

# Press release: Regulator finds quality and transparency in charity accounts has fallen

Charities are not doing enough to demonstrate their public benefit, or explain how they spend their money, according to [reviews of charity accounts](#), published today by the Charity Commission.

Charity trustees are under an important legal duty to publish a trustees' annual report and accounts, by which they are accountable to the Commission and the public. The regulator has therefore carried out proactive scrutiny of charity accounts and trustees' annual reports\*, and assessed these against public expectations and public benefit reporting requirements.

Just 70% of trustees' annual reports and accounts in the ['Public reporting review'](#) met the Commission's basic benchmark of user requirements, compared with last year's 74%. The quality benchmark was based on [recent research into trust in charities](#) which found that 'ensuring a reasonable proportion of donations make it to the end cause' and 'making a positive difference to the cause they work for' were the most important factors driving public trust and confidence in charities.

The main reasons why charities' accounts submissions did not meet the Commission's basic benchmark were failure to evidence that their accounts had been subject to independent scrutiny by an auditor or independent examiner, as required by law, and/ or not providing meaningful information about their charity's purposes or the activities carried out to achieve those purposes.

Just 52% of trustees' annual reports in the ['Public Benefit reporting' review](#) met the public benefit reporting requirements. Although this is a 1% increase on last year, trustees are still falling short on the requirements to explain activities undertaken by the charity to further its purposes for the public benefit, and to provide a 'public benefit statement'.

The reviewers looked for evidence of some reflection on the difference that the charity's activities had made. Positive examples of compliance included explaining why the trustees believed that the charity's activities provided public benefit; explaining who had benefitted from what the charity had done, whether a particular group of beneficiaries or the wider public; and explaining the impact of what the charity had done, such as examples of how the charity's services had led to improvements in people's lives.

The regulator has provided guidance to all trustees included in the reviews that did not meet its expectations. Extensive support to assist trustees and independent examiners on the preparation and scrutiny of reports and accounts is available on GOV.UK.

**Nigel Davies, Head of Accountancy Services at the Charity Commission said:**

The public want and deserve to know how charities spend their money so this deterioration in the quality of accounts is of serious concern. The trustees' annual report and accounts are a key way to build confidence among supporters, so many charities are clearly missing an opportunity.

I would urge those charities that find reporting difficult to take advantage of the pro-forma reports and accounts available on our website.

We also need to see a step-change in trustees' attitudes to public benefit reporting. It is disappointing that nearly half of charities fail to explain the activities they undertake and the impact they have. We want to see charity thrive, so charities must be clearer about who they help and what difference they are making.

Ends

**Notes to Editors**

1. \*The reviews were based on a random sample of 105 charity accounts submissions, covering accounting years ending during the 12 months to 31 December 2016.
2. The sample was selected in May 2018.
3. The Commission's research into public trust and confidence in charities was published on 11 July 2018 and is available on [GOV.UK](#).
4. The Charity Commission is the regulator of charities in England and Wales. To find out more about our work see the [about us](#) page on GOV.UK.
5. Search for charities on our [check charity](#) tool.