

SURVEY ON INFORMATION DISCLOSURE IN NGO ANNUAL REPORTS

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Background & objectives

Background

- In Hong Kong, no matter in what legal form NGOs exist, there is no legal compliance requirement for them to publish annual reports.
- Nevertheless, annual reports are one of the most popular channels of communications and disclosure among agencies in the social service sector.

Objectives

- This is an exploratory research that aims at studying the contents of social service organizations' annual reports and shedding lights on good practices in compiling the reports for effective communication with agencies' stakeholders.

Sampling and data collection

Sampling and data collection

- annual reports of all HKCSS agency members (454 members as of 31 March 2017)
 - latest annual reports available dated 2014 or after
- 374 were surveyed
 - what are the remaining 80?

Sampling and data collection

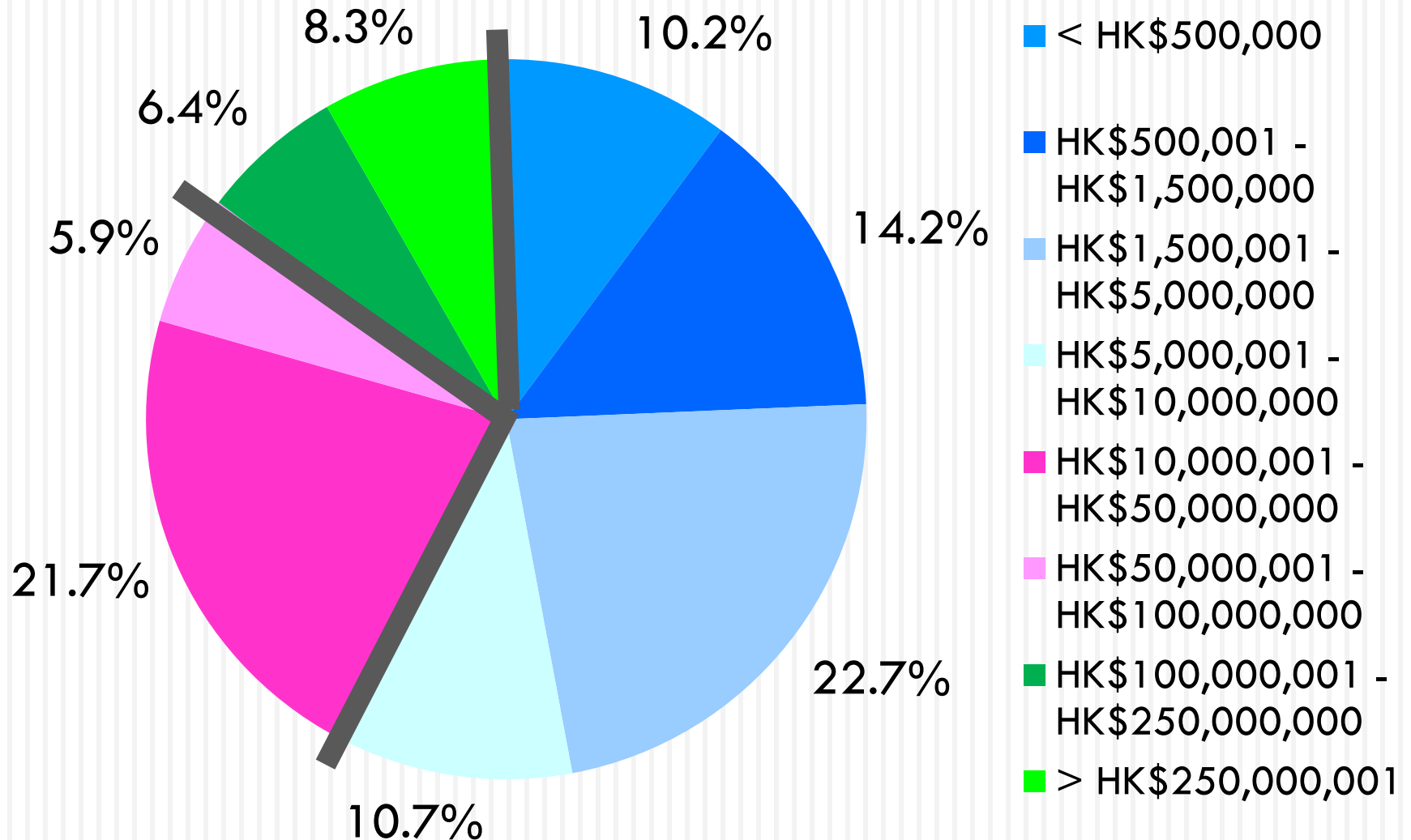
- The remaining was not surveyed due to the below reasons:
 - use of template provided by HKCSS
 - annual report contents do not fit survey scope on social service NGOs
 - latest annual report available dated before 2014

Profiles of agencies surveyed

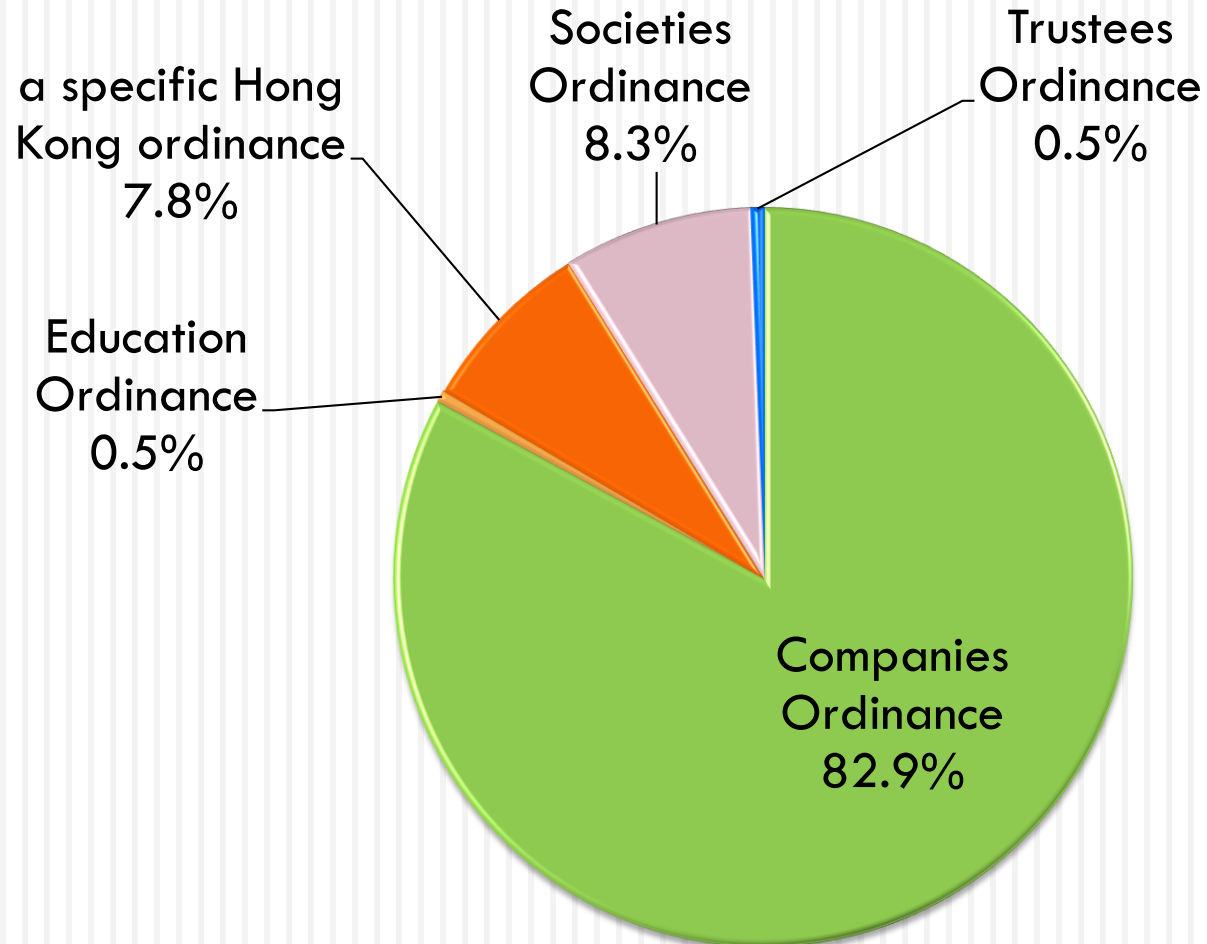
Parameters

- Scale (in terms of size of annual recurrent expenditure)
- Type of incorporation
- Receipt of regular subvention from SWD (LSG or convention mode)
- Latest report available (as of 31 March 2017)
- Availability at HKCSS Reference Library and/or organization's website

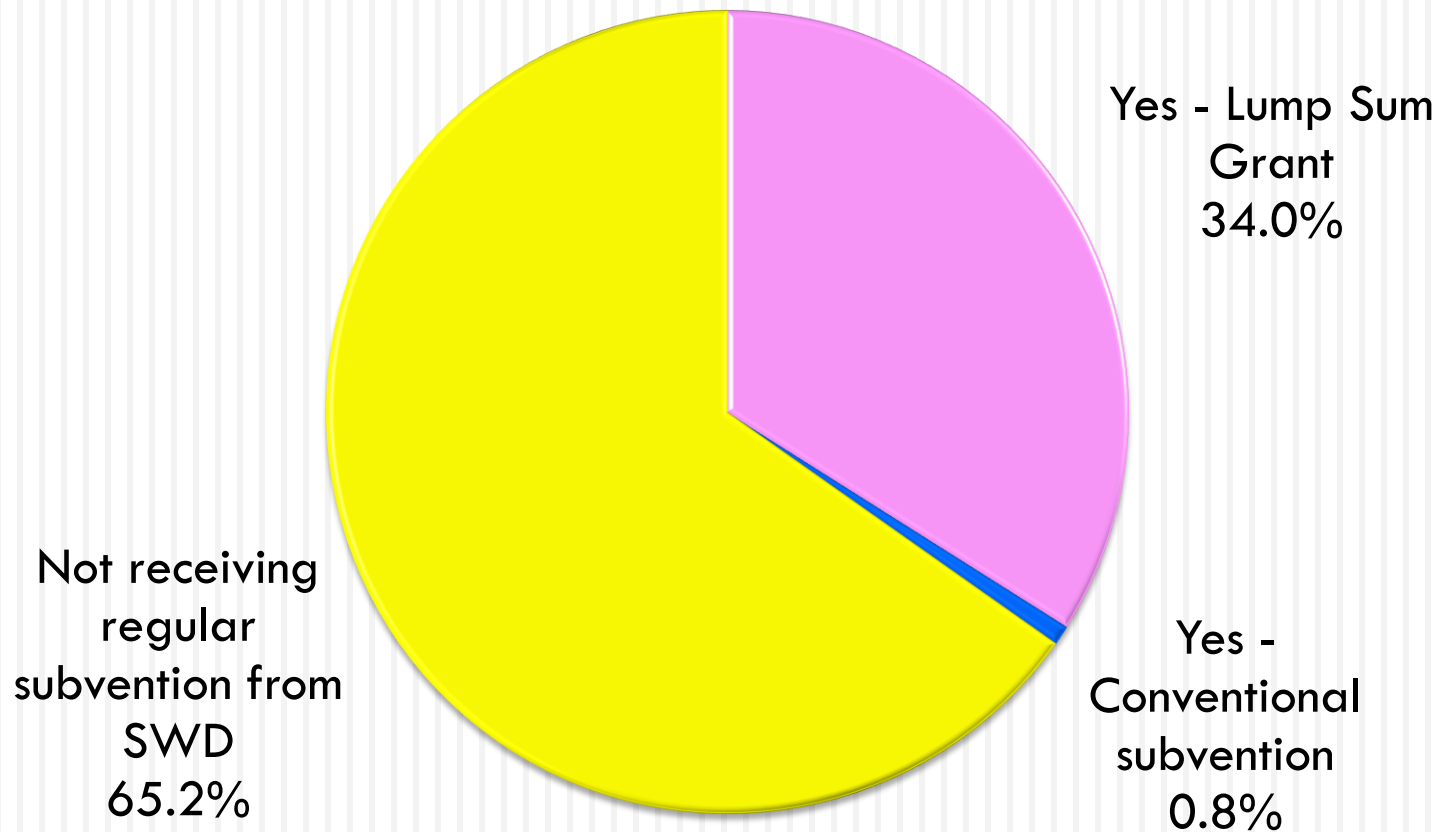
Scale (in terms of size of annual recurrent expenditure)



Type of incorporation



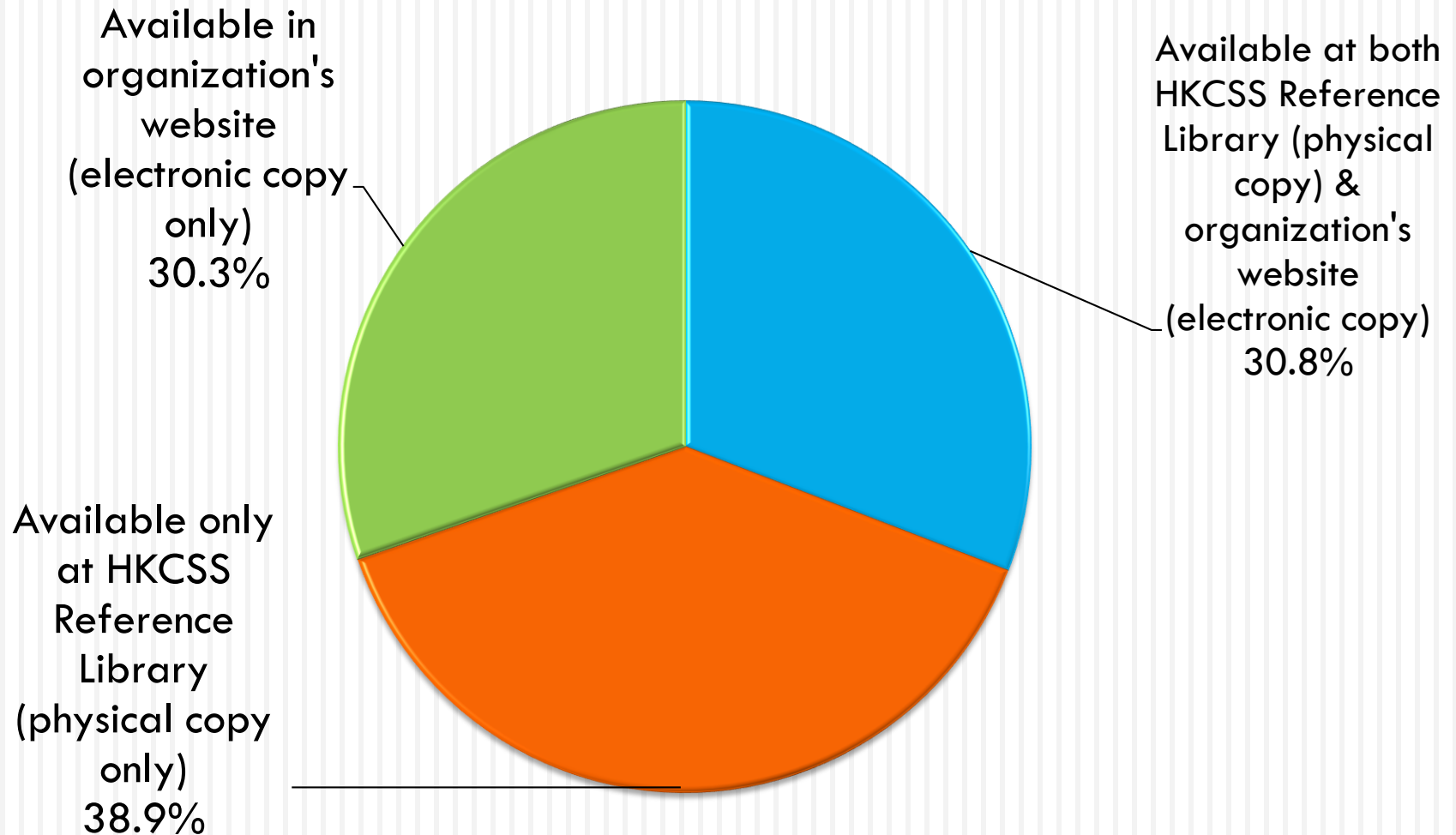
Subvention status



Latest report available (as of 31.03.2017)

Temporal coverage (in units of years)	No. of organizations	Percentage (%)	
2013 - 2015	5	1.3	
2014 - 2014	1	0.3	
2014 - 2015	92	24.6	
2014 - 2016	9	2.4	Sum up to 276 (73.8%) - the timeliest possible
2015 - 2015	51	13.6	
2015 - 2016	212	56.7	
2016 - 2016	4	1.1	
Total	374	100.0	

Availability at HKCSS Reference Library and/or organization's website





Survey framework

Literature review

- Efficiency Unit's Guide to Corporate Governance for Subvented Organizations (June 2015)
- Judging criteria of Best Corporate Governance Awards organized by The Hong Kong Institute of Certified Public Accounts (HKICPA)
- Schedule of criteria of Best Annual Reports Awards, organized by Hong Kong Management Association (HKMA)
- SWD's Best Practice Manual
- Charity Commission's a research cum survey report on charity annual reports also from the perspective of transparency and accountability (England and Wales)
- BBB Wise Giving Alliance accreditation scheme (US)
- Accountable Now's Reporting Guidelines Based on GRI NGO Sector Supplement 3.0, Level C Reporting Template (Global)

Survey framework

Five areas

- basic information on the organization and its governance
- service performance, capacity building and strategies
- financials and use of resources
- internal control and risk management
- distribution and accessibility

 manifested by 28 items

survey framework

	local				overseas		
	EU's Guide to Corporate Governance for Subv. Orgs	HKICPA's Judging criteria of Best Corporate Governance Awards	HKMA's Judging criteria of Best Annual Reports Awards	SWD's Best Practice Manual	Charity Commission's research cum survey report	BBB Wise Giving Alliance accreditation scheme	Accountable Now's Reporting Guidelines
1. basic information on the organization and its governance							
1.1 information on legal form of incorporation					√		√
1.2 information on charitable nature		√			√		√
1.3 information on governance structure	√	√			√		√
1.4 information on size of or membership in the highest governing body	√			√	√	√	√
1.5 statement of vision, mission and values	√				√	√	√
1.6 information on staff size					√		√
1.7 information on name of agency head					√		
1.8 remark by chairperson or agency head							√
1.9 acknowledgement of partners and supporters	√	√			√		√
1.10 a separate session on governance		√	√				
2. service performance, capacity building and strategies							
2.1 report on or highlights of main activities	√		√		√	√	√
2.2 information on output	√		√		√		
2.3 statement of evidence-based performance outcome	√		√		√		√
2.4 information on professional development for staff					√		√
2.5 information on capacity building					√		√
2.6 information on development strategies	√				√		√
2.7 information on execution plan for the development strategies		√					√
3. financials and use of resources							
3.1 information on income and expenditure in annual report	√				√	√	√
3.2 information on asset, liability and reserve	√				√	√	√
3.3 information in annual report or organization website				N/A			
4. internal control and risk management							
4.1 information on adoption of governance and management guidelines	√						√
4.2 statement of compliance with Companies Ordinance	√						
4.3 statement of compliance with other local legislations and regulations related to the organization's operation	√						
4.4 information on internal control or risk management system(s)	√				√		√
5. distribution and accessibility							
5.1 availability in both traditional Chinese and English			√				
5.2 availability on organization's website			√				
5.3 accessibility of online annual report (excl. financials statements if integral to annual report)					N/A		
5.4 accessibility of financial statements when integral to online annual report					N/A		



Survey findings

survey framework	overall	base	size			subvention status	
			S (<10m) (N=216)	M (10m-100m) (N=103)	L (>100m) (N=55)	Subvented (N=130)	subvented (N=244) Non-
1. basic information on the organization and its governance							
1.1 information on legal form of incorporation	59.6%	374	63.4%	50.5%	61.8%	60.0%	59.4%
1.2 information on charitable nature*	46.2%	370	49.5%	42.7%	40.0%	42.3%	48.3%
1.3 information on governance structure	85.0%	374	81.0%	86.4%	98.2%	94.6%	79.9%
1.4 information on size of or membership in the highest governing body	84.5%	374	79.6%	88.3%	96.4%	92.3%	80.3%
1.5 statement of vision, mission and values	76.5%	374	71.3%	77.7%	94.5%	84.6%	72.1%
1.6 information on staff size	42.2%	374	36.6%	45.6%	58.2%	56.9%	34.4%
1.7 information on name of agency head	65.0%	374	52.8%	74.8%	94.5%	85.4%	54.1%
1.8 remark by chairperson or agency head	72.5%	374	61.1%	83.5%	96.4%	86.2%	65.2%
1.9 acknowledgement of partners and supporters	86.4%	374	79.2%	94.2%	100.0%	97.7%	80.3%
1.10 a separate session on governance	6.7%	374	2.8%	3.9%	27.3%	12.3%	3.7%
* only 370 of the 374 organizations possess charitable status							

survey framework	overall base		size			subvention status	
			S (<10m) (N=216)	M (10m-100m) (N=103)	L (>100m) (N=55)	Subvented (N=130)	Non-subvented (N=244)
2. service performance, capacity building and strategies							
2.1 report on or highlights of main activities	98.7%	374	98.6%	98.1%	100.0%	100.0%	98.0%
2.2 information on output	89.0%	374	83.0%	96.1%	98.2%	97.7%	84.4%
2.3 statement of evidence-based performance outcome	38.8%	374	28.7%	48.5%	60.0%	47.7%	34.0%
2.4 information on professional development for staff	32.1%	374	11.6%	47.6%	83.6%	68.5%	12.7%
2.5 information on capacity building	37.4%	374	17.6%	54.4%	83.6%	72.3%	18.9%
2.6 information on development strategies	23.5%	374	14.8%	32.0%	41.8%	36.2%	16.8%
2.7 information on execution plan for the development strategies	14.4%	374	9.3%	18.4%	27.3%	22.3%	10.2%

survey framework	overall base		size			subvention status	
			S (<10m) (N=216)	M (10m-100m) (N=103)	L (>100m) (N=55)	Subvented (N=130)	Non-subvented (N=244)
3. financials and use of resources							
3.1 information on income and expenditure in annual report	70.6%	374	63.4%	72.8%	94.5%	86.2%	62.3%
3.2 information on asset, liability and reserve	50.5%	374	48.1%	48.5%	63.6%	63.8%	43.4%
3.3 financial information in annual report or organization website	75.1%	374	69.0%	77.7%	94.5%	89.2%	67.6%

survey framework	overall base		size			subvention status	
			S (<10m) (N=216)	M (10m-100m) (N=102)	L (>100m) (N=55)	Subvented (N=130)	Non-subvented
4. internal control and risk management							
4.1 information on adoption of governance and management guidelines	15.5%	374	4.2%	25.2%	41.8%	40.8%	2.0%
4.2 statement of compliance with Companies Ordinance**	8.4%	310	4.3%	5.7%	34.2%	19.0%	3.3%
4.3 statement of compliance with other local legislations and regulations related to the organization's operation	5.1%	374	1.9%	6.8%	14.5%	10.0%	2.5%
4.4 information on internal control or risk management system(s)	9.6%	374	3.7%	8.7%	34.5%	18.5%	4.9%

** only 310 of the 374 organizations are incorporated as companies

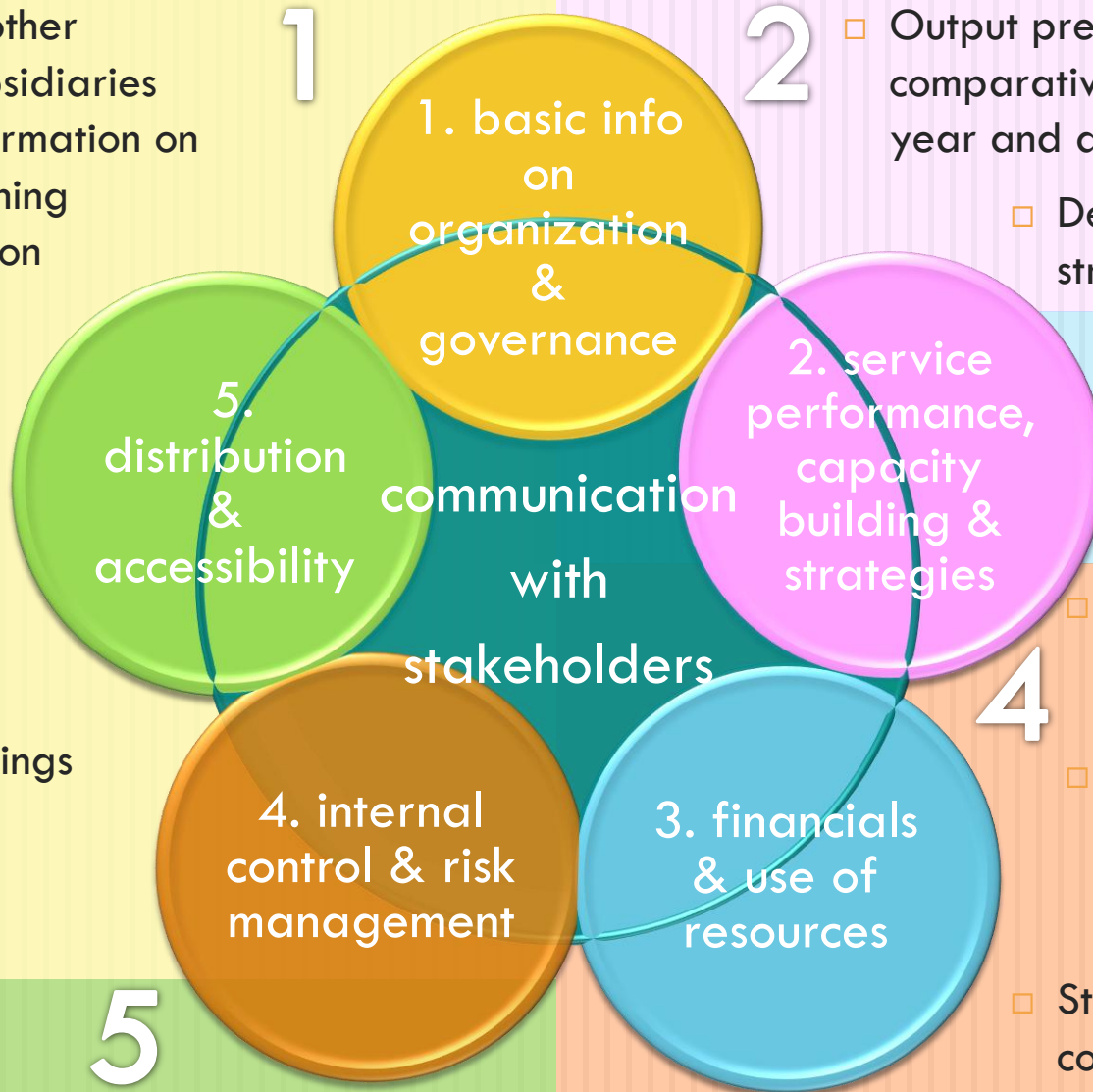
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			S (<10m) (N=216)	M (10m-100m) (N=103)	L (>100m) (N=55)	Subvented (N=130)	Non-subvented (N=244)
5. distribution and accessibility							
5.1 availability in both traditional Chinese and English	35.6%	374	17.1%	46.6%	87.3%	60.0%	22.5%
5.2 availability on organization's website	61.0%	374	47.2%	73.8%	90.9%	76.2%	52.9%
5.3 accessibility of online annual report (excluding financials statements if integral to annual report)	52.7%	374	42.1%	60.2%	80.0%	60.8%	48.4%
5.4 accessibility of financial statements when integral to online annual report	5.6%	374	3.2%	9.7%	7.3%	9.2%	3.7%



Recommendations

Good practices

- Information on mother organization/ subsidiaries
- Constitutional information on the highest governing body e.g. formation mechanism, length of term, max no. of consecutive terms etc.
- Information on board and/or committee, its composition, meetings and attendance
- Corporate social responsibility
- Sign-posting



- Output presented comparatively i.e. year-by-year and against targets
 - Development strategies with details
- Information on financial position e.g. reserve
 - Business review incl. assessment of new risks
 - Statement of adoption (and review) of codes mechanisms
 - Statement of compliance with laws



THE END