

GOVERNANCE IN ACTION

The Purposes of Annual Reports and the Craft

The “Survey on Information Disclosure in NGO Annual Reports” (the Survey hereafter), conducted in early 2017 by The Council reveals that the annual reports published by local social service NGOs are in a wide range of formats, and their contents in diverse breadth and depth, which seems to indicate that there is not any standard (in format and contents) for the publication despite its commonness.¹ This may imply that NGOs use the annual reports for varied purposes, albeit overlapping.

At the seminar on “Effective Stakeholder Communication through Annual Report Disclosure” took place in August, experienced social service NGO board members including Dr Patrick Cheung and Mr James Ng, Chairperson and Honorary Treasurer of Against Child Abuse (ACA), Ms Jane Chan, Honorary Treasurer of Fu Hong Society (FHS), and Mr David Yau, Honorary Secretary of The Hong Kong Society of Rehabilitation (HKSR), shared their take on annual reports, what they tried to achieve through the publication and, most importantly, how.

So, what do NGOs want to achieve through their annual reports?

- “The most fundamental function of an annual report is to document what the organization does to achieve its vision and mission,” said Dr Patrick Cheung.
- “Annual reports enable effective communications with stakeholders in terms of the organization’s performance, challenges, development plan, and other important aspects,” said Ms Jane Chan.
- “Annual reports are also useful as an effective accountability and communication tool to inform the public about the organization’s compliance: with the organization’s constitution; with laws and regulations; and with contractual requirements from funders. This helps the organization obtain public trust and respect,” said Mr David Yau.

While the three purposes suggested concerning proper documentation, effective communications, and compliance seem to be distinct on the surface, what underlies is the shared will to build and increase stakeholders’ and the public’s trust and confidence in the organization. So, what in an annual report gives readers confidence?

Possibly contrary to the traditional and common belief with regard to marketing that focuses on publicizing achievements, all four guest speakers as NGO governors agree on the prime importance of transparency in gaining confidence – even with respect to defects and risks of the organization. Their respective annual reports find different ways to champion and evince high transparency.

For example, HKSR’s annual report contains an extremely elaborate Chairperson’s report that covers financial highlights, key performance indicators, even specific risks and uncertainties the organization faces. Mr David Yau explained that the comprehensive report doubles as the organization’s business review, “our voluntary disclosure of such important information highlights the Society’s risk awareness, prudence, and high accountability, all of which attests to our good governance that stakeholders and the general public appreciate.”

Ms Jane Chan concurred, “certainly, organizations should not only sing their own praises and conceal faults, but be honest about how they perform so as to obtain constructive feedback for their continual improvement.” FHS’s annual report features a very detailed section of “Key Figures” that unveils a wide range of quantitative information quite uncommonly found in NGO annual reports – apart from year-over-year information on income, expenditure, donations received and staff cost i.e. variance analysis, there is also information on the composition of the Council and the staff in terms of profession and gender, even the Council’s and the Committees’ meeting attendance.

¹ The Survey harnessed information from 374 annual reports published by local social service NGOs (all HKCSS agency members) through the use of a survey framework comprised of five areas and manifested by 28 categories. Full report with survey framework is available in the Project website at governance.hkcss.org.hk/node/150.

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Dr Patrick Cheung shares the same opinion. Using the size of reserve as an example, he noted that ACA's Executive Committee discussed yearly the appropriate reserve size and related policies. "Should there be any factual reporting that may raise eyebrows, organizations should make known of the justifications; in the case of having a big reserve, for instance, the organization should clearly spell out how it enables meaningful support for the organization's operation and mission attainment, to debunk potential rumor of it being money hoarded," said Dr Patrick Cheung.

Complementary to such honesty and openness about the organizations' "sensitive" information is effective communication. While FHS deftly uses infographics to concisely present its plenty important figures, ACA adopts a different approach that primarily serves the same purpose – through a Treasurer's Report. "We understand that a lot of our key stakeholders including beneficiary families may find a traditional financial report inscrutable, therefore we believe it is essential to put together a Treasurer's Report that is more readable and accessible to laypersons," said Mr James Ng.

Through voluntary disclosure in annual reports, HKSR, FHS and ACA are three of the many examples how NGOs could garner trust from the public, confidence from service users and other stakeholders, and even support from funders. Fully aware of the inevitability of risks in an organization's operation, and the fact that all organizations always find inadequacies and potential for improvement, governors of the three organizations all show full willingness to confront and reveal their shortcomings, rather than conceal them, displaying an acute sense of accountability and demonstrating good governance that are central to any NGO's survival and long-term success.

Facilitated by Ms Yvonne Yeung, Member of Steering Committee on NGO Governance Platform Project of HKCSS (far right), Mr James Ng and Dr Patrick Cheung of ACA (far left and second from left), Ms Jane Chan of FHS (middle) and Mr David Yau of HKSR had a fruitful discussion on how NGOs consider the purposes and the uses of annual reports.



Ms Stella Ho, Project Director of NGO Governance Platform Project presented the findings of "Survey on Information Disclosure in NGO Annual Reports".

