



Institute of Cost &
Management Accountants
of Pakistan

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The Institute of
Chartered Accountants
of Pakistan

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Best Annual Report Awards for Non-Profit Organizations (NPOs) 2019 Evaluation Criteria


NON-PROFIT ORGANIZATION


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BCR 2019 AWARD EVALUATION CRITERIA FOR NPOs

No.	Framework for Annual Reporting	Allocated Marks
1	ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT 	15
1.01	Describe the laws and jurisdiction under which entity is registered.	1
1.02	Principal activities and objectives.	2
1.03	Geographical location and address of all units and areas covered for services.	2
1.04	Mission, vision, code of conduct, culture, ethics and values.	1
1.05	Ownership, operating structure and relationship with group companies. (nature, timing and extent of transactions).	2
1.06	Organization chart indicating: a) Board / Trustees and Management b) functional and administrative reporting presented with legend.	3
1.07	Key quantitative information (break up of services with the source and utilization of funds).	1
1.08	Significant factors effecting the external environment and the associated entity's response (external environment includes activities of NPOs under similar business model, donors/lenders, political, economic, social, technological, legal and regulatory environment).	2
1.09	Significant changes from prior years (regarding the information disclosed in this section).	1


No.	Framework for Annual Reporting	Allocated Marks
2	STRATEGY 	10
2.01	Short, medium and long term strategic objectives. plans in place or intended to be implemented to achieve these strategic objectives.	2
2.02	Resource mobilization strategy and financial capital structure.	2
2.03	Key performance indicators (KPIs) to measure the achievement against strategic objectives.	2
2.04	Significant plans and decisions such as restructuring, expansions and discontinuance of operations etc.	2
2.05	Significant changes in objectives and strategies from prior years.	2

No.	Framework for Annual Reporting	Allocated Marks
3	RISKS AND OPPORTUNITIES 	10
3.01	Key risks and opportunities including: a) availability, quality and affordability of funds and operation of the entity. b) risk of misappropriation of assets/funds and fraudulent financial reporting. c) the risk (s) of non-compliance with all the relevant AML/CFT laws and regulations and FATF recommendations (including the risk related to (a) inappropriate application of any related requirements/procedures with respect to screening/KYC and due diligence of donor/lender; (b) the source and utilization of funds/resources; (c) any inadequate documentation thereof or the lack of documentary trail of any such transaction).	3
3.02	Sources of risks and opportunities (internal and external).	2
3.03	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	2
3.04	Board's efforts for determining the entity's level of risk tolerance by establishing risk management policies.	1
3.05	A statement from the Board that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten the business model, future performance, solvency or liquidity.	2


No.	Framework for Annual Reporting	Allocated Marks
4	GOVERNANCE 	45
4.01	Leadership structure of those charged with governance: a) Profile of each director / trustee including education, experience and involvement / engagement in other entities as CEO, Director, CFO or Trustee etc. b) Representation of female director on the Board.	3
4.02	Review report by the Chairman / CEO of the entity on the overall performance of the board and effectiveness of the role played by the board in achieving the entity's objectives.	2
4.03	A statement of how the Board operates, including a high-level statement of which type of decisions are to be taken by the Board and which are to be delegated to management.	2
4.04	Shariah Advisor Report and Profile of the Shariah Advisor / Members' of the Shariah Board.	1
4.05	Annual evaluation of performance, along with description of criteria used for the members of the Board and its committees, CEO and the Chairman.	1
4.06	a) Policy for remuneration to Non-executive directors including independent directors. b) Policy for retention of Board fee by the entity for the fee earned by Executive Director against his/her services as non- executive director in other entities.	4
4.07	Policy for security clearance of foreign directors.	1
4.08	Salient features of TOR and attendance in meetings of the Board/Trustee Committees (Audit, Human Resource and Risk management etc).	2
4.09	Board's policy on diversity, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	1
4.10	No. of entities in which the executive director of the reporting organization is serving as non-executive director.	1


No.	Framework for Annual Reporting	Allocated Marks
4.11	<p>a) Names of related parties in Pakistan and outside Pakistan, with whom the entity had entered into transactions or had agreements and / or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding, if any.</p> <p>b) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.</p> <p>c) Approved policy for related party transactions including policy for disclosure of interest by Board in this regard.</p>	4
4.12	Details of outside country board/ trustees' meetings.	1
4.13	Disclosure of Policy for actual and perceived conflicts of interest relating to members of the Board of directors and senior management and a disclosure that how such a conflict is managed and monitored.	2
4.14	Policy for safety records of the entity.	1
4.15	Disclosure of IT Governance Policy.	1
4.16	Disclosure of Whistle blowing policy established to receive, handle complains in a fair and transparent manner and providing protection to the complains against victimization, and disclosure of the number of such incidences reported to the Audit Committee during the year.	2
4.17	Human Resource Management policies including preparation of a succession plan.	2
4.18	Social and Environmental Responsibility policy.	1
4.19	Review by the Board of the organization's business continuity plan or disaster recovery plan.	1
4.20	A brief description about role of the Chairman and the CEO.	1



No.	Framework for Annual Reporting	Allocated Marks
4.21	<p>Timely Communication: Date of authorization of Financial Statements by the Board of Directors:</p> <p>a) within 40 Days --- 6 Marks</p> <p>b) within 60 Days --- 2 Marks</p>	6
4.22	<p>Audit Committee Report should include:</p> <p>a) Composition of the Committee with at least one member being financially literate and all members are non-executive / Independent directors/trustee including the Chairman and also a philanthropist.</p> <p>b) Role of the Committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard.</p> <p>c) Committee's overall approach to risk management and internal control including internal audit .</p> <p>d) Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures.</p> <p>e) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded.</p> <p>f) The Committee 's views whether the Annual Report is fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the entity's position and performance, business model and strategy.</p>	5

No.	Framework for Annual Reporting	Allocated Marks
5	PERFORMANCE AND POSITION 	80
5.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Current performance against previous year; and (b) Current performance against budget and objectives to assess stewardship of management.	10
5.02	Financial Ratios (for three years) I. Profitability Ratios a. Net Surplus to Revenue b. Marketing expenses to Revenue c. Admin expense to Revenue d. Total expense to Revenue e. Zakat inflow to total Revenue f. Donation to total Revenue II. Liquidity Ratios a. Current Ratio b. Quick / Acid test ratio c. Cash to Current Liabilities d. Cash flow from Operations to Revenue e. Net Working Capital III. Activity / Turnover Ratios a. Total Assets to Revenue ratio b. Fixed Assets to Revenue ratio c. Operating cycle (with breakup) IV. Capital Structure a. Net worth of the NPOs i. based on historical cost ii. based on MV b. Debt to Fund ratio	10
5.03	Vertical and horizontal combined (for three years): • Balance Sheet • Income Statement • Cash Flow Statement • Operating expenses	5

No.	Framework for Annual Reporting	Allocated Marks
5.04	Summary of Cash Flow Statement for last 3 years.	2
5.05	Graphical presentation of para 5.02, 5.03 and 5.04 above.	2
5.06	Explanation of negative change in the performance against prior year including comments on the results disclosed as per 5.02, 5.03 and 5.04 above.	4
5.07	Cash flow Statement based on Direct Method.	5
5.08	Separate cash flow statement for Zakat fund based on direct method.	10
5.09	Segmental Analysis of activities in financial terms.	2
5.10	History of major events.	2
5.11	Rationale of major capital expenditure / projects during the year and for those planned for next year.	3
5.12	Video on the entity's website explaining the overview, performance, strategy and outlook.	10
5.13	Assurance Report as per ATR 17 or Companies Act 2017 whichever is applicable.	4
5.14	Disclosure of grants / donations by Government and International donors.	2
5.15	Where any payment on account of taxes, duties, levies and charges is overdue or outstanding, the amount together with a brief description and reasons for the same be disclosed.	3
5.16	The Financial Statements are prepared as per International Financial Reporting Standards and Accounting Standards for NPOs and Fifth Schedule of the Companies Act 2017. (where applicable).	6

No.	Framework for Annual Reporting	Allocated Marks
6	OUTLOOK 	15
6.01	Forward Looking Statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the entity's resources, revenues and operations.	5
6.02	Explanation as to how the performance of the entity meets the Forward Looking Statement disclosures made in the previous year.	2
6.03	Status of the projects in progress and were disclosed in the Forward Looking Statement in the previous year.	3
6.04	Source of information and assumption used for projections / forecasts in the forward-looking statement and assistance, if any, taken by any external consultant.	3
6.05	How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	2

No.	Framework for Annual Reporting	Allocated Marks
7	STAKEHOLDERS RELATIONSHIP AND ENGAGEMENT 	20
7.01	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the entity, and how those relationships are managed. These engagements may be with (a) Donors; (b) Lenders; (c) Media; (d) Regulators; (e) PCP.	5
7.02	Statement of value added and its distribution with graphical presentation: a) Social Services (break up of major activities). b) Government as taxes (separately direct and indirect). c) Employees as remuneration. d) Providers of financial capital as financial charges. e) Retained within the entity.	10
7.03	Stakeholders engagement policy and steps Board has taken to solicit and understand the views of the Donors and Stakeholders through briefing programs	5

No.	Framework for Annual Reporting	Allocated Marks
8	REPORT PRESENTATION 	5
8.01	Cover and printing including the theme on the cover a) Effectiveness of photographs and their relevance b) Effectiveness of charts and graphs c) Clarity, simplicity and lucidity in presentation of financial statements	5
9	SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY 	20
9.01	Highlights on the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility.	15
9.02	Certifications acquired and international standards adopted for best sustainability and CSR practices.	5
		Total Marks 220

NOTE:

1. The objective is to recognize excellence in reporting and promote accountability & transparency.
2. The Criteria is specifically for Non-Profit Organizations in Pakistan which may be formed under different laws viz. Companies Act, 2017, Societies Act, 1860, Social Welfare Ordinance, 1961 and Trust Act, 1882 or through special legislations.
3. If any disclosure is not applicable, then full marks will be awarded.
4. Awards will be given to top three positions followed by Merit Certificates for reports achieving the minimum benchmark i.e. 50%.

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