmental or ethical considerations are disclosed.

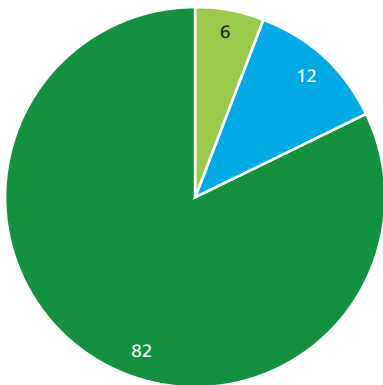
Of those charities surveyed, 8% did not comply with this requirement (not including the 10% with no investments). Of the total number of charities surveyed, 36% had no discussion of any such restrictions and 12% explicitly stated that there were no restrictions on the investment powers. Of those that did mention any such restrictions, the most common restrictions were ethical (28% of those surveyed).

4.16 Plans for future periods

The Charities SORP requires that the trustees’ annual report should explain the charity’s plans for the future including the aims and key objectives it has set for future periods together with details of any activities planned to achieve them.

In our survey, 6% of charities did not include a looking forward section and 12% included such a section but did not describe the key objectives and activities planned to achieve them.

Figure 16. Plans for future periods (%)



- No discussion of plans for future periods
- Discussion of plans but not objectives and activities to achieve them
- Discussion of plans and objectives and activities to achieve them

Figure 14f. Disclosure of purposes and timing of designated funds %

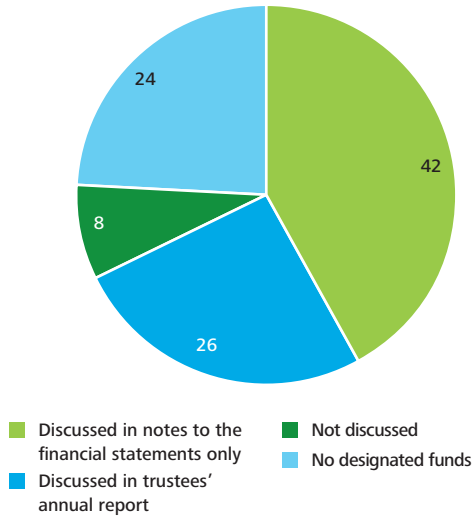
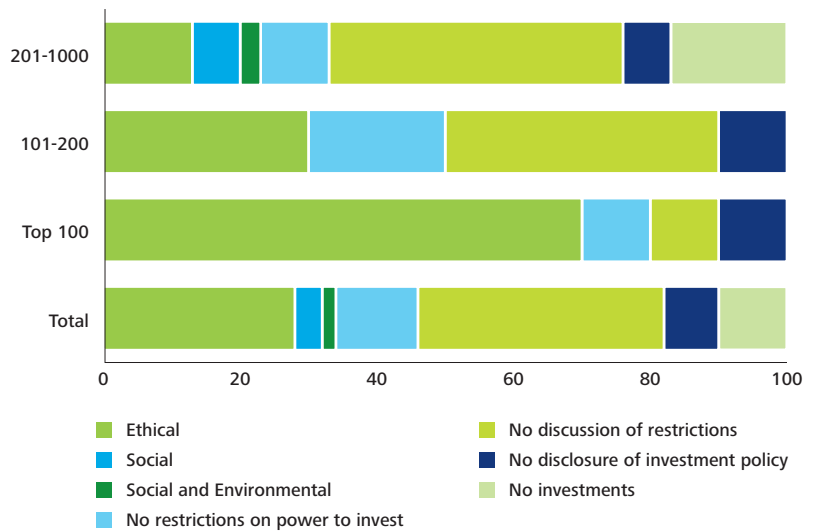


Figure 15. Analysis of investment policy (%)



4.17 Public benefit

For accounting periods commencing on or after 1 April 2008, the Charity Commission introduced a requirement that trustees include in their report a discussion of public benefit.

Of the charities surveyed, 10% did not include a discussion of public benefit in the trustees' annual report despite having a year end on or after 31 March 2009. A further 18% related to financial years ending prior to 31 March 2009 for which the requirements did not apply.

Although 72% of charities included a discussion of public benefit, only 60% explicitly stated that they had regard to the Charity Commission guidance when preparing the trustees' annual report.

4.18 Compliance with FRC guidance on going concern

In November 2008, the Financial Reporting Council published "An Update for Directors of Listed Companies: Going Concern and Liquidity Risk" which included suggested disclosures in respect of going concern. While not explicitly applying to non-listed entities, the guidance stated that it was "useful for directors of unlisted companies who have similar responsibilities to assess going concern and make appropriate disclosures".

In October 2009, the Financial Reporting Council published "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" which superseded the earlier document. The guidance makes explicit that it applies to all companies, not just listed companies. In addition, the guidance states that "it may also be useful to the management of other entities that produce financial statements that are intended to give a true and fair view", which would be the case for charities preparing accounts under the Charities SORP.

Of the financial statements surveyed, only 10% clearly complied with the FRC guidance and included a discussion of going concern, of which 60% were companies. In all cases there was a general discussion of the matters that the trustees had considered in making the going concern assessment but no uncertainties were mentioned. Of those charities that had clearly complied with the FRC guidance, 60% included a discussion (including cross referencing) in both the trustees' annual report and the notes to financial statements; the remainder included the discussion only in the trustees' annual report. The average length of the going concern statement was 105 words.

There were no charities which contained an emphasis of matter audit report referring to a fundamental uncertainty in relation to going concern.

Figure 17a. Public benefit discussion (%)

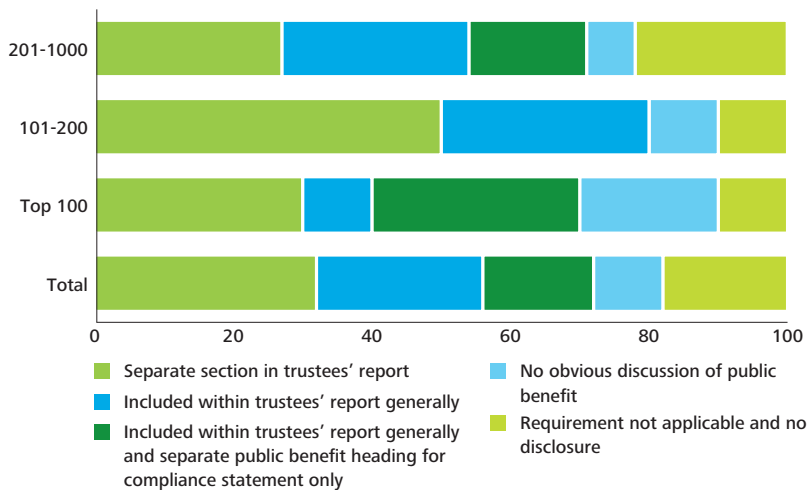


Figure 17b. Statement of compliance with the Charity Commission guidance (%)

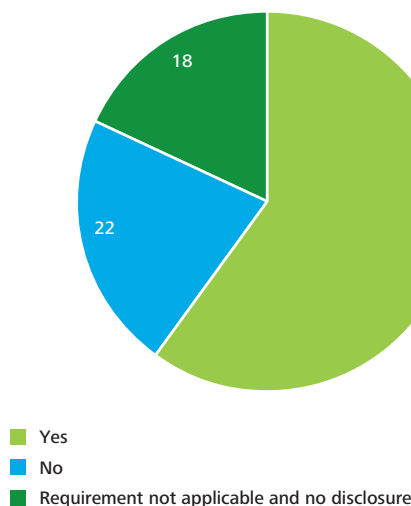


Figure 18a. Has the charity complied with the FRC guidance on going concern? (%)

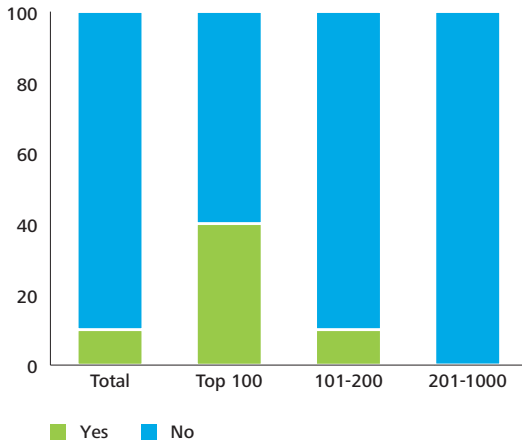


Figure 19a. Are the financial statements and the trustees' annual report visually stimulating? (%)

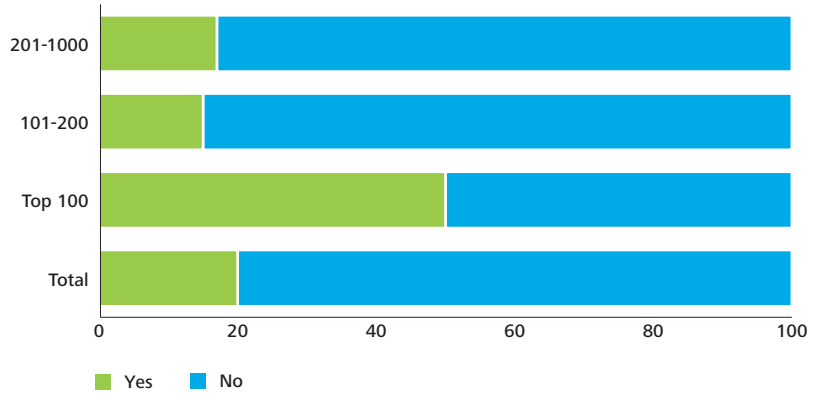
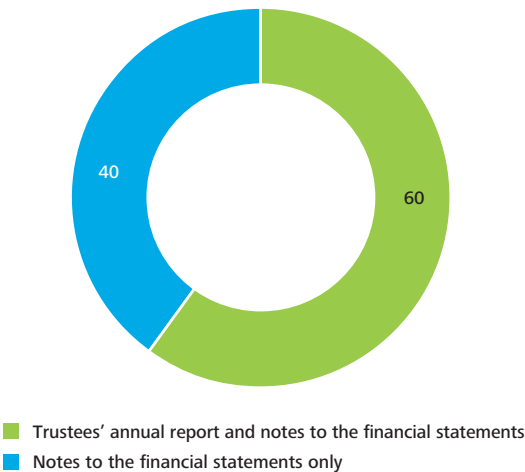
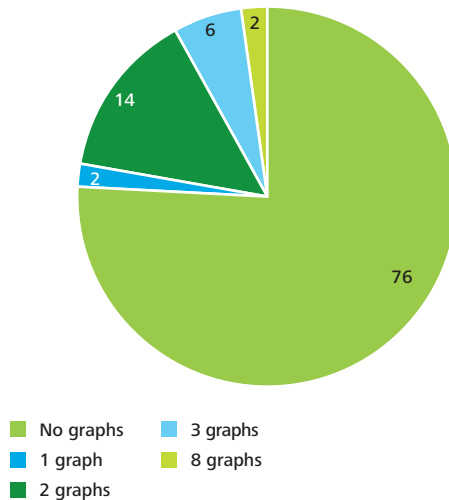


Figure 18b. Location of the going concern statement (%)



The use of graphs and tables can assist in adding clarity to the narrative elements of the trustees' annual report. Of the charities surveyed, 24% used one or more graphs to aid the reader of the accounts in their understanding of events. Graphs were used principally to analyse income sources and types of expenditure.

Figure 19b. Does the charity display any graphs in its trustees' annual report? (%)



As part of the review of compliance with the FRC guidance, we also reviewed the audit report to see if any of the audit reports had a modified opinion. None of the audit reports had an emphasis of matter and only one audit report had a qualified opinion, which was a disagreement over accounting treatment.

4.19 Visual appearance of the financial statements

The trustees' annual report should be comprehensive and understandable. The vast majority of the trustees' annual reports were very dull to look at, consisting mainly of long sections of narrative not broken up by the use of pictures, charts, colour or highlighting.

Figure 19c. What areas do these graphs cover? (%)

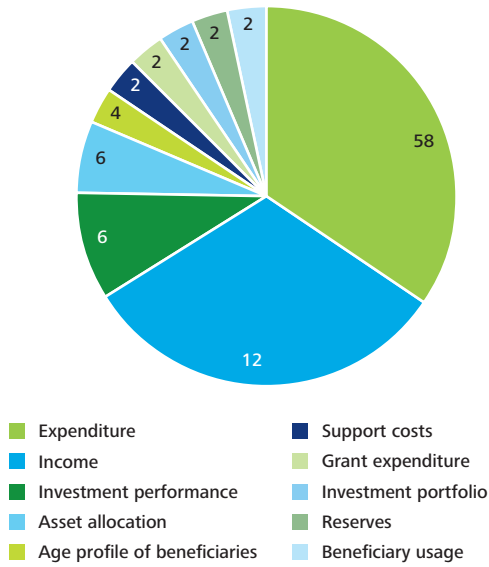
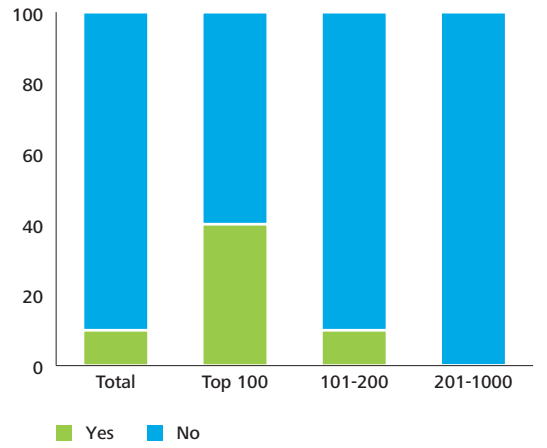


Figure 19d. Is there a single highlights page? (%)



A single highlights page can be used to summarise the key information, trends and results for the charity. Of the charities surveyed, only 10% had such a summary and all but one of those surveyed were from the top 100 charities.

Appendix 1 – Trustees’ Annual Report disclosure checklist

This disclosure checklist summarises the requirements as at 31 March 2010 and is based on the Charities SORP which was published in 2005 together with other applicable guidance such as the public benefit reporting requirements produced by the Charity Commission and, where applicable, the Companies Act 2006 and the relevant accounts and reports regulations.

This checklist should be read in conjunction with the Charities SORP and other applicable guidance.

Charities SORP requirements (Although charities that fall outside of the audit threshold are exempt from certain disclosures it is considered best practice to include them)	Ref	Yes	No	N/A
<p>Reference and administrative details of the charity, its trustees and advisers</p> <p>The trustees’ annual report should disclose:</p> <p>(a) The name of the charity and any other name by which the charity is known;</p> <p>(b) The charity registration number and, where applicable, the company registration number;</p> <p>(c) The address of the principal office/registered office of the charity.</p> <p>(d) The names of all of those who were the charity’s trustees or a trustee for the charity on the date the report was approved. Where there are more than 50 charity trustees, the names of at least 50 of those trustees (including all the officers of the charity) should be disclosed. Where any charity trustee disclosed is a body corporate, the trustee report should disclose the names of the directors of the body corporate on that date.</p> <p>(e) The name of any other person who served as a charity trustee or as a trustee for the charity in the financial year in question.</p> <p>(f) The name of any Chief Executive Officer or other senior staff member(s) to whom day to day management of the charity is delegated by the charity trustees.</p> <p>(g) The names and addresses of any other relevant organisations or persons. This should include the names and addresses of those acting as bankers, solicitors, auditor</p>	SORP 2005 para 41			
<p>Where the disclosure of the names of any charity trustees, trustee for the charity, senior staff member, or persons with the power of appointment, or of the charity’s principal address could lead to that person being placed in personal danger, the charity trustees may dispense with the disclosure provided that the Charity Commission has given the trustees the authority. Reasons for non-disclosure should be disclosed in the Trustees’ report.</p>	SORP 2005 Para 42			
<p>Charities that fall outside of the statutory audit requirement may omit the disclosures in 41(f) and 41(g) above.</p>	SORP 2005 Para 43			
<p>Structure, governance and management</p> <p>The trustees’ report should provide the reader with an understanding of how the charity is constituted, its organisational structure and how its trustees are appointed and trained. It should enable the reader to understand how the charity’s decision-making processes operate.</p> <p>The level of detail provided in the report is likely to be dependent on the size and complexity of the charity and reflect the needs of the users of the report. The report should explain:</p> <p>(a) The nature of the governing document.</p> <p>(b) The methods adopted for the recruitment and appointment of new trustees, including details of any constitutional provisions relating to appointments. Where any other person or body external to the charity is entitled to appoint one or more of the charity trustees this should be explained together with the name of that person or body.</p> <p>(c) The policies and procedures adopted for the induction and training of trustees.</p> <p>(d) The organisational structure of the charity and how decisions are made.</p> <p>(e) Where the charity is part of a wider network then the relationship involved should be explained where this impacts on the operating policies adopted by the charity.</p> <p>(f) The relationships between the charity and related parties, including its subsidiaries and with any other charities and organisations with which it co-operates in the pursuit of its charitable objectives.</p>	SORP 2005 Para 44			

Charities SORP requirements (Although charities that fall outside of the audit threshold are exempt from certain disclosures it is considered best practice to include them)	Ref	Yes	No	N/A
A statement should be provided confirming that the major risks that the trustees believe the charity is exposed to, have been reviewed and systems or procedures have been established to manage those risks.	SORP 2005 Para 45			
Charities that are not subject to a statutory audit requirement may limit their disclosures within this section to those set out in paragraph 44 (a) and (b) above.	SORP 2005 Para 46			
Objectives and activities The trustees' report should assist the reader in understanding the aims and objectives set by the charity, and the strategies and activities undertaken to achieve them. The report may also, where relevant, explain how the objectives set for the year relate to longer term strategies and objectives set by the charity. Where significant activities are undertaken through subsidiary undertakings, these should be explained in the report. In particular the report should provide: (a) A summary of the objects of the charity as set out in its governing document. (b) An explanation of the charity's aims including the changes or differences it seeks to make through its activities. (c) An explanation of the charity's main objectives for the year. (d) An explanation of the charity's strategies for achieving its stated objective. (e) Details of significant activities that contribute to the achievement of the stated objectives.	SORP 2005 Para 47			
The trustees' report should detail significant activities provided, with a focus on those activities that the charity trustees consider to be significant to the charity as a whole. These details at a minimum should explain the objectives, activities, projects or services identified within the analysis note accompanying charitable activities in the Statement of Financial Activities.	SORP 2005 Para 48			
Where trustees' report should contain a statement setting out its grant making policies, where some of its activities are grant making.	SORP 2005 Para 49			
Where social or programme related investment activities are material in the context of charitable activities undertaken, the trustees report should explain the policies adopted in making such investments.	SORP 2005 Para 50			
Where a charity makes significant use of volunteers this should be explained in the trustees' report. Although measurement issues prevents the inclusion of such contributions within the Statement of Financial Activities it is however important for readers to be provided with sufficient information to understand the role and contribution of volunteers.	SORP 2005 Para 51			

Charities SORP requirements (Although charities that fall outside of the audit threshold are exempt from certain disclosures it is considered best practice to include them)	Ref	Yes	No	N/A
Charities that are not subject to a statutory audit requirement may limit their disclosures within this section to that set out in paragraph 47(a) above, together with providing a summary of the main activities undertaken in relation to those objects.	SORP 2005 Para 52			
Achievements and performance The trustees' report should contain information that enables the reader to understand and assess the achievements of the charity and its subsidiary undertakings in the year. It should provide a review of its performance against objectives that have been set. The report should provide both qualitative and quantitative information that helps explain achievement and performance. The report should contain: (a) A review of charitable activities undertaken that explains the performance achieved against objectives set. Where qualitative or quantitative information is used to assess the outcome of activities, a summary of the measures or indicators used to assess achievement should be included. (b) Where material fundraising activities are undertaken, details of the performance achieved against fundraising objectives set, commenting on any material expenditure for future income generation and explaining the effect on the current period's fundraising return and anticipated income generation in future periods. (c) Where material investments are held, details of the investment performance achieved against the investment objectives set. (d) Comment on those factors within and outside the charity's control which are relevant to the achievement of its objectives; these might include relationship with employees, users, beneficiaries, funders and the charity's position in the wider community.	SORP 2005 Para 53			
Charities that are not subject to a statutory audit requirement may limit their disclosures within this section to providing a summary of the main achievements of the charity during the year.	SORP 2005 Para 54			
Financial review The trustees' report should contain a review of the financial position of the charity and its subsidiaries and a statement of the principal financial management policies adopted in the year. The report should explain the charity's: (a) Policy on reserves stating the level of reserves held and why they are held. Where material funds have been designated, the reserves policy statement should quantify and explain the purpose of the designations and, where set aside for future expenditure, the likely timing of that expenditure. (b) Where any fund is materially in deficit, the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit. (c) Principal funding sources and how expenditure in the year under review has supported the key objectives of the charity. (d) Where material investments are held, the investment policy and objectives, including the extent to which social, environmental or ethical considerations are taken into account.	SORP 2005 Para 55			
Charities that are not subject to a statutory audit requirement may limit their disclosures within this section to those set out in paragraph 55(a) and 55(b) above.	SORP 2005 Para 56			
Plans for future periods The trustees' report should explain the charity's plans for the future including the aims and key objectives it has set for future periods. This should include details of any activities planned to achieve them.	SORP 2005 Para 57			

Charities SORP requirements (Although charities that fall outside of the audit threshold are exempt from certain disclosures it is considered best practice to include them)	Ref	Yes	No	N/A
Charities that are not subject to a statutory audit requirement may omit this disclosure although disclosure of this matter is encouraged as a matter of good practice.	SOPR 2005 Para 58			
Funds held as custodian trustee on behalf of others Where a charity is, or its trustees are, acting as custodian trustees, the following should be disclosed in the trustees' report: (a) A description of the assets which they hold in this capacity. (b) The name and objects of the charity (or charities) on whose behalf the assets are held and how this activity falls within their own objects. (c) Details of the arrangements for safe custody and segregation of such assets from the charity's own assets.	SORP 2005 Para 59			
Consolidation There should be a separate comment in the Trustees' Annual Report concerning the activities and performance of each of the charity's material subsidiary undertakings.	SORP 2005 Para 398			
Accounting for retirement benefits Where a material pension liability is disclosed, either the trustees' annual report or the notes to the financial statements should explain the impact on general funds. If the pension liability exceeds the balance on unrestricted funds, either the trustees' annual report or the notes to the financial statements should explain any limitations placed on any restricted fund of the charity to contribute to any resource requirements arising from the disclosed liability.	SORP 2005 Para 447			
Where a material pension asset disclosed, either the trustees' annual report or notes to the financial statements should explain the nature of the economic benefit derived from the asset and give an indication of the period over which any benefit in terms of reduced contributions will accrue to the charity.	SORP 2005 Para 448			
Public benefit reporting requirements	Ref	Yes	No	N/A
The trustees' annual report includes a report of those activities undertaken by a charity to further its charitable purposes for the public benefit.	Public benefit legal requirement 1			
The trustees' annual report contains a statement by the charity trustees confirming whether due regard has been paid to the public benefit guidance published by the Charity Commission.	Public benefit legal requirement 2			

Companies Act 2006 directors' report requirements	Ref	Yes	No	N/A
A separate statutory directors' report does not need to be prepared for charitable companies provided that the trustees' annual report contains all the information required to be provided under the Companies Act 2006. There is inevitably some duplication between the Companies Act requirements and those of the Charities SORP, but they have been included in the interests of completeness.				
The directors' report should be approved by the Board of directors and signed by a director or the company secretary on its behalf. The name of the director or company secretary so signing should be stated.	s419(1)			
Principal activities of the company (and of its subsidiary undertakings) during the period and any significant changes should be given.	s416(1b), (2)			
The names of all of the persons who were directors during the period should be given.	s416(1a)			
If the amount given in the year for charitable purposes by the company and its subsidiaries between them exceeds £2000 state, in the case of each of the purposes for which money has been given, the amount of money given for that purpose.	Acc Regs Sch7:3-5			
Disclose the following for political donations and expenditure in the EU area (separately identified by reference to each subsidiary): (a) the name of each registered party or other EU political organisation which has been the recipient of a donation; (b) the total amount given to that party or organisation in the financial year; and (c) the total amount of EU political expenditure incurred by the company in the financial year. Disclosure is also required for contributions to non-EU political parties as a single aggregate figure for the financial year. For period beginning on or after 6 April 2008 the de minimis threshold is £2000. The scope of the requirement includes donations made to any independent election candidate.	Acc Regs Sch7:3-5			
Provisions for the benefit of one or more directors of the company. If: (a) at the time when the directors' report is approved any qualifying third party indemnity provision (whether made by the company or otherwise) is in force for the benefit of one or more directors of the company, or (b) at any time during the financial year, any such provision was in force for the benefit of one or more persons who were then directors of the company, the directors' report must state that any such provision is or (as the case may be) was so in force.	s236(2)(3)			
Provisions for the benefit of one or more directors of an "associated company". If the company has made a qualifying third party indemnity provision and (a) at the time when the directors' report is approved any qualifying third party indemnity provision made by the company is in force for the benefit of one or more directors of an associated company; or (b) at any time during the financial year, any such provision was in force for the benefit of one or more persons who were then directors of an associated company; the directors' report must state that any such provision is or (as the case may be) was so in force.	s236(2)(3)			

Companies Act 2006 directors' report requirements	Ref	Yes	No	N/A
<p>The report must contain a statement to the effect that, in the case of each of the persons who are directors at the time when the directors' report is approved, the following applies:</p> <p>(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and</p> <p>(b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.</p>	s418			
The following disclosures are only required where the average number of employees exceeds 250				
<p>State the company's policy as to:</p> <p>(a) employment of disabled persons;</p> <p>(b) continued employment and training of persons who become disabled while in the company's employment; and</p> <p>(c) raining, career development and promotion of disabled people.</p>	Acc Regs Sch 7:10			
<p>Describe the action that has been taken during the financial year to introduce, maintain or develop arrangements:</p> <p>(a) to provide employees systematically with information on matters of concern to them;</p> <p>(b) regularly to consult employees, or their representatives, for views on matters affecting them;</p> <p>(c) to encourage employee involvement in the company's performance through share schemes or otherwise; and</p> <p>(d) to make all employees aware of financial and economic factors affecting the performance of the company.</p>	Acc Regs Sch7:11			
The following disclosures are only required for large and medium-sized charitable companies				
<p>The business review must contain</p> <p>(a) a fair review of the business of the company, and</p> <p>(b) a description of the principal risks and uncertainties facing the company.</p> <p>The business review is a balanced and comprehensive analysis of the development and performance of the business of the company during the year, and the position of the company at the end of that year. This analysis is consistent with the size and complexity of the business.</p> <p>The review includes an analysis using financial KPIs, to the extent that they are necessary for an understanding of the development, performance or position of the business of the company.</p> <p>For large companies: where appropriate, a company has considered providing an analysis using non-financial KPIs, including information relating to environmental factors and employee factors.</p> <p>The review, where appropriate, includes references to, and additional explanations of, amounts included in the annual accounts of the company.</p>	s417			
<p>In relation to the use of financial instruments by a company and its subsidiary undertakings, the directors' report must contain an indication of:</p> <p>(a) the financial risk management objectives and policies of the company and its subsidiary undertakings included in the consolidation, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and</p> <p>(b) the exposure of the company and its subsidiary undertakings included in the consolidation to price risk, credit risk, liquidity risk and cash flow risk.</p> <p>This is not required if the information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company and its subsidiary undertakings included in the consolidation.</p>	Acc Regs Sch 7:6(1)(2)			

Companies Act 2006 directors' report requirements	Ref	Yes	No	N/A
Particulars of any important events which have occurred since the end of the financial year in relation to the company and its subsidiary undertakings should be given.	Acc Regs Sch7:7			
An indication of likely future developments in the business of the company and its subsidiary undertakings should be given.	Acc Regs Sch7:7			
An indication of any activities in the field of research and development in relation to the company and its subsidiary undertakings should be given.	Acc Regs Sch7:7			
An indication of the difference between book value and market value of land of the company (or any of its subsidiary undertakings) if significant should be given.	Acc Regs Sch 7:2			
An indication of the existence of branches of the company outside the UK.	Acc Regs Sch 7:7(d)			

Appendix 2 – Contacts

Deloitte would be pleased to advise on specific application of the principles set out in the SORP. General advice within this report cannot be relied upon to cover specific situations; application will depend on the particular circumstances involved. If you would like further, more detailed information and advice, or would like to meet with us to discuss any current issues for your charity, please contact us.

External audit

London and the South East

Mary Reilly

Partner

020 7007 2994

mmreilly@deloitte.co.uk

North East/North West

Christopher Powell

Partner

0113 292 1288

cdpowell@deloitte.co.uk

East Anglia

Andy Swarbrick

Partner

01223 259338

aswarbrick@deloitte.co.uk

South West and Wales

Mark Hill

Partner

0117 984 2870

mahill@deloitte.co.uk

Scotland

Susan Forrester

Associate Partner

0131 535 7267

sforrester@deloitte.co.uk

Midlands

David Hall

Partner

0121 695 5685

davidbhall@deloitte.co.uk

If you would like to be added to our distribution list for future mailings, please contact us.

Deloitte refers to one or more of Deloitte Touche Tohmatsu ('DTT'), a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTT and its member firms.

Deloitte LLP is the United Kingdom member firm of DTT.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2010 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. 3684A

Member of Deloitte Touche Tohmatsu