



CGA Accounting Research Centre and The AFI Section DISTINGUISHED SPEAKER SERIES

Professor NOEL HYNDMAN
Queen's University Management School, Belfast



Noel is Professor of Management Accounting and Subject Leader in Accounting in the School of Management and Economics at Queen's University Belfast, N. Ireland, UK. A Fellow of the Chartered Institute of Management Accountants (UK), he was awarded a PhD by the Queen's University of Belfast for his research in not-for-profit organizations. His main research interests centre on performance measurement, performance reporting and management accounting in not-for-profit organizations (public sector organizations, charities and credit unions have provided a particular focus for his research). He is joint editor of the *Irish Accounting Review*, the official journal of the Irish Accounting and Finance Association, and a member of the editorial boards of *Research in Healthcare Financial Management and Financial Accountability & Management*.

Topic: «The Hand of Government in Shaping Accounting and Reporting in the UK Charity Sector»

Abstract:

Accounting in the UK charity sector has changed massively over the last 25 years, with various stakeholders influencing what has occurred. Using insights from stakeholder theory, and interviews with a number of key actors, this article focuses on the influence of one definitive stakeholder – government – in developing a regime of quality accounting and reporting in the sector. In particular, the evolution of the Statement of Recommended Practice for charities is explored. It is argued that a much tighter and more meaningful regime of accounting and reporting has been encouraged by government and this has led to a more accountable and healthier charitable sector.

In the United Kingdom, the charity sector is significant in terms of income £ 35.5B and employees (both full and part –time) 634,000. This presentation analyses the development of charity accounting and its impact on stakeholders as these were directed by government.

In 1988 a “Statement of Recommended Practice” (SORP) was developed to correct the short comings in accounting and reporting practices then used by charities. There was little or no oversight in the charity sector and a number of issues such as accounting for legacies, received varying treatments. To implement the required recommendations of SORP a committee was formed. SORP itself was followed by three sets of documents recommending more effective accounting and reporting practices for charities in 1995, 2000 and 2005. These saw the accounting for charities more between 1998 and 2005 from the recommended practice being just recommended to being mandatory: from a commercial basis to a charity specific basis and from being only financial reporting to an increased emphasis on performance reporting.

It was obvious that government was the most influent and powerful stakeholders with respect to charity accountability. As such, the government though the SCOPR Committee took the lead in developing accounting and reporting policies for charity sector.

Using its influence as a major provider of resources to the charity sector, government provided more hands-on activity in providing a focus for better control of charity funds and also emphasizing the needs to protect donors and other stakeholders. Government can and does legislate mandatory compliance with its dictums and has provided increased weight to the recommendations of the SPRP Committee. With it as well as the Charity Commission, Government has been perceived as a strong active and progressive regulator. Some of its latter activities have been involved in encouraging performance reporting much like the public sector developments in this area.

Indeed over the 25 year period, there has been better reporting. Governments have become increasingly active in its interest in the charity section. It was treated with some urgency the need for better accountability in order to enhance confidence in charities.