

The seventh annual Good Governance Awards concluded on 17 November 2022 with the announcement of the winners of the annual report awards across seven categories. One of the main aims of the Governance Awards is to improve the overall standard of annual reporting in the charity and non-profit sector and to provide specific feedback to all entrants alongside guidance on how to improve their annual reports, including their financial statements and disclosures.

The annual report represents a real opportunity for organisations in the nonprofit sector across Ireland to showcase their transparency and trust by outlining their performance, governance, culture and financials. An annual report can provide a comprehensive picture of a nonprofit organisation, as well as its achievements and future plans rather than merely meeting minimum compliance requirements. An annual report serves to reinforce relationships with stakeholders and build relationships with the public, potential donors, volunteers and supporters.

Each of the annual reports entered into the awards goes through a very rigorous assessment but underpinning the many assessments and checklists there are some key elements or features which are essential in the eyes of the assessors and judges.

In the spirit of improving standards, we have compiled a summary of the top recommendations of the judges arising from their assessment of this year's shortlisted annual reports.

Top recommendations for all organisations

1. Ensure that there is a link between the non-financial narrative and the financial statements in the annual report. Too often these can appear like separate reports that have been 'bolted together.'
2. Emphasise the link from the organisation's mission and vision, through to its strategy and finally to its activities.
3. Provide a summary overview of the background and origins of the organisation – why it was established and the differences it wishes to make.
4. Report on activities using Key Performance Indicators (KPIs) which demonstrate actual performance against the year's target and previous performance. Targets should clearly define what success for each activity or programme would look like in a given year and at the end of the current strategy.
5. Providing a 3-year trend analysis for both activities and financials would be helpful to the reader in understanding how the given year's performance fits into the wider picture.
6. Clarity, accuracy and consistency in the financial reporting and financial summaries is fundamental to a convincing report.
7. Opt-out of the right to prepare financial statements in accordance with Section 1A of FRS 102 or to file abridged or abbreviated financial statements. This is sub-standard to good governance practice

for charities and non-profit organisations reliant on government grants, fundraising from the public or other sources of charitable or voluntary donations (e.g. philanthropy or people volunteering their time to help others). Nonprofits need to be highly transparent and accountable.

8. Design the annual report in such a way that it can easily be read online.
9. Carefully edit the content of the Annual Report so that readability is enhanced, duplication and repetition is avoided, typos are minimised, officers' reports are dated and signed.
10. When considering the design of the report, use photographs and other images and graphics to break up the text and visualise the data for readers e.g. the sources of funds, where and on what programmes funds were spent, the number of people helped etc.
11. Outline the organisation's process around Board Director/Trustee recruitment, induction, training and Board evaluations.
12. Strengthen the profiling of Trustees/Directors. Provide summary biographies on each Trustee/Director, including details on appointment dates, attendance at meetings and whether elected or co-opted.
13. Address the areas of frustration, concern or indeed failure encountered rather than simply championing success.

Top recommendations for larger organisations in particular

1. In general, reporting on sustainability and climate is limited. A focus on ESG reporting would be a good improvement.
2. Consider if too much detail is being provided – some of the reports were long and included repeated examples.
3. Highlight how the organisation implements Board Diversity and Succession Planning as well as the organisation's policy on diversity (in its broadest sense).
4. Define how your organisation monitors and mitigate risks, support the reader to gain an understanding of and insight into your risk appetite and tolerance.
5. Shine a light on future income generating strategies and sources, alongside projected costs and any new areas of expenditure.

We hope that the above observations and feedback comments will help in improving the standard of annual reports, including financial statements next year.

For more information, and template annual reports for nonprofits, see:

[Resources - Good Governance Awards](#)

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