

Service Performance Reporting by Charities - *Compliance burden or a fantastic opportunity?*

So you have to do something you've not had to do before. And even worse it's mandatory. Hence if you don't do it you are now officially breaking the law. The normal human reaction is to groan, often followed quickly by complaining bitterly to the nearest available person. You rail against the unfairness of it all and how these people that set these laws don't understand your situation and how much harder they've just made life for you.

Sound familiar? It does to me. I've been there. And possibly too often (slow learner perhaps?)

My observation is that the speed and ferocity of the complaining reaction is also usually directly proportional to how busy and overwhelmed the person may already be.

But this is entirely normal. Standard human reaction to change is negative. We are creatures of comfort and hence change generally represents a threat, or at the very least; additional effort.

Yet I have also learnt that if you catch your reaction and instead channel that energy into understanding what is required, you can often identify opportunities to turn it to your advantage.

What's all this got to do with service performance reporting?

As auditors we've been fielding quite a few negative comments from accountants and others involved in charities about why they have to comply with the new financial reporting standards and especially why they have to do this new additional compliance being service performance reporting.

Our answer is that this is actually a fantastic opportunity for them:

- To tell their story
- To communicate a real flavour of their organisation
- To contextualise the financial information they are required to present
- To proactively engender trust and confidence in their organisation

All of which, if done well, should result in improved stakeholder support for their organisation and cause.

Looking at this as an opportunity rather than just compliance also puts the charity in the driving seat. Reporting service performance information in a style and manner that reflects their charity provides a wonderful opportunity to "communicate their story" while at the same time discharging their obligations for accountability and transparency to its stakeholders.

An opportunity for funders too?

As well as being a fantastic opportunity for charities we think there is also a significant opportunity for funders here too.

Good quality service performance reporting should make the life of a funder easier due to this communicating what and how much the charity is doing.

But more than this, there is also the opportunity for funders to address one of the most significant frustrations that charities have with funders by aligning their accountability requirements with this now mandatory performance reporting.

Many charities are spending an increasing amount of time and resources in providing accountability information to funders. And frustratingly for the charities the accountability reporting tends to be different for each funder. This is all time and resources diverted from the charity being able to deliver on its core purpose.

Hence if charities are providing consistent financial information thanks to their compliance with the new accounting standards, as well as good quality information about what they are doing via their service performance reporting, then hopefully funders can rely on this and not require different accountability reporting.

A picture tells a thousand words

Sometimes you just have to see something before concepts become real.

We have just been appointed auditors for the Toy Library Federation of New Zealand Incorporated, a small charity, for next year. I used and loved this service when my boys were small – hours of joy and such a great concept. As part of us taking over this audit their Treasurer sent us their 2016 tier 3 performance report which we have attached this as a link below.

In my opinion, this is a fantastic example of taking the new mandatory financial reporting requirements and bringing them alive. Clear, informative, interesting communication to their stakeholders.

But more than that; I had some immediate reactions when I received and read this report:

1. I wanted to read it as it looked interesting
2. I was able to quickly understand who they were and what they did – I got a feel for the organisation
3. The financial information became secondary and supporting information to their descriptions of what they did and how – where it should be.

Interestingly in sharing this with a few funding providers they also had similar reactions. They have also been unanimously positive and commenting that this is the sort of disclosure that will be really useful for funding teams.

A great example of looking at a mandatory change as an opportunity rather than just a compliance exercise.

Note that the auditors in this example have not provided assurance over the service performance reporting. However this is something that RSM will be looking to address as we perform the 2017 audit.

Parting thought

We look forward to seeing many more enlightened charities take up the challenge to produce great informative performance reports – for the benefit of their organisations and the health of the whole sector in New Zealand.

About the Author



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