CHARITIES' SERVICE PERFORMANCE REPORTING

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1. Background to the study:

Since Hyndman's first studies on the reporting of charities in their annual financial reports (Hyndman, 1990, 1991), the interest of researchers has extended to include charities' reporting on non-financial information, not only in financial reports (Connolly & Hyndman, 2004), but also in annual reviews (a voluntary report on mostly non-financial information promoted by the Charities Commission in the UK) and on websites (Connolly & Dhanani, 2009; Hyndman & McConville, 2016).

Several "disclosure indices" have been developed to assess the extent of accountability of charities and non-governmental organisations on their websites (see, for example, Hart, 2002; Waters, 2007; Gandía, 2011; Saxton & Guo, 2011; Rodríguez *et al.*, 2012; Dainelli *et al.*, 2013; Dumont, 2013; Hazelton *et al.*, 2014; Tremblay-Boire & Prakash, 2014). Dixon et al. (2006) and Gray et al. (2006) call for transparent, but informal ways of conveying accountability to stakeholders. Dhanani & Connolly (2012, p. 1161) suggest that researchers examine visual materials, such as photographs, which they claim "play a critical role to complement the narrative information".

Hyndman & McConville (2016) found that charities that reported efficiency measures sometimes compared the measures with prior years, or with targets, or with external organisations; many had explanations; however, those with diagrams (e.g. pie charts) often did not have an explanation or explicit comparison, even though these could have been compared, for example, with other organisations. Very few linked the measures to the mission, long-term goals, and financial statements of the organisation. Some linked to long-term efficiency, such as long-term trends, for example, through comparison from year to year.

From the beginning of 2021, all Tier 1 and Tier 2 registered charities in New Zealand must report on their service performance together with their financial statements. The service performance report must provide readers and users of the report with enough information to understand "why the entity exists, what it intends to achieve … how it goes about this; and … what the entity has done during the reporting period" (PBE FRS 48, para. 15). The performance report should use both quantitative and qualitative measures and also descriptions of how the activities of the charity have "changed the well-being and circumstances" (PBE FRS 48, para. 20) of the beneficiaries.

2. Main research objective and research questions:

As it is likely that charities are already reporting on their service performance, either on their websites or in their "annual reports" (a less formal, voluntary report containing pictures, narratives, graphs, and sometimes links to or a reproduction of the financial

statements), the objective of this research is to ascertain the extent to which charities are already reporting on their service performance, where and how this reporting is done and how easily accessible it is to interested stakeholders.

3. Research methodology:

A sample was drawn from the more than 27 000 registered charities in New Zealand. Tier 2 charities were chosen, as they are smaller and not as likely to have websites and reporting systems developed by overseas "parent" organisations, and the charitable purpose was narrowed to only health-related charities, so they would be more comparable. The sample of 30 health-related Tier 2 charities was obtained from the Charities Register (https://www.register.charities.govt.nz) on 6 August 2019, with details of their website address and copies of their most recent financial report. The initial search of the Charities Register produced a list of 38 health-related Tier 2 charities, but this was reduced to 30 for several reasons. Although there were four separate listings for the Cancer Society, reading the websites and annual reports revealed that they are in a "federation" model, with a national office, and six regional divisions (three of them reporting at Tier 2 level). The regional divisions provide funds to the national office and the national office provides resources to the regions as well as pursuing the national office's research and daffodil day priorities. Also the website was set up to automatically take the viewer to the regional office for the place of residence, so I could not access the national office website except through a page on the regional website. The annual reports were different for each region, but they included a similar range of service performance reports. Therefore the Cancer Society is treated as one entity in the findings. Three organisations were "parents" to other charities on the list, with negligible income themselves, no separate website and not reporting their service performance separately. Therefore the wholly owned subsidiary charities were examined instead of the parents. One charity was a NZ branch of a global charity based in Australia, with Australian directors and senior managers, and reporting in Australian dollars according to Australian charity reporting standards.

For each of the final sample of 30 charities, I perused the financial report from the Charities Register for information about the mission of the organisation, its directors, remuneration for directors and senior management, and funding sources. Then I searched the websites, and annual reports if they were available, for service performance information that would meet the requirements of PBE FRS 48.

4. Results:

Twenty-one of the sample (70%) provide health solutions to whole communities, such as general practitioner and dental clinics, mental health and addiction services, and whole family health (whānau ora) and social services. The other nine charities (30%) provide detection, treatment, education, research and support services in relation to particular diseases, such as cancer, hepatitis and diabetes.

Of the 30 charities in the sample, all had websites but only 13 (43%) had Annual Reports that could be found on the websites. The websites are mainly dedicated to providing information to beneficiaries of the charity about the mission of the organisation, what services it offers and to whom, and how to contact the organisation in order to receive those

services. Many of the websites include news and stories showing how beneficiaries have benefited from the support offered by the organisation. Some of the websites also included sections addressed to donors and potential donors, and a few had sections relevant to prospective employees or volunteers. Although not specifically stated, the Annual Reports seemed to be more applicable to funders, donors and regulators, containing narrative reports from the chair of the board of trustees and the chief executive of the organisation, reports including both narratives and facts and figures on performance, and photos and stories of beneficiaries.

The findings of the research are reported below, under headings relating to the requirements of PBE FRS 48.

Why the charity exists

All the charities in the sample had clear statements both on the website and in the Annual Report (if they had one) about the mission of the organisation. For example, a charity providing services to the local Māori community has this mission according to the Board Chair's report for 2017: "To achieve prosperity and wellbeing through a high performing and comprehensive Whanau Ora network"[1].

What the charity intends to achieve

However, what the charities intend to achieve – their vision and goals – were nearly all expressed in very general terms, similar to their mission statements. For example, the above charity names these outcomes: "whānau transformation, with whānau setting their own goals and direction to self manage ... Whānau are culturally secure … healthy … nurturing … economically secure … knowledgeable … leaders".[2]

Very few charities had any numerical goals or measures related to what they intend to achieve. The Hepatitis Foundation has measurable goals of eliminating deaths worldwide from hepatitis by 2030, "reducing new infections by 90 percent, diagnosing 90 percent of people with viral hepatitis, … and treating 80 percent of eligible people".[3] The Breast Cancer Foundation has a vision of "zero deaths from breast cancer".[4] The 2018-2030 strategic plan of Ngāti Hine[5] sets out nine goals, with expected outcomes (some numerical, some qualitative) and milestones on the way to those outcomes. Te Arawa River Iwi Trust's videos and plans[6] have numerical goals and key performance indicators.

How the charity goes about achieving its goals

All of the charities had detailed lists of the services they provide in order to achieve their mission and vision. The website pages provide information particularly for people wishing to avail themselves of the services, not only giving details of what services are on offer, but also how to contact the organisation, the locations of service provision, times and frequencies, etc. The descriptions in the annual reports of what the charities do are mostly in

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[1]   nmo.org.nz/?page_id=1483
[2]   nmo.org.nz/
[3]   www.hepatitisfoundation.org.nz/2030-targets
[4]   www.breastcancerfoundation.org.nz/about-us/who-we-are
[5]   drive.google.com/file/d/1UyEJmydKZG0eoHnct8CoQf1kqfWz6DoN/view
[6]   http://www.tarit.co.nz/#video

the past tense, describing the last year's performance and telling stories of beneficiaries and sometimes employees.

What the charity has done during the reporting period

There is a difference between community focussed and disease focussed charities in the extent and the outlet for their performance reporting. For community focussed charities, there is minimal reporting on performance on the websites, as websites are geared towards providing service and contact information to users of the services. However the community focussed organisations for which annual reports were available provided details in the annual reports on what the charity had done during the previous year, including both quantitative and qualitative measures of performance. However, these measures were only for the year being reported on, and were not compared to previous years, to targets and goals, or to other similar organisations. The narrative reports from the chairs of the board and from the chief executives referred in a general way to areas in which performance was good, sometimes giving facts and figures as well. However very few mentioned negative results and problems encountered that prevented achievement of their goals or mission, such as losing a major funding source or not having enough health professionals available.

Six of the ten disease and research focussed charities had many details about their performance and research activities on the website, and the five of these charities with annual reports gave details including quantitative and qualitative measures.

Changes to well-being and circumstances of beneficiaries

All but three of the websites and all but one of the annual reports contained stories and photos showing how the charity had made changes to the well-being and circumstances of beneficiaries. Some of these stories were written by employees of the organisation (providers of the services); some were in the words of the beneficiaries themselves; and the photos showed activities being carried out, or benefits and changes to the living conditions and environment of the beneficiaries.

5. Discussion:

The present service performance reporting on websites and in annual reports meets some of the requirements that will become mandatory under PBE FRS 48. There is clear information about the mission and purpose of the organisations. There are many photos and some facts and figures about each area of the organisations and their performance. The narrative reports of the chair of the board and the chief executive mention some performance information; however, negative performance or problems are seldom included. Although the annual reports usually contain excerpts from the financial statements, there is no linking of the narrative and performance information to the relevant parts of the financial statements. There is also no comparison with previous years, with budgets or goals set in previous years, or with similar organisations.

6. Contribution and Conclusion:

Although the Tier 2 charities studied in this research report on their service performance on their websites and/or in their annual reports, there are notable aspects missing from these reports. The main thing missing is comparative information that would allow users

of the reports to evaluate how well the charities are achieving their mission and shorter-term goals.

These Tier 2 charities may need to invest more time and resources into preparing their annual reports in future if they are to satisfy the requirements of the new standard. However, this could be detrimental to the achievement of the mission of the organisations, as it will divert funding away from the purpose of the organisation into compliance activities.

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