TEMPLATE
FOR ANNUAL REPORT & FINANCIAL STATEMENTS

FOR LARGE-SIZED ORGANISATIONS

Dóchas
The Irish Association of Non-Governmental Development Organisations

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Dóchas is committed to maximising the impact and quality of its members' work. In this context it promotes NGO cooperation, shared learning and the application of shared standards of practice.

Dóchas members endeavour to adhere to the Irish Development NGOs Code of Corporate Governance and to the Charities SORP standard of financial accounting.

Dóchas recommends that Medium-Sized Organisations (i.e. those with income between €1m and €3m per annum) use the following format when completing their Annual Report and Financial Statements. In this document, Dóchas sets out recommended minimum standards for medium-sized NGOs, wishing to adhere to these standards.

Financial Statements

★ Irish charity companies require a Statement of Financial Activities (SOFA), rather than an Income & Expenditure Statement. The SOFA should be in columnar form to distinguish between restricted and unrestricted income, and between expenditure attributable to restricted income, and expenditure attributable to unrestricted income. The incoming resources subheading, and the outgoing resources subheadings, as specified in Charities SORP, should be utilised.

★ The Balance Sheet should follow the Charities SORP format, particularly in respect of distinguishing between restricted and unrestricted reserves.

★ Irish NGOs that are companies must prepare Cash Flow Statements as required by Irish company law and Charities SORP.

★ Dóchas members are required to clearly show their Total Domestically Generated Voluntary Income in the Incoming Resources section of their Audited Accounts.

Directors' Report

Activities and Plans

The Directors' Report should provide a comprehensive report on the organisation's activities for the year completed, and explain with good illustrations what helped and hindered operations in the year. This would set the scene then for the Directors' Report to outline plans for the following period, and this should be set out within the context of a roll out of a strategic plan, approved by the board. The Report should therefore provide a good picture of what activities are planned for the following year, generally with each activity or programme being explained in a level of detail appropriate to the criticality of the activity. In all instances of reporting on activities completed, the directors should provide a review of financial performance, covering income achievements and implementation difficulties, and a report on the impact of the programmes and activities, supported by a graphical summarisation of the programme or activity outlays.

Organisations should introduce into the review of activities a set of appropriate key performance indicators that demonstrate, for example, the cost efficiency of fundraising and overhead expenditures, and the co-funding ratios in respect of programmes supported by government and institutional funders. These key performance indicators should also be employed in-house and should be embedded in the management

The Dóchas Code of Conduct on Images and Messages requires that Dóchas members “communicate our commitment to best practice in the communication of images and messages in all our public policy statements”.

The Directors’ Report should explain that it has fully adopted the Irish Development NGOs Code of Corporate Governance, with specific explanation for any deviation from the Code.

accounts presented to the board. Such key performance indicators will permit the board to evaluate the organisation’s cost efficiency and performance effectiveness over time, and to scrutinise the improvement or disimprovement of the organisation’s performance.

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Governance

The Directors’ Report should describe how the board oversees the strategic direction of the organisation, and the steps the board takes to ensure that the organisation is setting and reaching stated targets. The Directors’ Report should make it clear what authority is specifically reserved to the board, and not delegated to management, over and above the more routine reserved matters (i.e. approval of strategic plans, annual plans and budgets, and sign off on the statutory accounts). The special reserved functions will include approval of acquisitions or disposals of property and leases, the establishment of new programme themes or locations, the acquisition of other organisations, and approval of the rationale for use of financial instruments, and investments and savings mechanisms.

The Directors’ Report on governance should also describe the division of labour between the board and the organisation’s management. It should demonstrate how the board delegates responsibility to senior management, and to board committees, and explain the steps it takes to supervise such delegations. The governance statement should clearly explain the committees established by the board and the functions of these committees should be defined and explained in the Directors’ Report or in a referenced document. The Report should mention the number of members of the board. The Director’s Report should refer to mechanisms for internal stakeholders (eg. organisation members) and employees to provide recommendations or directions to the highest governing body.

The Directors’ Report should explain that it has fully adopted the Irish Development NGOs Code of Corporate Governance, with specific explanation for any deviation from the Code. In particular, the board, through the Finance/Audit Committee(s), and other board committees, should demonstrate in the Directors’ Report how it oversees the planning and performance of the organisation, and how it successfully meets its obligations in this regard. The Directors’ Report should set out what the board does in terms of objectively selecting and inducting its directors, and how it takes steps to equip the directors to function properly as board members. The core issue here is to ensure that the board is actually proactively overseeing the affairs of the organisation.

The board must demonstrate that it conducts a periodic and formal review of risk exposures, using a formal methodology.

The Directors' Report should clearly identify the designated reserves appropriate to the needs and challenges of the organisation.

Risks

The Directors' Report should describe the steps taken by the board to identify the principal risks facing the organisation. It should state what approach is taken to identify and assess risks, and describe what risk management arrangements have been put in place, including internal processes and systems of monitoring and control. The Directors' Report should report annually on recurring risks, including those related to foreign exchange transactions, and the directors should reaffirm that these recurring financial risks are managed and overseen by the board, and that all financial and treasury transactions are managed in a non-speculative manner. The Directors' Report should describe carefully the steps taken by the board to identify other risks facing the organisation. It should state what approach is taken to assess these risks and install risk management arrangements. The latter should include internal processes and systems of monitoring and control. Particular emphasis should be placed on risks that could impact on the communities or individuals that the organisation is working with, as well as risks to staff, and reputational risks that could damage the capacity of the organisation to continue in operation. There should be a high degree of formality about this process and a comprehensive risk register should be maintained and utilised by the board for regular board reviews of risks. The board must demonstrate that it conducts a periodic and formal review of risk exposures, using a formal methodology.

Reserves

The Directors' Report should contain a report on the board's approach to managing the organisation's reserves. The report should clearly identify the designated reserves appropriate to the needs and challenges of the organisation. There should also be a proper analysis in the Directors' Report in respect of free reserves, particularly as some of these reserves may be completely illiquid, being invested in assets and working capital. The directors must demonstrate the existence of a detailed reserves policy, defining a roadmap to achieve or maintain targeted levels of reserves. The Directors' Report should demonstrate to those providing restricted reserves that proper tracking of unused restricted reserves is in place, and that these reserves will be properly reported on until they are expended.

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