

Accountability and not-for-profit organisations: implications for developing international financial reporting standards

Louise Crawford^a, Gareth G Morgan^b & Carolyn J Cordery^c

^aRobert Gordon University, Scotland, l.crawford2@rgu.ac.uk

^bSheffield Hallam University, England, Gareth.Morgan@shu.ac.uk

^cVictoria University of Wellington, NZ, Carolyn.Cordery@vuw.ac.nz

Forthcoming in Financial Accountability & Management May 2018 (34:2)

Running Head:

International Financial Reporting for NPOs

Corresponding author:

Professor Louise Crawford
Aberdeen Business School
Robert Gordon University
Aberdeen AB10 7QE

Acknowledgements

This study on which this paper is based was funded by the CCAB (Consultative Committee of Accounting Bodies: the authors wish to thank them and members of the Steering Group for their support. However, all opinions expressed in this paper are those of the authors alone. We would also like to thank Dr Oonagh Breen (University College Dublin) who provided legal analysis for this study; Faisal Sheikh and Dr Liafisu Yekini (both from Sheffield Hallam University) for their support with the literature and narrative analysis, Suyanto Suyanto (University of Dundee) for managing, administering and co-ordinating the contact lists and distribution of the survey, and finally, Ruth Kelly (University of Dundee), for web-management of the online survey.

Accountability and not-for-profit organisations: implications for developing international financial reporting standards

ABSTRACT

This paper provides empirical evidence which informs contemporary debates on developing international financial reporting standards for not-for-profit organisations (NPOs) (CCAB, 2013a,b; IFRS Foundation, 2015). Drawing on a global survey with respondents showing experience of NPO reporting in 179 countries, we explore: practice and beliefs about NPO financial reporting internationally; perceptions of accountability between NPOs and stakeholders; and implications for developing international financial reporting standards. Interpreting our research in the context of accountability, we find considerable support for developing international financial reporting standards for NPOs, recognising broad stewardship accountability to all stakeholders as important, but prioritising accountability upwards to external funders and regulators.

KEYWORDS:

Not-for-profit organisations (NPO); accountability; international financial reporting; stewardship.

INTRODUCTION

The not-for-profit sector represents a broad mix of organisations having accountability relationships to diverse stakeholder groups for a range of social activities and objectives (Unerman & O'Dwyer, 2006a; Dhanani & Connolly, 2012; Connolly et al., 2013a). However, although the academic literature has proposed accountability frameworks for the sector, the ability of these frameworks to explain existing financial reporting practice across the globe and inform contemporary financial reporting developments, remains un-explored. The current paper addresses this gap by investigating financial reporting practice and perceptions of not-for-profit organisations (NPOs) across the globe. With particular focus on organisations with a charitable purpose, we analyse views from 605 survey respondents who are involved in NPO financial reporting, operating across 179 countries in five world regions and worldwide. Specifically we explore: (i) practice and beliefs about contemporary NPO financial reporting, internationally; (ii) perceptions of accountability relationships between NPOs and their stakeholders; and (iii) the implications for developing internationally converged financial reporting to facilitate NPO accountability. Our research is developed and interpreted through accountability theory. Our findings highlight considerable support for developing internationally converged financial reporting standards for NPOs, with survey respondents recognising broad stewardship accountability to all stakeholders as

important, but prioritising accountability upwards to external funders and regulators for financial and fiduciary concerns.

A major part of executing accountability to key stakeholders is providing ‘high quality accounting and reporting’ information (Connolly et al., 2013b, p58). Indeed, the Charity Finance Group (CFG) Symposium (2012) identified a need for a ‘shared understanding’ for NPOs’ financial reporting so that donors, beneficiaries and global networks can use this information appropriately. Arguably, financial reporting will constitute one means by which NPOs can execute pluralistic accountability to their multiple stakeholders, together with non-financial and narrative reporting (Ryan et al., 2014). However, in a majority of countries across the world, there are no NPO-specific standards, financial reporting lacks a sector-specific conceptual framework, and regulation of the standards that exist, is often poor (Burger, 2012; Cordery, 2013).

The NPO sector exhibits unique characteristics compared to the for-profit and public sectors, operating ‘in an environment of primarily non-exchange transactions with voluntary funders’ (Ryan et al., 2014) (Table 1, Panel A). This creates challenges for an NPO to demonstrate accountability to its diverse stakeholders for achieving its social mission (Table 1, Panel B) (Lennard, 2007; O’Dwyer & Unerman, 2007; Laughlin, 2008; Dhanani & Connolly, 2012). Compared to the for-profit sector, there are no owners to whom accountability for financial wealth creation can be prioritised (Table 1, Panel B). Indeed, the singular focus on prioritising reporting to investors and lenders to facilitate economic decision-making¹, as captured in the International Accounting Standards Board’s (IASB’s) conceptual framework (Lennard, 2007; IASB, 2010; Ryan et al 2014) (Table 1, Panel C), is not appropriate to the NPO sector. Neither is the International Public Sector Accounting Standards Board’s (IPSASB) conceptual framework, which identifies primary users of (public sector) financial reports as service recipients (public and their political representatives) and resource providers (taxpayer)² ‘for accountability [stewardship] purposes and as input for decision making’ (IPSASB, 2014, p4) (Table 1, Panel C). Contemporary debates recognise that there is no international equivalent of the IASB or IPSASB for the NPO sector (CCAB, 2013a,b; CIPFA, 2015; IFRS Foundation, 2015; MANGO, 2015).³ Indeed, the research presented in this paper is timely given that, at the time of writing, the IFRS Foundation are consulting on whether IASB should extend its remit stating:

There are calls for international standards for the not-for-profit sector to be developed ... The [IFRS Foundation] Trustees continue to strongly support the need for transparent financial reporting requirements for not-for-profit bodies. Given the demand for standards to be created for that sector and the lack of an international standard-setter to do that, the Trustees would welcome views on whether the scope of the organisation’s mandate should be expanded to encompass not-for-profit bodies (IFRS Foundation, 2015, para 22).

Our research responds to calls (Leo 2000, p2) to undertake research ‘to provide answers to the accounting problems’ facing NPOs, and to convince ‘doubters’ that NPO accounting standards are necessary. Ryan et al. (2014, p397) also call for research, noting that there has been little attempt ‘to link financial reporting diversity of practice [across the globe] to the enhancement of sector accountability’.

We answer these calls in several ways. Firstly, in contrast to many jurisdiction-specific studies, we investigate contemporary NPO financial reporting practice internationally, together with beliefs about executing NPO accountability responsibilities. Secondly,

much attention in the academic literature is aimed at understanding for-profit practice (Lennard, 2007; Zeff, 2007) and the politics of standard-setting (Baskerville & Pont Newby, 2002; Crawford, Ferguson et al., 2014), with comparatively little attention devoted to how international financial reporting might be perceived and developed for the NPO sector. By contrast, this research investigates the extent to which developing NPO-specific International Financial Reporting (NPO-IFR) would be supported by the sector. Finally, we explore qualitative characteristics and types of NPO-specific transactions perceived to be important if NPO-IFR standards or guidelines were to be developed.

The remainder of this paper proceeds as follows. We discuss theoretical dimensions of NPO accountability followed by an appraisal of the sector and contemporary financial reporting practices. After outlining the research method, we interpret our findings. Finally, we present conclusions and suggest areas for policy development.

Insert Table 1 about here

NPO ACCOUNTABILITY

In this section we explain the role of financial reporting in executing NPO accountability, and discuss conceptual dimensions of NPO accountability.

Accountability and financial reporting

With their increasing economic and social significance, the practical and political importance of robust and comprehensive demonstrations of accountability, including financial accountability, is being increasingly recognised (Ryan et al., 2014, p383).

From a theoretical viewpoint, the need for NPO accountability is supported by a number of authors (Lennard, 2007; O'Dwyer & Unerman, 2007; Laughlin, 2008). Mulgan (2001, p92) notes, '[a]ll organisations may ... be expected to report accurately on their current financial situation'. Torres & Pina (2003) and Dhanani & Connolly (2012) argue that financial reporting is part of a package of functional and social accountability, important to a wide variety of stakeholders for assessing an NPO's sustainability and stability in pursuit of mission achievement. Ryan et al. (2014) focus on how financial accountability, which contributes to NPO accountability, should be carried through to conceptually underpinned, sector-specific financial reporting standards.

However, the primary focus of NPO accountability, whether for stewardship or decision-usefulness, has not been agreed conceptually (O'Dwyer & Unerman, 2007; Dhanani & Connolly, 2012). Zeff (2013) notes that the meaning of stewardship in accounting standard-setting has evolved from reporting management's husbanding of an entity's resources to efficiency, to encompassing analysis of management's effectiveness at providing a return⁴ on resources employed. In making this distinction, Zeff acknowledges that the terms stewardship and accountability have been used interchangeably over time, as is apparent in the IPSASB conceptual framework (IPSASB, 2014). In this current paper, we distinguish the term 'accountability' from its 'stewardship' purpose.

Determining accountability responsibilities

Several accountability frameworks have been proposed in what has been an explosion of literature in this area over recent years. These frameworks are based on: (i) understanding ‘who’ is demanding accountability information, whether from all stakeholders or selected stakeholders; and (ii) determining the boundary of accountability information to be disclosed, whether for discharging functional and/or social accountability.

In considering ‘who’ is demanding accountability information, NPO stakeholders must be identified and their accountability needs understood (Leo, 2000). The NPO sector is characterised by having accountability relationships with a diverse range of stakeholders, including: beneficiaries, funders, government and regulators (Connolly et al., 2013a; Unerman & O’Dwyer, 2006a). Ebrahim (2003) distils diverse groups into: funders; regulators and clients, while Keating & Frumkin (2003) provide finer granularity into: directors/trustees; NPO staff; clients who use the NPO services; donors who provide charitable support; and the community that benefits indirectly from the NPO services. In their exploration of UK charities’ governance, Hyndman & McDonnell (2009) distinguish between stakeholders that are external to the organisation, being donors, regulators and beneficiaries, as opposed to internal stakeholders, being trustees/directors, paid staff and volunteers (Figure 1, y-axis).

There are two overlapping approaches to determining the boundaries of NPO stakeholder accountability, from narrow to broad notions of accountability (Figure 1, x-axis). The first approach is generally narrower and emerges from legitimacy theory, where ‘accounting may be seen as a legitimising institution’ (Jonsson, 1998, p233) and accountability mechanisms are developed as strategic tools to garner support for NPO activities from key stakeholders (Suchman, 1995; Dhanani & Connolly, 2012). At its narrowest, this approach is pragmatically-focused on identity accountability, meaning that accountability responsibilities are determined by internal actors running the NPO ‘to be accountable or answerable to themselves’ (Unerman & O’Dwyer, 2006b, p356) (Figure 1, Box A). Interestingly, while the social objectives of NPOs arguably means that reporting should extend beyond internally determined identity accountability, literature suggests that some NPO managers, actually or theoretically, deem themselves accountable only to themselves for achieving a set mission (Unerman & O’Dwyer, 2006b; Coule, 2015). Stakeholders may be ranked by importance and accountability prioritised to mission-critical stakeholders,⁵ to facilitate NPO sustainability and so influence the achievement of the organisation’s objectives, (Unerman & O’Dwyer, 2006b). Thus, NPO management might be encouraged to ‘expend more effort on and account to/for the more salient [mission-critical] stakeholders who have the power to influence organisational outcomes’, for example regulators and funders (Dhanani & Connolly, 2012, p1143) (Figure 1, Box B).

The second approach is grounded in stakeholder theory where an NPO takes a broad, ethical and ‘inclusive perspective of accountability that recognises the need to account to and for multiple constituencies’ according to their needs and expectations (Dhanani & Connolly, 2012, p1142). This reflects Unerman & O’Dwyer’s (2006b) appreciation of broad relational accountability where:

all those affected by an organisation’s [or person’s] actions can demand an account from managers of that organisation [or person] regarding how and why the organisation has acted in the manner it has (p351).

Hyndman & McDonnell (2009) extend this notion of relational accountability, linking it inextricably with good [charity] governance, stating that:

... charity governance can be viewed as: relating to the distribution of rights and responsibilities among and within the various stakeholder groups involved, including the way in which they are accountable to one another; and also relating to the performance of the organization, in terms of setting objectives or goals and the means of attaining them (p27).

Broad notions of accountability capture all stakeholders, idealistically, without ranking of importance (Figure 1, Box A-D).

Approaches to executing accountability will depend on the extent to which managers of NPOs act as either agents or stewards in respect of the accountee. The accountability relationship between directors (agents) of for-profit entities with shareholders (principal) assumes, under agency theory, that agents are motivated by self-interest. By comparison, stewardship ‘assumes a long term relationship ... based on trust, collective goals and ... relational reciprocity’ between the accountee and the accountant (Kluvers & Tippett, 2011, p. 277). This stewardship definition arguably better explains the accountability relationship between those who manage and govern NPOs with NPO stakeholders (Unerman & O’Dwyer, 2006a; Kluvers & Tippett, 2011; Connolly et al., 2013a) (Table 1, Panel B).

Dhanani & Connolly (2012), drawing on their appreciation of O’Dwyer & Unerman’s (2007) conceptualisation of NPO accountability, present two inter-related types of NPO activity for which an account should be given: functional (financial and fiduciary) and social (strategic and procedural). Functional accountability is ‘concerned principally with accounting for, and the use of, resources’ whereas, social accountability ‘capture[s] the social impact of an organisation’ (p1147). This reflects Torres & Pina’s (2003) understanding of NPO accountability as incorporating an account of ‘effort’ and ‘accomplishments’, being the quantity of resources committed in pursuit of social goals, and the social outcomes that result, respectively (p280). Thus, the adequate disclosure by NPOs of financial and social information ‘contributes to explaining to [stakeholders], the need for and the use of the resources donated and the social benefits of the activity carried out in order to obtain [further] social and financial support’ (Torres & Pina, 2003, p283).

Other frameworks have been proposed in an attempt to explain the nature and scope of NPO accountability, based on understanding the purpose for which accountability information is being disclosed (Unerman & O’Dwyer, 2006b; O’Dwyer & Unerman, 2007 and Dhanani & Connolly, 2012). For example ‘upward accountability’ to funders and regulators for functional goals (Figure 1, left side), and ‘downward accountability’ to beneficiaries, employees and volunteers for social, environmental, fundraising and value-relevant goals (Figure 1, right side). Clearly, determining accountability ‘to whom’ includes considering notions of ‘for what’. This integrated understanding of accountability is illustrated in Stewart’s (1984) ‘ladder of accountability’. The bottom of Stewart’s ladder is ‘accountability by standards’, for probity and legality, capturing narrow accountability for financial and fiduciary goals. At the top of the ladder is ‘accountability by judgement’; if the accountant has climbed the ladder to the top, then broad relational accountability for functional and social goals will have been executed to all stakeholders, holistically. NPO accountability, as discussed above, is represented in Figure 1, and underpins our research development and interpretation of empirical findings.

Insert Figure 1 about here

THE NPO SECTOR AND FINANCIAL REPORTING PRACTICE

In this section, we discuss the defining characteristics of the NPO sector in terms of mission, stakeholders and transactions and review the debate surrounding developing global accounting practice for the sector.

Characterising the NPO sector

The term ‘not-for-profit sector’ used in this paper can also be referred to as the ‘third sector’, ‘community and voluntary sector’, and ‘civil society’ (Salamon & Anheier, 1992),⁶ and, as NPOs exclude government entities, they may also be called NGOs (Non-Governmental Organisations).⁷ The NPO sector is diverse and has a major economic presence in many countries throughout the world (Teegen et al., 2004; Kreander et al., 2009; United Nations, 2013). In addition, this sector has grown rapidly in recent years, due to governmental trends to privatise and outsource activities that were previously the domain of the public sector (Lehman, 2007). This rapid growth and reliance on voluntary contributions from: individuals; members; national governments; and international funding agencies, necessitates NPO accountability to stakeholders to secure funding for delivering important services.

NPOs comprise a heterogeneous mix⁸ of ‘mission-oriented organisations’ (Ryan et al., 2014, p384) which shape the nature of NPO-stakeholder relationships and accountability responsibilities (Unerman & O’Dwyer, 2006a; Dhanani & Connolly, 2012; Connolly et al., 2013a) (see Table 1, Panel A). Specifically, the NPO sector is distinguished from the other sectors by the source and nature of its transactions. Resources are donated to NPOs as income, assets or as labour, through voluntary and non-exchange transactions, arguably reflecting the contributor’s values and utilitarian beliefs, where the contributor expects no economic return. NPOs use capital assets for service provision, rather than to generate cash flows (Not-for-Profit Sector Advisory Committee (NPOSAC), 2009; Dacombe, 2011; Davies & Maddocks, 2012). These characteristics contrast NPOs from exchange based transactions in the for-profit sector and involuntary (coercive taxation) transactions in the public sector (Ryan et al., 2014). Additionally, individual who choose to work or volunteer in the sector, may hold ‘a set of values’ aligned to NPO goals, rather than narrower self-interest values traditionally associated with for-profit work (Kluvers & Tippett, 2011).

Debating development of global financial reporting practice for NPOs

With the rapid growth of NPOs to assist community development in developed and lesser-developed countries (Tully, 2012), some feel that international standards will be a cost-effective way to ensure NPO accountability, and that it would result in savings in terms of audit and regulatory effort (CFG, 2012). Quality reporting should also increase donors’ trust and confidence in NPOs, when they can see that their donations have been directed appropriately. However, despite the call for NPO-IFR, to date only a few countries enjoy NPO sector-specific standards, for example: Canada, England and Wales, Scotland, Belgium, New Zealand, Switzerland and USA. There is no general reporting framework for NPOs in, for example, India, Ireland or Japan. NPOs operating in Australia and South Africa are required/allowed to follow International Financial Reporting Standards (IFRS) pronounced by the IASB, and New Zealand’s new standards⁹ have been adapted from IPSASB standards - International Public Sector Accounting Standards (IPSAS) (Crawford, Morgan et al., 2014).

Dhanani & Connolly (2012, p1141) state that annual reporting by NPOs is essential for stakeholders to monitor NPO activity and is ‘increasingly ... recognised as one of the most widely used tools with which [NPOs] can account to their stakeholders’. However, contemporary NPO financial reporting practice is typically jurisdiction-specific; indeed often NPOs prepare reports of different types and styles depending on the audience for that information (Torres & Pina, 2003; Crawford, Morgan, et al., 2014). Further, financial reporting differs not only according to the audience for that information, but often lacks homogeneity within a particular country, due to a lack of regulation (CFG, 2012) and differing organisational forms (Morgan, 2013). Financial reporting is also inconsistent between countries, which the CFG argue is due to a lack of agreed international standards for NPOs. Indeed, Torres & Pina (2003) illustrate variability in accounting for NPO-specific issues across four countries (Canada, USA, UK and Spain) and argue that such heterogeneous practice impacts negatively on the reliability and comparability of NPO reporting. Ryan et al. (2014) argue for a NPO conceptual framework to develop:

appropriate accounting standards from which financial reports are derived to enable NPOs to demonstrate financial accountability in the context of a broader accountability that includes mission achievement (p385).

In comparison, the for-profit and public sectors can draw on a sector-specific international conceptual framework and associated international accounting standards pronounced by IASB and IPSASB, respectively (IASB, 2010; IPSASB, 2014). These frameworks define the respective objectives of financial reporting and elaborate the characteristics of information that are likely to be most useful to sector-specific users (see Table 1, Panel C). The qualitative characteristics of relevant information that faithfully represents underlying transactions and events of the reporting entity, are defined in the context of the sector, being understandability, timeliness, comparability, and verifiability.¹⁰ These characteristics are attributes that support the provision of financial and non-financial information for accountability purposes (IASB, 2010; IPSASB, 2014) and reinforce perceptions of the transparency¹¹ of financial reporting. However, the academic literature cautions against adopting for-profit or public sector practices to report NPO performance, where ‘... techniques borrowed from the business sector, ... filtered through the public sector, ... applied in an *ad hoc* manner to situations in the voluntary sector’, do not take adequate cognisance of the NPO-specific issues and impact negatively on NPO accountability (Myers & Sacks 2003, p287). One further important consideration is that the due processes and transparent consultations leading to pronouncement of standards issued by the IASB and the IPSASB have not actively sought the views of the NPO sector. Such failure to ‘fully consult with all affected constituent groups ... highlights possible risks with moving to [other] standard-setting environment[s]’ (Baskerville & Pont Newby, 2002, p. 2).

An NPO sector-specific conceptual framework may facilitate the development of ‘consistent standards and ... prescribe the nature, function and limits of financial accounting and reporting’ for the sector (Ryan et al., 2014, p384). Arguably, standardised, conceptually underpinned accounting standards, implemented globally, may contribute to accountability by underpinning disclosures that is: ‘complete and relevant’ (Ryan et al, 2014, p385); ‘reliable and comparable’ between and within jurisdictions (Torres & Pina, 2003, p283); subject to regulation, oversight and audit (CFG, 2012); and transparent, contributing to explaining to stakeholders how the efforts of an NPO translate into outcomes towards mission achievement (Torres & Pina, 2003;

Dhanani & Connolly, 2012). Indeed, the Chartered Institute of Public Finance Accountants (CIPFA) hosted a meeting of standard setters ‘from jurisdictions including Australia, Canada, Japan, Ireland, the Netherlands, Norway, Sierra Leone, South Africa, Turkey, UK, USA, and Zimbabwe ... [and] representatives of the IASB and the IPSASB’ (MANGO, 2015; see also CIPFA, 2015; Ugwumadu, 2015) to discuss the potential development of NPO-IFR standards or guidelines for the sector.

In order to examine the potential and opportunity for NPO-specific international financial reporting to contribute to accountability, we investigate perceptions of those who are involved in NPO financial reporting across the globe. Specifically, we interpret perceptions in relation to: contemporary NPO financial reporting practice and beliefs, internationally; accountability relationships between NPOs and their stakeholders; and implications for developing internationally converged financial reporting for the sector.

The scope of our research includes private organisations that are established for public benefit or which would be seen as charitable organisations in jurisdictions where the term ‘charity’ is used (Figure 2, Box 3.2.2).¹² This scope is narrower than the field of third sector organisations (Figure 2, Box 3) which generally include certain profit-distributing organisations such as co-operatives trading for social purposes (Box 3.1). In order to extend our approach to countries where there is no formal recognition of charities, we define our focus as encompassing organisations in any country which would probably meet the English definition of charity and organisations in any country which are entitled to charitable-type tax reliefs (whether or not the actual term ‘charity’ is used).¹³ We present our method in the next section.

Insert Figure 2 about here

METHOD

Following an analysis of literature, we discussed relevant issues with a steering group of professional body and civil society representatives concerned with NPO financial reporting practice. This informed the development of a web-based survey¹⁴ to be distributed to the widest worldwide audience of stakeholders with interests in NPO reporting.

The survey comprised a mixture of closed (multiple option) and open-questions (inviting narrative responses)¹⁵ (Table 2). Closed-question statements explored perceptions of accountability and international financial reporting developments using a 1 to 5 Likert scale (where 5 = ‘strongly agree’); most of the closed-questions were answered by almost all 605 respondents (from 585 to 601 answers) and open-questions attracted comments from at least two thirds of respondents.

Insert Table 2 about here

A request to take part in the survey was distributed by email to two international contact lists of potential ‘Individuals’ and ‘Gatekeepers’ who were specifically involved in NPO financial reporting. The lists were generated from the research team’s professional networks and bodies represented on the steering group.¹⁶ The Gatekeepers were typically professional bodies or support groups for NGO finance managers who agreed to forward the survey to their members or contacts, thus substantially increasing the level of responses.

Email recipients were encouraged to publicise the survey to their networks and others who might be interested and we know that many did so. The overall approach was thus based on ‘snowball sampling’ to identify the widest possible range of respondents. We

do not make any claim, therefore, that the respondents are representative of entire world populations engaged in NPO accounting, but all respondents had some definite interest in this field.

Respondents included NPO staff members, NPO board members/trustees, national and international standard setters, NPO regulators¹⁷, practitioners involved in preparation, audit or independent examination of NPO accounts, professional accountancy bodies, academics with an interest in NPO financial reporting and users of NPO financial reports. The survey was piloted amongst the team before going live to respondents for one month over November/December 2013.

Respondents from 605 usable responses reported direct experience of NPO financial reporting across 179 countries, which were grouped for analysis into five world regions and one world-wide category. Respondents indicated the numbers of NPOs with which they engaged, split by four income sizes ranging from NPOs with less than £30,000 income to more than £3m (or equivalent in other currencies)¹⁸ (Table 3).

Insert Table 3 about here

This method limited survey responses to English speaking participants operating in countries with developed internet facilities. Using snowball method, it was not possible to ascertain response rates.

DISCUSSION OF FINDINGS

Practice and beliefs about contemporary NPO financial reporting, internationally

We asked respondents closed-questions about their experience of NPO financial reporting practice and an open-question about perceived strengths and weaknesses of contemporary practice (Table 2, Panel A).

Analysis of closed-questions

In order to benchmark current NPO financial reporting practice with which survey respondents were experienced, we asked them to identify their involvement in NPO financial reporting by: type of accounting (Table 4, Panel A); financial reporting frameworks used (Panel B); and perceived adequacy of these frameworks to cover NPO-specific transactions (Panel C). This latter question is important as, if the NPO reporting framework is inadequate, then it is likely that NPO accountability will not be discharged adequately (see arguments raised by Ryan et al., 2014; Torres & Pina, 2003). The coherence of the resulting national accounting framework depends to a large extent on the degree to which there is joined-up thinking between the regulatory bodies and, where international reporting has been considered, the jurisdiction's overarching approach to adoption, convergence or alignment with IFRS and or IPSAS (see, for example, Breen, 2013; Phillips, 2012).

Insert Table 4 here

Table 4 shows that survey respondents were most frequently involved with financial reports prepared on an accruals basis (Panel A: 68% of responses). However a significant minority of respondents report experience of cash accounting (24%) by NPOs and fewer respondents experience forms of mixed cash-accrual accounting. Table 4 (Panel B) shows different financial reporting frameworks were chosen 1,525 times by the 605 survey respondents, indicating that each respondent observes multiple and divergent financial reporting requirements. Financial reporting frameworks

governing NPO accounting are most frequently based on national GAAP (experienced by 51% of respondents), national company law (42%) and national sector-specific law (39%). Reporting frameworks determined by regulators (29%), NPO-specific standards (26%) and funder requirements (23%) are also experienced to a notable extent. However, fewer respondents utilise international financial reporting frameworks for the for-profit (IFRS: 20%; IFRS for SME: 11%) and public (IPSAS: 3%) sectors. In addition, survey respondents perceived a fairly low level of recognition of NPO-specific transactions within current reporting frameworks (Panel C), indicating that related NPO financial reports may be incomplete, impacting on the faithful representation and reliability of disclosures (Torres & Pina, 2003; IASB, 2010; IPSASB, 2014). From the list of NPO transactions given in the survey, only 40% of respondents felt that NPO-specific asset valuations were adequately covered. Even on the issue of non-exchange transactions (perhaps the most obvious NPO-specific requirement) only 62% felt their existing standards were adequate.

Disclosing potentially incomplete information will contribute to producing reports that do not reflect characteristics of relevance, comparability, understandability and reliability. As argued in the literature, such diversity in practice across the globe and within jurisdictions, resulting from implementing non-sector-specific frameworks will negatively impact on discharging accountability (Ryan et al., 2014; Torres & Pina, 2003).

Analysis of open-questions

Of 605 survey responses, 465 (77%) elaborated on the strengths and weaknesses of the financial reporting frameworks with which they were familiar, with over 70% response rate from each respondent group.

Several respondents made positive comments on particular frameworks such as the Charities SORP in the UK, Swiss GAAP regime applicable to NPOs, or the multi-tier framework being introduced in New Zealand. However, although a staff member involved in Zambian and European NPOs noted that ‘... *standard guidelines are sometimes available and ... the donor is clear on their requirements*, this respondent raised concern that these were not ‘... *regulated and enforced efficiently*’.

Some respondents expressed frustration at the diversity of practice, particularly in relation to sector-specific transactions, creating comparability and consistency problems:

Having worked in a number of jurisdictions, the key issue for me is the lack of consistency across national borders, often in key areas of the financial reports (e.g. income recognition, treatment of different types of charitable funds). (NPO board member, UK)

Other concerns raised related to the relevance and complexity of contemporary reporting practice impacting on the NPO’s ability to transparently discharge accountability for charitable objectives, for example:

Accounting frameworks are established for for-profit organizations and when applied to non-profit organizations do not reflect the real activities, budget accountability and other important issues of NPOs. (NPO board member, Argentina)

and:

.....frameworks, which are aimed at increasing transparency for users, actually only provide transparency for accountants trained and specialising in the sector. Otherwise they are completely opaque. (NPO staff member, South Africa)

However, in some countries, respondents stated that *'no particular [NPO] standard exists'* (Regulator, Afghanistan). They commented that NPOs were consequently exposed to the burden of multiple funder reporting demands, creating capacity concerns, particularly for smaller NPOs. Indeed, narrative response evidence indicates that a lack of accepted NPO accounting practice contributes to a culture where: *'regulatory bodies ... prescribe as they want ...'* and prioritise *'...reporting for donor and regulatory bod[ies] which brings a burden on the system'* (NPO employee, Kenya).

For some respondents, the perception that using sector-neutral IFRS-based accounting facilitated comparability across jurisdictions and sectors, indicates support for standardisation to contribute, in part, to accountability; in this respect, the strongest support came from standard setters, for example:

Benefits of adopting transaction-neutral/sector-neutral accounting standards based on IFRS for general purpose financial reporting include: assists comparability across entities, enables transfer of accounting skills across private and public sectors, adds rigour to the standard-setter's deliberations. (Standard setter, Australia)

However, the importance of demonstrating financial accountability 'in the context of a broader accountability that includes mission achievement' (Ryan et al, 2014, p385), is recognised by others. For example, an NPO staff member working across several developing countries, expressed that IFRS are *'not fit to express social values'*, and suggested that IPSAS-based standards may be more helpful in this respect.

Whatever the regime, the vast majority of respondents raised concerns regarding existing requirements, mostly relating to: the relevance, faithful representation, reliability, comparability and understandability of current financial reporting practice in the sector; capacity to implement complex jurisdictional or funder-imposed financial requirements; and the usefulness of resulting reports to NPO stakeholders. These problems appeared to relate to the fact that contemporary financial reporting practice is determined by a plethora of diverse frameworks, implemented across the globe (Table 4), together with pressure to meet funder requirements.

Debatably, the resulting financial information disclosed does not provide an adequate account to NPO stakeholders of 'how resources donated have contribute[d] to explaining ... the need for and the use of the resources donated', potentially attenuating the ability of the NPO to obtain further social and financial support (Torres & Pina, 2003, p283). Thus, perceptions of contemporary financial reporting practice indicate inadequacy at disclosing sector-specific, relevant and understandable information required for executing accountability to stakeholders.

Perceptions of accountability relationships between NPOs and their stakeholders

This section explores perceptions of accountability and qualitative characteristics relating to NPO financial reporting (Table 2, Panel B).

Analysis of closed-questions

Table 5 shows that the majority of survey respondents strongly agree that NPO financial reports should be available to anyone (overall mean score of 4.22 [SD 1.054]), and are

a key means by which NPOs demonstrate accountability (4.41, [SD 0.839]). In terms of the focus of accountability, respondents confirmed that NPO financial reports should demonstrate stewardship of resources (4.51, [SD 0.745]), and to a lesser extent, they should be useful for decision making (4.29, [SD 0.859]). Therefore, perceptions of NPO accountability appear closer to the objective of public sector reporting, compared to the for-profit sector (Table 1). This indicates perceptions of broad accountability to all stakeholders [‘anyone’] for stewardship of existing resources to protect and advance NPO values, over narrower financial accountability for economic decision making.

Interestingly, Kruskal-Wallis¹⁹ testing indicates that the perception of at least one of the respondent groups was significantly different from other groups in relation to availability of NPO financial reports. Further statistical testing distinguishes the views of the trustees/board members (coded ‘T’ in the tables) from other respondent groups, showing they are less inclined to support availability of published NPO financial reports to anyone, implying that trustees favour a narrower concept of financial accountability compared to other groups.²⁰ In terms of characteristics, a respondent majority agreed that NPO financial reports should reflect the overarching quality of transparency (4.52, [SD 0.762], with 94% of respondents in agreement), a high degree of reliability (4.50, [SD 0.749], 94%), and be clearly understandable to diverse users of NPO accounts (4.32, [SD 0.811], 90%). There was slightly less agreement for the characteristic of intra-county comparability (mean 4.03, [SD 0.998], 74%), and even less for cross-country comparability (3.586, [SD 1.074], 56%).

Kruskal-Wallis results show no statistically significant differences between respondent types in respect of these ‘characteristics’ statements. These results imply that the perceived focus on stewardship accountability will be best served if financial reporting information disclosed is transparent, reliable and understandable, and to a lesser degree, comparable. These qualitative characteristics for the NPO sector are similar to accountability characteristics identified in the for-profit and public sectors (Table 1, Panel C). However, the preferred focus on stewardship over decision-usefulness, suggests that NPO accountability is more closely related to the objectives of public sector financial reporting, compared to the for-profit sector.

Insert Table 5 about here

Analysis of open-questions

In considering respondents’ views on enabling NPO accountability with the possible development of sector-specific international practice, it was important to ask who they saw as the main users of NPO financial reporting. Accordingly, we asked an open-question: *‘When thinking about the stakeholder groups and users of NPO financial reports, to whom do you see the NPO as being accountable and why?’* With elaboration: *‘Stakeholders and users include (for example): funders; beneficiaries; employees; board members and trustees; local community; government; regulators, the wider public.’* The sense of accountability to particular groups of stakeholders was clearly felt passionately by those who responded to this survey. In all, 492 comments were received on this question (81%, ranging from 70% from users to 85% from auditors, with comments totalling over 9,500 words).

More than 100 responses reflected a perception of holistic, broad accountability to ‘all the above’, for example:

(1) Beneficiaries, (2) funders, (3) others working in the same area (e.g. government, other NPOs, etc.), (4) employees - in that order. (Accountant, Vietnam and nearby countries)

Beneficiaries as the money is raised in their name, donors because they have to be satisfied the funds are used for the purpose intended, board members as they are ultimately accountable for the financial affairs of the NGO. The wider public for general transparency. (User of NPO financial statements worldwide)

A number of respondents stressed quite firmly the issue of NPO accountability to society as a whole and 'the public':

Truly everyone. If the goal is community benefit, then the full community should be able understand how resources are being used towards those ends. (Accountant, USA)

Of the remaining responses, many perceived a hierarchy of 'to whom' accountabilities, prioritising mission-critical funders at the top of the hierarchy, for example:

While NPO executives are accountable to the governing body, the NPO itself is accountable primarily to its funding partners for the stewardship of contributions received. The NPO is also accountable to the wider community, which down to the level of an individual, may have contributed to the work of the NPO through contributions to one of its funding partners. (NPO staff member working in Africa, Switzerland and Israel)

Indeed, the majority²¹ of respondents identified upward financial accountability to external funders, for example:

Primarily to those who give them money! – whether that be organisations or the public – i.e. individuals. (Accountant, UK)

Funders, including both public and private donors – to make sure that funds are being utilised as expected. Board members and other key decision makers within the organization – to facilitate their oversight and decision making. (Accountant, Norway)

Several comments reflected a sense of upward financial accountability to governments, regulators or tax authorities, for stewardship of financial resources:

[The financial statements] are drafted for charity or regulatory bodies, and government donors. Government, grant giving bodies and corporate donors generally receive tailored accounts. Joe public is not given much in the way of accountability – so why give money to an NPO which has so little respect for its main source of funding? (User of NPO accounts worldwide)

Many respondents identified accountability to external funders as critical to achieving the mission of the NPO to external beneficiaries. Respondents illustrated this relationship between upward functional accountability and downward social accountability to external stakeholders, stating that:

The NPO is most accountable to the beneficiaries first because they are the sole reason for NPO existence and Funders second for their financial support. (General practitioner, Kenya)

*Beneficiaries because the mission of NPO is based to the beneficiaries.
The Funders because they need to know if their money has been used as
stated in the funding contract. (NPO employee, Cambodia)*

Others clearly prioritised downward accountability to external beneficiaries, giving reasons:

Beneficiaries primarily (since they are the purpose for which the NPO exists). (NPO funder, UK)

They need to be accountable for all [stakeholders] but most of all to the beneficiaries. (NPO employee working worldwide).

Finally, a number of respondents articulated perceptions of identity accountability to internal stakeholders arguing that accountability to the board or membership was central and that accountability is a narrow responsibility that is a private matter of the NPO members:

[The question] above apparently makes some very distinct assumptions about NPO's as 'public service' entities and allows no room for those membership organizations whose financial activity is completely internal and no one else's business! ... There are cases of NPOs in which external stakeholders (like accountancy!) has absolute no right to interfere or claim sovereignty!!! (Academic/researcher, USA).²²

Only a minority of responses mentioned accountability to internal employees, although one response specifically ruled this group out because *'the employees/board members and trustees are the NPO, so not [accountable to] them'*

In terms of 'to whom' an NPO is accountable, our results show the majority view held conceives accountability as upward accountability to external funders and regulators followed by downward accountability to external beneficiaries. A minority of responses suggest notions of identity accountability to internal stakeholders and fewer determine downward accountability to internal employees and volunteers as important.

We did not specifically ask respondents about who should determine accountability needs. As such, our interpretation of identity or relational concepts of accountability is limited. However, few respondents identified only trustees as the main accountee, and many respondents identified a broad range of stakeholders as accountees. This implies that our population of respondents gravitate towards a broader relational concept of accountability, albeit with a majority identification of meeting the needs of mission-critical stakeholders to retain functional support to achieve social goals.

Implications for developing International Financial Reporting for the NPO sector

We asked respondents to share their perceptions on whether the development of internationally converged financial reporting practice would be useful (Table 2, Panel C).

Analysis of closed-questions

The survey evidence shows (Table 6) that a substantial majority of respondents agreed that an international standard would be useful (overall mean score of 3.88, [SD 1.194], representing 72% of respondents in agreement), and that the NPO sector should follow converged international standards (3.66, [SD 1.172], 64%). In addition, survey respondents thought funders would value NPO accounts prepared in accordance with

an international standard (3.84, [SD 1.106], 69%).²³ Kruskal Wallis and Mann Whitney testing reveal that NPO staff and professional preparers are more supportive of converged international financial reporting for the sector, compared to the least supportive trustee and professional auditor groups. There was also majority support for addressing the treatment of sector-specific transactions (Table 4) in any such developed standard.

Insert Table 6 here

Analysis of open-questions

The narrative responses confirmed majority support for the introduction of converged international financial reporting *'for better accounting and reporting and transparency'* (NPO employee, Afghanistan) and to *'help make comparisons between organisations'* (NPO employee, Canada); albeit with a minority seeing *'little value in developing an international standard for NPOs'* (Regulator, Canada).

Consistent with NPOSAC (2009), respondents raised concern about smaller NPOs being able to bear the costs of financial reporting, with most respondents suggesting tiers or exemptions for NPOs below a certain level:

I consider that compliance with international requirements will have only added value for those organisations that have a significant size, and can be compared across the world. Also compliance will be somehow costly, and for small organisations that could deviate some funds from their main purposes. (NPO staff member working worldwide)

The cost of compliance was highlighted with one trustee stating *'We must avoid additional layers of complexity'* and concern about diverting funds away from social goals:

To develop an international standard for NPO accounting, the requirements should not be so costly as to prevent small organizations from delivering services, programs, etc. For larger organizations, the requirements should also be streamlined as donors are more apt to pay for program costs not accounting overhead/indirect costs. (NPO employee, USA and Afghanistan)

Capacity issues were raised:

For smaller charities it might be difficult to afford and recruit accountants and auditors with international accounting standard understanding. (NPO staff member working in Africa, Americas and Oceania)

However, some 30% of respondents did not want exemptions, on grounds of consistency:

All NPOs should use international standard regardless of size because once the standards are in place, it will not be difficult to report when they grow in size. (NPO employee, Nigeria)

The evident support for converged international financial reporting may reflect a desire to mitigate against the diversity of contemporary reporting practice and perceived related accountability concerns, as discussed above.

The interesting significant difference in level of support between employees and preparers (higher support) with trustee and auditors (lower support) requires further

research. Indeed, Morgan and Fletcher (2013) found that trustees are important in determining financial reporting quality in NPOs. It may be that this group has different perceptions of how accountability responsibilities are determined, from broad notions of relational accountability to narrower defined identity accountability.

DISCUSSION AND CONCLUSION

This present research uses accountability theory to interpret findings from a global survey which explores perceptions about NPO financial reporting and potential developments internationally. The survey generated 605 responses from 179 countries. Whilst the respondents were self-selecting, the responses provide a rich source of empirical evidence to explore perceptions of accountability through NPO financial reporting. Perceptions held by those involved within an NPO, such as employees and trustees, to those involved externally to the NPO, such as professional accountants and auditors, funders and beneficiaries, have been analysed.

Our research has drawn on the academic critiques, that for-profit oriented frameworks and financial reporting standards are inappropriate for NPOs (Laughlin, 2008; Ryan et al., 2014). We present findings confirming that contemporary financial reporting practice across the globe presents several challenges to NPO accountability. First, contemporary practice, although primarily rooted on accrual accounting, with a significant minority of financial reports being produced on a cash-basis, emerges from the implementation of diverse financial reporting frameworks originally applicable to different sectors. Second, the application of these frameworks is perceived as inadequate for NPO-specific transactions, reducing the relevance of NPO disclosures to stakeholders. Finally, where there is a lack of agreed practice, NPOs are exposed to diverse reporting demands from multiple funders.

Our respondents demonstrated a ready ability to list diverse NPO stakeholders as important accountees, indicating an appreciation of broad, holistic accountability to all NPO stakeholders. However, respondents clearly ranked external stakeholders (Figure 1, Box B and C) above internal stakeholders (Box A and D), and prioritised functional accountability to regulators and funders (Box B). This emphasis on upward-accountability to mission-critical stakeholders seems logical: retaining continued financial support will enable NPOs to fulfil their social goals to beneficiaries.

Laughlin (2008) and Ryan et al., (2014) advocate the development of a stewardship-based conceptual framework for the NPO sector.²⁴ Our findings support this view, where stewardship and decision-usefulness would represent primary and secondary principles, respectively, underpinned by reporting characteristics of transparency, reliability and understandability, with comparability being less important. We summarise these findings in Table 7

Insert Table 7 about here

Reflecting contemporary debates (CIPFA, 2015; IFRS Foundation, 2015; MANGO, 2015), our respondents indicate strong support for developing international NPO-specific standards, which would arguably contribute to accountability (Lennard, 2007; Laughlin, 2008; Dhanani & Connolly, 2012; Ryan et al., 2014).

For any such development, it may be tempting to prioritise the views of trustees/board members over other stakeholders, given their instrumentality in driving NPO reporting quality (Morgan & Fletcher, 2013; Coule, 2015). However, the trustee group in our research showed significant differences in their thinking compared to other groups. Caution should therefore be exercised to ensure that, where trustees' views on

determining NPO accountability (identity-based determination of accountability responsibilities) diverge from other stakeholders demands (relational-based accountability determination), broad NPO accountability is not unduly threatened. Also, where the funder is identified as the primary accountee (upward accountability), our results indicate that conflicts could arise (as Jonsson, 1998 notes) between resource dependency from funders and staying true to achieving organisational social goals.

In conclusion, regulators, professional bodies, standard setters and civil society currently face a unique opportunity to influence NPO financial reporting across the globe, either by (i) developing international best practice guidance, or (ii) developing NPO-IFR standards. Whichever development, consideration of the experiences of those involved in NPO financial reporting, as identified in this study, will be important to facilitate NPOs meeting and demonstrating their accountability responsibilities.

ENDNOTES

¹ We note that the IASB is proposing to place more emphasis on stewardship in its ED ‘Conceptual Framework for Financial Reporting’ (IASB, 2015), which at the time of writing this paper is out for consultation.

² The IPSASB conceptual framework elaborate to state that citizens are primary users of GPFRs as they ‘... receive services from, and provide resources to, the government and other public sector entities’ (IPSASB, 2014, p4).

³ To be clear, in the context of this research, it is not the author’s view that NPO-IFR is required to facilitate NPO accountability, internationally. We are investigating whether there is perceived need for, and support from those involved in NPO financial reporting, for NPO-IFR as currently being debated by those who may be in a position to advance or retard this development (CFG, 2012; CCAB, 2013 a and b; IFRS Foundation, 2015; CIPFA, 2015; MANGO, 2015).

⁴ A ‘return’ may be financial or social, depending on the goals of the reporting organisation.

⁵ Mission-critical stakeholders are defined as: ‘those stakeholders who are in the best position to progress or retard an [NPOs] achievement of its mission ... , [for example] donors, journalists, governments/regulators’ (Unerman & O’Dwyer, 2006b, p355).

⁶ This sector is often referred to ‘the place between the state and the private sector’, though organisations may be hybrids (Billis, 2010). Authors such as Anheier (2014) illustrate that civil society includes large international donor organisations to local grassroots NPOs, provides a network of organisations through which funds and services flow between the private and state sectors.

⁷ However, it is worth noting that some perceive NGOs as being large NPOs with funding from other countries, as opposed to smaller community-based organisations, so the term ‘NGO’ can suggest a certain type of organisation in certain jurisdictions (for example, Unerman & O’Dwyer, 2006a).

⁸ NPOs can be constituted within different organisational forms, which may have specific financial reporting requirements. For example, in the UK: charitable trusts, charitable associations and not-for-profit companies limited by guarantee, community interest companies, co-operatives, community benefit societies, and (most recently) charitable incorporated organisations (Morgan, 2013; Salamon & Anheier, 1992) and be subject to specific regulatory oversight mechanisms (Breen et al., 2009; CFG, 2012).

⁹ In New Zealand, these new standards are applicable from 1 July 2014 (Deloitte, 2015; XRB, 2015). It should be noted that a detailed consideration of the suitability of IASB or IPSASB standards for the not-for-profit sector globally was outwith the scope of this current study.

¹⁰ The qualitative characteristics of relevance, faithful representation, understandability, timeliness, comparability, and verifiability are subject to materiality and cost/benefit considerations (IASB, 2010; IPSASB, 2014). IPSASB ranks these characteristics equally, whereas the IASB defines relevance and faithful representation as fundamental qualities enhanced by the characteristics of understandability, timeliness, comparability, and verifiability (IASB, 2010; IPSASB, 2014). Faithful representation elaborates reliability of information to be determined as information that is complete, neutral and free from bias.

¹¹ IPSASB determines transparency as being enhanced if the information disclosed is consistent with the concepts of its conceptual framework, stating that it is an ‘expression of the overarching qualities that financial reporting is to achieve’ in support of producing accountability information (IPSASB, 2014, BC3.6).

¹² It should be noted however, that “traditional sector boundaries are increasingly breaking down” (Dees & Anderson, 2003, p16) with a degree of overlap and fluidity between sectors, for example, some charitable purpose entities may derive some revenues from profit-oriented trading divisions, e.g. charity shops.

¹³ The English definition of charity (Charities Act 2011 [England and Wales], ss1-5) focuses on two principles, being an organisation which has exclusively charitable purposes and is established for public benefit – a charity is not a specific legal structure (Morgan, 2013, p. 23). However, the term ‘charity’ has a different meaning in different jurisdictions, and in many countries it has no formal meaning at all (Breen et al., 2009).

¹⁴ Using a web-based questionnaire survey as the research instrument for this study is arguably the most effective means of collecting information sought (Smith, 2003) from many different countries about beliefs and practices in the not-for-profit sector, internationally. The survey was drafted in English and uploaded onto Bristol Online Survey software.

¹⁵ The full list of survey questions is as reported in (reference omitted for blind review).

¹⁶ The research team comprised the key authors and contributors to this project. It was also supported by a project steering group and other experts were consulted in the design and delivery of the project. (Reference omitted for blind review).

¹⁷ We have combined funders and regulators as external stakeholders (Hyndman & McDonnell, 2009) interested in financial and fiduciary accountability, in the context of a broader accountability towards mission achievement (Dhanani & Connolly, 2012; Ryan et al, 2014) (Figure 1, Box B). This aligns with Unerman & O'Dwyer (2006b) appreciation of upward-accountability to mission-critical stakeholders.

¹⁸ Table 3, Panel C shows that three quarters of the NPOs represented by our survey respondents had income of less than £3m. This is consistent with the profile of the NPO/charity sector generally, which is populated mainly by small organisations (Cordery, 2013; Morgan & Fletcher, 2013). It may be that, in our sample, the perceptions of those involved in financial reporting of smaller NPOs are significantly different from those involved with big NPOs, and further statistical analysis would be required to test this. However, it is worth noting that, statistical analysis suggests that the views of those involved with NPOs operating in Africa and Asia, regardless of size, have a more positive attitude to the prospect of regulation than those operating elsewhere in the world.

¹⁹ In some cases we distinguish the answers from the various respondent groups with Kruskal-Wallis and Mann-Whitney tests used to explore the significance of any differences. For tables 5 and 6, a p-value of less than 0.05 is indicated by *, showing that all mean values are statistically significant, and Kruskal-Wallis (KW) test of less than 0.05 indicate that the perception of at least one of the respondent groups is significantly different from other respondent groups. We also manipulated the data using a Bonferroni correction to ensure that Type-1 errors were not more than 0.05. However, we considered this statistical test extremely conservative and not without criticism. This data is available on request from the corresponding author.

²⁰ It may be that trustees envisage accountability being discharged in diverse ways to different stakeholders, which would reflect a broad notion of accountability; further research, possibly through semi-structured interviews, could investigate this possibility.

²¹ Of the 493 narrative responses received to this question, analysis shows: 88% suggest accountability to external regulators and/or funders; 64% to external beneficiaries; 63% to internal trustees/directors; 49% to internal employees/volunteers; and 30% to the public/community.

²² Whilst this comment raises interesting issues, it should be noted that this respondent seems to be using a definition of NPOs which goes beyond the scope of this study. The introduction to the survey made clear that the research is concerned with reporting by not-for-profit organisations established for public benefit.

²³ We note here that respondents may have had varying perceptions of what was meant by an 'international standard'. We discuss this in the concluding comments to our paper.

²⁴ A focus on decision-usefulness as an objective of financial reporting is not unusual (if the information is not useful, then why should it be provided?) (Lennard, 2007). However, Lennard notes that much decision-useful information may exist outside of the financial statements, with Laughlin (2008) arguing that a decision-usefulness focus is more likely to see specific users requesting specialised reports to meet their own purposes, rather than rely on the GPFR for which standard setters (such as IPSASB and IASB) construct conceptual frameworks and write standards.

REFERENCES

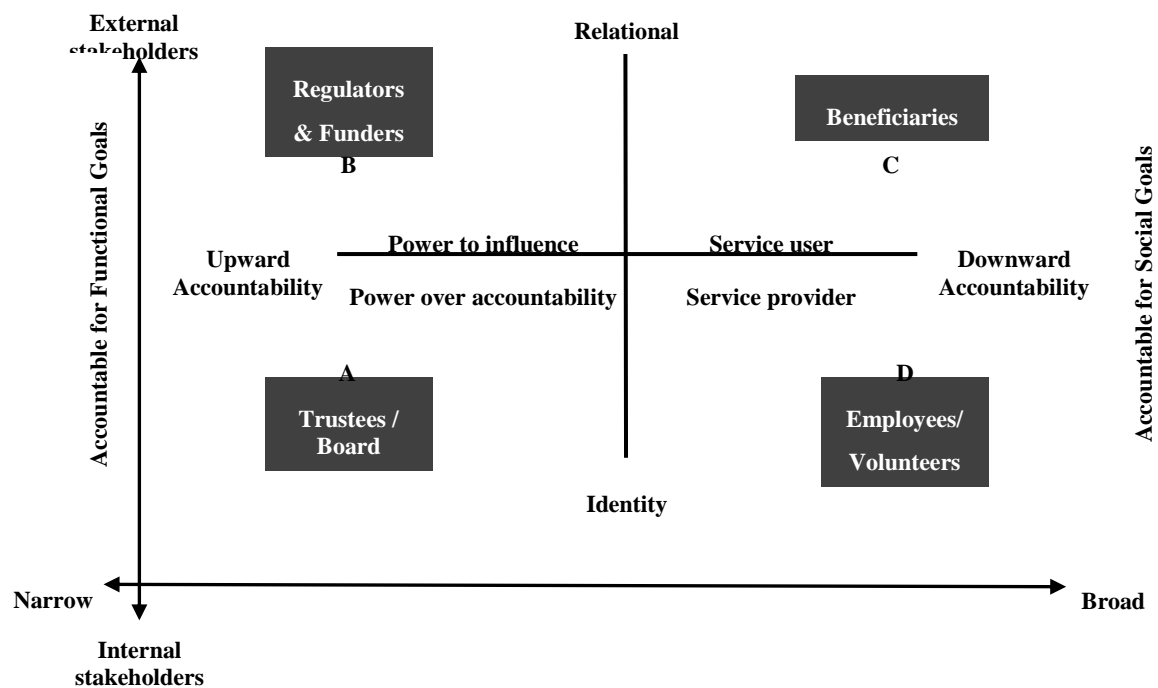
- Anheier, H. K. (2014), *Non-profit Organisations: Theory, management, policy*, 2nd edn. (Routledge, New York).
- Baskerville, R. F. and S. Pont Newby (2002), 'Due Process Failure In Sector-Neutral Accounting Standard-Setting', *Financial Accountability & Management*, Vol. 18 (Winter), pp.1–23.
- Billis, D. (2010), *Hybrid Organizations and the Third Sector*. (Macmillan, Basingstoke).
- Breen, O. B. (2013), 'The Disclosure Panacea: A Comparative Perspective on Charity Financial Reporting', *Voluntas: International Journal of Voluntary and Non-profit Organizations*, Vol. 24, No 3, pp. 852–880.
- Breen, O. B., P. Ford and G.G. Morgan (2009), "Cross-Border Issues in the Regulation of Charities: Experiences from the UK and Ireland", *International Journal of Not-for-Profit Law*, Vol. 11, No 3, pp. 5-41.
- Burger, R. (2012), 'Reconsidering the Case for Enhancing Accountability via Regulation', *Voluntas: International Journal of Voluntary and Non-profit Organizations*, Vol. 23, No 1, pp. 85-108.
- CCAB (2013a), International Financial Reporting for the Not-for-Profit Sector - announcement of research being undertaken. Available at: http://www.ccab.org.uk/documents/CCAB_Notforprofit_Research_Release.pdf, accessed October 2015.
- _____(2013b), Research on International Financial Reporting for the Not-for-Profit Sector - Terms of reference for the project steering and advisory group. Available at: http://www.ccab.org.uk/documents/20130429_Terms_of_reference_FINAL.pdf, accessed October 2015.
- Charity Finance Group (CFG) (2012), 'Is There a Need for an International Accounting Standard for Not-for-profit?' Notes of meeting. (CFG Symposium, London).
- CIPFA (2015), CIPFA hosts global not-for-profit seminar, 06-10-15. Available at: <http://www.cipfa.org/about-cipfa/press-office/archived-press-releases/2015-press-releases/cipfa-hosts-global-not-for-profit-seminar>, accessed February 2016.
- Connolly, C., N. Hyndman and D. McConville (2013a), 'Conversion Ratios, Efficiency and Obfuscation: A Study of the Impact of Changed UK Charity Accounting Requirements on External Stakeholders', *Voluntas: International Journal of Voluntary and Non-profit Organizations*, Vol. 24, No. 3, pp. 785-804.
- _____(2013b), 'UK Charity Accounting: An Exercise in Widening Stakeholder Engagement', *The British Accounting Review*, Vol. 45, No. 1, pp.58–69.
- Cordery, C. J. (2013), 'Regulating Small and Medium Charities: Does It Improve Transparency and Accountability?', *Voluntas: International Journal of Voluntary and Non-profit Organizations*, Vol. 24, No. 3, pp. 831–851.
- Coule, T.M. (2015), Nonprofit Governance and Accountability: Broadening the Theoretical Perspective', *Nonprofit and Voluntary Sector Quarterly*, Vol. 44, No. 1, pp 75-97.

- Crawford, L., J. Ferguson, C.V. Helliard and D.M. Power (2014), 'Control Over Accounting Standards within the European Union: The Political Controversy Surrounding the Adoption of IFRS 8', *Critical Perspectives on Accounting*, Vol. 25, No. 4-5, pp. 304-318.
- Crawford, L., G.G. Morgan, C. Cordery and O.B. Breen (2014), 'International Financial Reporting for the Not-for-profit Sector'. (CCAB: London).
- Dacombe, R. (2011), 'Can We Argue Against It? Performance Management and State Funding of Voluntary Organisations in the UK', *Public Money and Management*, Vol. 31, No. 3, pp. 159-166.
- Davies, N. and J. Maddocks (2012), 'Is there a need for an international accounting?' (CFG Symposium, London).
- Dees, J. G. and B.B. Anderson (2003). 'Sector-Bending: Blurring Lines Between Non-profit and For-profit', *Society*, Vol. 40, No. 4, pp. 16-27.
- Deloitte (2015). 'Financial Reporting by Not for Profit Entities: Your questions answered, May 2015'. Available at: <http://www2.deloitte.com/content/dam/Deloitte/nz/Documents/audit/2015/nz-en-financial-reporting-by-not-for-profit-entities-in-nz-your-questions-answered-final.pdf>, accessed May 2016.
- Dhanani, A. and C. Connolly (2012), 'Discharging Not-for-profit Accountability: UK Charities and Public Discourse', *Accounting, Auditing and Accountability Journal*, Vol. 25, No. 7, pp. 1140-1169.
- Ebrahim, A. (2003), 'Accountability in Practice: Mechanisms for NGOs', *World Development*, Vol. 31, No. 5, pp. 813-829.
- Hyndman, N. and P. McDonnell (2009), 'Governance and Charities: An Exploration of Key Themes and the Development of a Research Agenda', *Financial Accountability & Management*, Vol. 25, No. 1, pp. 5-31.
- IFRS Foundation (2015), 'Request for Views - Trustees' Review of Structure and Effectiveness: Issues for the Review, Comments to be received by 30 November 2015' (IFRS Foundation, Delaware).
- International Accounting Standards Board (2010), 'Conceptual Framework for Financial Reporting' (IASB, London).
- _____(2015), 'Exposure Draft - Snapshot: Conceptual Framework for Financial Reporting' (IASB, London).
- International Public Sector Accounting Standards Board (2014). 'The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities'. (IPSASB, New York).
- Jonsson, E. (1998), 'Identity and Resources', *Financial Accountability & Management*, Vol. 14, No. 3, pp. 233-248.
- Keating, E. K. and P. Frumkin (2003), 'Reengineering Non-profit Financial Accountability: Toward a More Reliable Foundation for Regulation', *Public Administration Review*, Vol. 63, No. 1, pp. 3-15.
- Kluvers, R. and J. Tippet (2011), 'An Exploration of Stewardship Theory in a Not-for-Profit Organisation', *Accounting Forum*, Vol. 35, No. 4, pp. 275-284.

- Kreander, N., K. McPhail and V. Beattie (2009), 'Putting our Money where the Mouth is: Alignment of Charitable Aims with Charity Investments – Tensions in Policy and Practice', *British Accounting Review*, Vol. 41, No. 3, pp. 154-168.
- Laughlin, R. (2008), 'A Conceptual Framework for Accounting for Public-Benefit Entities', *Public Money & Management*, Vol. 28, No. 4, pp. 247-254.
- Lehman, G. (2007), 'The accountability of NGOs in Civil Society and its Public Spheres', *Critical Perspectives on Accounting*, Vol. 18, No. 6, pp. 645-669.
- Lennard, A. (2007), 'Stewardship and the Objectives of Financial Statements: A Comment on IASB's Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting', *Accounting in Europe*, Vol. 4, No. 1, pp. 51-66.
- Leo, K. (2000), 'An Accounting Standard for Non-profits - The Missing Essential Building Blocks', *Journal of Financial Reporting*, Vol. 2, No. 1, pp. 1-13.
- MANGO (2015), Seminar of International Accounting Standard Setters 5 October 2015. Available at:
<https://www.mango.org.uk/getconnected/mangocampaigns/internationalfinancialmanagementstandardsforngos/internationalaccountingstandardsforngos>,
 accessed February, 2016.
- Morgan, G. G. (2013), *Charitable Incorporated Organisations*. (Directory of Social Change, London).
- Morgan, G. G. and N.J. Fletcher (2013), 'Mandatory Public Benefit Reporting as a Basis for Charity Accountability: Findings from England and Wales', *Voluntas: International Journal of Voluntary and Non-profit Organizations*, Vol. 24, No. 3, pp. 805-830.
- Mulgan, R. (2001), 'The Accountability of Community Sector Agencies: A Comparative Perspective', *Third Sector Review*, Vol. 7, No. 1, pp. 89-105.
- Myers, J., and R. Sacks (2003), 'Tools, Techniques and Tightropes: The Art Of Walking And Talking Private Sector Management In Non-Profit Organisations, Is It Just A Question Of Balance?', *Financial Accountability & Management*, Vol. 19 (Summer), pp.287-305.
- Not-for-Profit Sector Advisory Committee (2009), 'Not-for-Profit Sector Advisory Committee Position Paper'. (New Zealand Institute of Chartered Accountants, Wellington).
- O'Dwyer, B. and J. Unerman (2007), 'From Functional to Social Accountability: Transforming the Accountability Relationship between Funders and Non-governmental Organisation', *Accounting, Auditing & Accountability Journal*, Vol. 20, No. 3, pp. 446-471.
- Phillips, S. D. (2012), 'Canadian Leapfrog: From Regulating Charitable Fundraising to Co-Regulating Good Governance', *Voluntas: International Journal of Voluntary and Non-profit Organizations*, Vol. 23, No. 3, pp. 808-829.

- Ryan, C., J. Mack, S. Tooley and H. Irvine (2014), 'Do Not-For-Profits Need Their Own Conceptual Framework?', *Financial Accountability & Management*, Vol. 30, No. 4, pp 383-402.
- Salamon, L. M. and H.K. Anheier (1992), 'In Search of the Non-profit Sector. I: The Question of Definitions', *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 3, No. 2, pp. 125–151.
- Stewart, J.D. (1984), 'The role of Information in Public Accountability', in A. Hopwood and C. Tomkins (Eds), *Issues in Public Sector Accounting*. (Philip Allen, Oxford).
- Smith, M. (2003). *Research Methods in Accounting*. (Sage, London).
- Suchman, M. C. (1995), 'Managing legitimacy: Strategic and institutional approaches', *Academy of Management Review*, Vol. 20, No. 3, pp.571–610.
- Teegen, H, J.P. Doh and S. Vachani (2004), 'The Importance of Non-governmental Organizations (NGOs) in Global Governance and Value Creation: An International Business Research Agenda', *Journal of International Business Studies*, Vol. 35, No. 6, pp. 463–483.
- Torres, L. and V. Pina (2003), 'Accounting for Accountability and Management in NPOs. A Comparative Study of Four Countries: Canada, the United Kingdom, the USA and Spain', *Financial Accountability & Management*, Vol. 19, No. 3, pp.265–285.
- Tully, J. (2012), 'Going Global with Charity Reporting', *Charity Finance Group*. Available at: <http://blog.cfg.org.uk/index.php/going-global-with-charity-reporting/>, accessed May 2016.
- Ugwumadu, (2015), CIPFA Seminar Discusses Need for Not-for-Profit Reporting Standards. *Public Finance International*. Available at: <http://www.publicfinanceinternational.org/news/2015/10/cipfa-seminar-discusses-need-not-profit-reporting-standards>, accessed February 2016.
- Unerman, J. and B. O'Dwyer (2006a), 'On James Bond and the importance of NGO accountability', *Accounting, Auditing & Accountability Journal*, Vol. 19, No. 3, pp. 305–318.
- (2006b), 'Theorising accountability for NGO Advocacy', *Accounting, Auditing & Accountability Journal*, Vol. 19, No. 2, pp.349–376.
- United Nations (2013), *Handbook on Non-Profit Institutions System of National Accounts*. (United Nations).
- XRB (2015), Standards for Not-for-profit Entities After 1 April 2015. Available at: https://www.xrb.govt.nz/Site/Accounting_Standards/Current_Standards/Standards_for_Not-For_Profit_PBEs/Std3_for_Not-For-Profit_T1-4.aspx, accessed May 2016.
- Zeff, S. A. (2007), 'Some Obstacles to Global Financial Reporting Comparability and Convergence at a High Level of Quality', *The British Accounting Review*, Vol. 39, No. 4, pp. 290–302.
- (2013), 'The Objectives of Financial Reporting: A Historical Survey and Analysis', *Accounting and Business Research*, Vol. 43, No. 4, pp. 262–327.

Figure 1: Dimensions of NPO accountability: nature and scope



Note: This figure illustrates dimensions of NPO accountability to stakeholder groups.

- The x-axis represents a continuum from a narrow concept of accountability for functional goals to broader notions of accountability for social goals; the y-axis categorises stakeholders as those internal or external to the NPO.
- The matrix identifies a basis for determining the boundary of accountability. For example, accountability may be determined based on classifying and ranking NPO stakeholders and their needs, according to concepts of identity and relational accountability (vertical axis). Equally, accountability may be determined according to the nature of the accounting information, being upward for narrow functional goals and downward for broader social goals (horizontal axis).
- The Boxes A to D identify the primary stakeholder 'to whom' an account is owed (shown in each box in the white text on a black background).
 - Box A suggests accountability owed to Trustees/Board is a form of narrow, upward, identity accountability to this internal audience. The nature and scope of accountability will be determined by this stakeholder group to meet their own accountability interests;
 - Box B suggests accountability to regulators/funders constitutes a narrow form of upward accountability to this external audience for functional goals. Identifying this audience reflects concepts of relational accountability, narrowly defined, to meet the needs of mission-critical stakeholders who have the power to influence NPO outcomes;
 - Box C reflects accountability owed to beneficiaries which reflects broad, downward, relational notions of accountability to this external audience for wider social goals.
 - Box D suggests that accountability owed to employees/volunteers is a form of downward accountability to this internal audience for wider social goals;
- If the boundary of accountability so determined captures all stakeholder groups, then it can be assumed that the NPO is discharging holistic accountability to all its stakeholders.

Figure 2: Scope of this study - NPOs compared to other sectors (Adapted from Morgan, 2013)

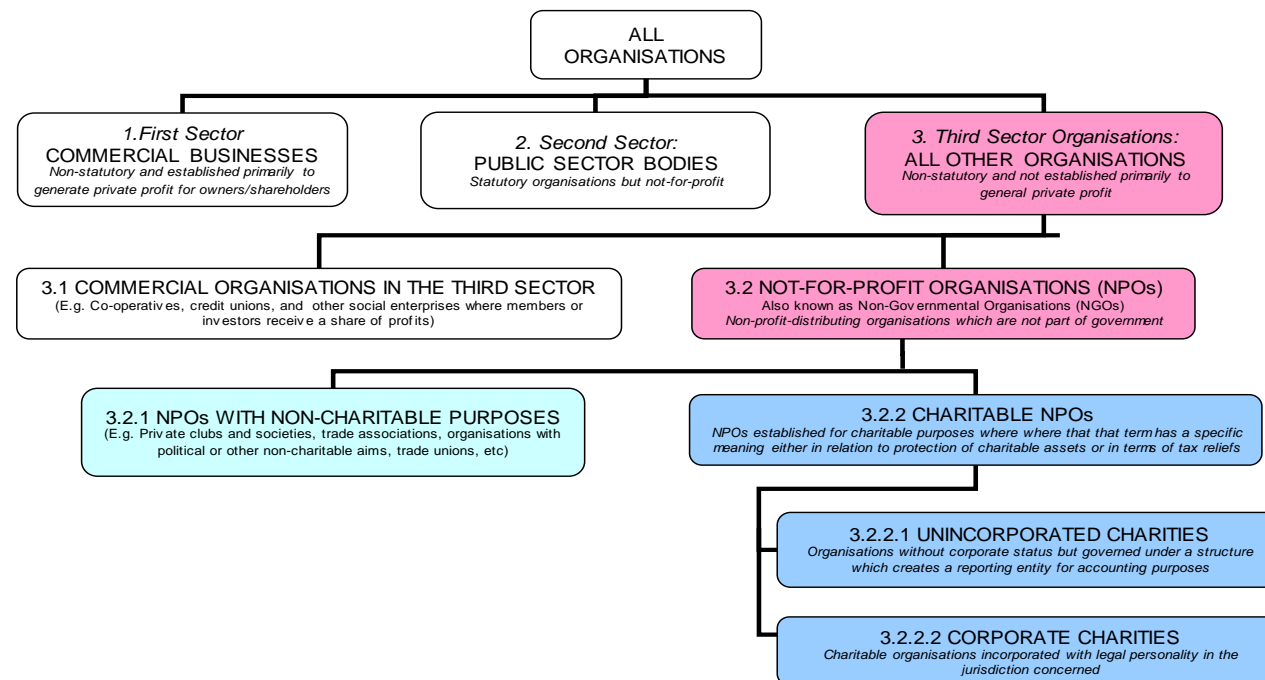


Table 1: Sector specific characteristics, accountability challenges and international practice

Sector Type:	For-Profit Organisations (IASB, 2010)	Not-for-Profit Organisations	Public Sector Organisations (IPSASB, 2014)
Panel A: UNIQUE CHARACTERISTICS			
<i>Value/ideology</i>	Profit generation; narrow financial interest	Achievement of NPO social goals; social and public interest values	Public interest reflected through political representation
<i>Purpose</i>	Commercial	Achieve organisational goals, often with a charitable purpose for a public benefit	To provide services that enhance or maintain the well-being of the public
<i>Employee motivation (usually)</i>	Self-interest (agent); conflict with owners (principal)	Collective interests (stewards) with stakeholders for organisational goals	Public and/or political interest
<i>Sources of income</i>	Customers	Funders/donors/volunteers (voluntary)	Statutory taxation (involuntary)
<i>Nature of transactions</i>	Exchange	Primarily non-exchange with/without restrictions	Primarily non-exchange
Panel B: ACCOUNTABILITY CHALLENGES			
<i>From who</i>	Director (Agent)	Trustee/director (Steward)	Head of organisation/Ministers (Officer)
<i>For what</i>	Financial wealth creation	NPO mission achievement	Public service delivery and management
<i>To whom</i>	Present and potential investors, lenders and other creditors	Diverse stakeholders including: Trustees/directors; regulators; funders; employees and volunteers; and beneficiaries	Public service recipients and government ministers representing the resource providers (taxpayer)
<i>By what means</i>	General Purpose Financial Reporting (IASB, 2010, para OB2)	Financial, non-financial & narrative reports (Ryan et al., 2014)	General Purpose Financial Reporting (IPSASB, 2014, para 1.6)
Panel C: INTERNATIONAL ACCOUNTING PRACTICE			
<i>Standard Setter</i>	IASB	None	IPSASB
<i>Objective of General Purpose Financial Reporting</i>	To provide information about the entity that is useful to assess future net cash inflows (decision-usefulness) and management's discharged of responsibilities (stewardship) (IASB, 2010, OB4)	n/a	To provide information about the entity that is useful to users for accountability and decision-making purposes (IPSASB, 2014, para 2.1)
<i>Qualitative characteristics of relevant information, faithfully represented</i>	Comparable, reliable, timely and understandable (IASB, 2010, QC19)	n/a	Comparable, reliable, timely and understandable (IPSASB, 2014, para 3.2)

Table 2: Overview of online survey: seeking evidence to inform contemporary debates on developing IFRS for the not-for-profit sector

Closed-questions	Open-questions (narrative response)
Panel A: Practice and beliefs about contemporary NPO financial reporting, internationally	
<p>In relation to NPO financial reporting, survey respondents were asked, which:</p> <ul style="list-style-type: none"> • Form of financial reporting they most frequently used (e.g. cash accounting, accruals accounting, other) • Financial reporting frameworks they used • NPO-specific issues are adequately covered by these frameworks <p><i>(Further details of these three questions are reproduced in Table 4)</i></p>	<p>Respondents were asked: What do you see as the strengths or limitations of preparing financial reports on this basis? We are particularly interested in any issues where you feel the existing accounting framework:</p> <ul style="list-style-type: none"> • Gives clear and helpful guidance on how to account for NPO specific issues, or • Gives insufficient guidance on issues which need to be considered in NPO financial statement, or • Is unduly demanding, or • Is difficult to apply to NPOs (please say why).
Panel B: Perceptions of accountability relationships between NPOs and their stakeholders	
<p>Respondents were asked the extent to which they disagreed or agreed with a set of twelve statements regarding financial reporting information. These statements focused on exploring perceptions about NPO financial reports relating to:</p> <ul style="list-style-type: none"> • Accountability, stewardship and decision usefulness • Selected desirable characteristics <p><i>(The full text of these statements is reproduced in Table 5)</i></p>	<p>Respondents were asked:</p> <ul style="list-style-type: none"> • When thinking about stakeholder groups and users of NPO financial reports, to whom do you see the NPO as being accountable and why? • Do you have any further comments on the need for international standards for accounting by NPOs and the issues they should cover?
Panel C: Implications for developing internationally converged financial reporting to facilitate NPO accountability	
<p>Respondents were asked the extent to which they disagreed or agreed with three statements regarding the potential development of international standards for the NPO sector.</p> <p><i>(The full text of these statements is reproduced in Table 6)</i></p>	<p>Respondents were asked:</p> <ul style="list-style-type: none"> • Please add any further comments in relation to the process of developing an international standard for NPO accounting. • Do you have any further comments on the need for international standards for accounting by NPOs and the issues they should cover?

Table 3. Profile of survey respondents

Panel A: Description of NPO Involvement by respondents				Panel B: World regions where respondents had specific experience of NPO financial reporting (multiple regions were permitted so totals exceed the 605 respondents)						
<i>Principal form of involvement in financial reporting:</i>	<i>Code</i>	<i>%</i>	<i>Number</i>	<i>Africa</i>	<i>America</i>	<i>Asia</i>	<i>Europe</i>	<i>Oceania</i>	<i>World</i>	<i>Total</i>
Working for an NPO; involved in its annual financial reports	E	40.1%	252	81	36	46	116	38	20	337
Board member /trustee of an NPO involved in its annual financial reports	T	12.7%	80	14	6	9	48	12	3	92
Professional accountant involved in preparation of NPO financial reports	PP	10.1%	63	29	10	17	27	6	1	90
Professional accountant involved in the audit or external examination of NPO financial reports.	PA	13.5%	84	10	10	11	41	12	2	86
Not a professional accountant, supporting the preparation or examination of NPO financial reports	GP	3.6%	29	15	3	7	4	2	1	32
Representative of a professional body for accountants	R	2.5%	16	8	5	10	13	11	3	50
Representative of regulator of organisations operating in the not-for-profit sector.	R	0.3%	2							
Accounting Standard Setter	R	2.6%	17							
Funder	R	1.3%	9							
Academic or researcher who studies the financial reporting of NPOs	U	5.4%	35	8	7	11	19	7	7	59
User of NPO financial reports	U	2.8%	18							
Totals:		100%	605	165	77	111	268	88	37	746
Panel C: Respondents' extent of involvement with financial reporting by NPOs of in various income categories (numbers of respondents – more than one income band allowed. The question allowed respondents to use GBP, USD, or EUR as the currency – but categories are presented in GBP for this table.)										
	< £30k		£30k- £300k		£300k -£3m		> £3m			
1-9 NPOs	124		199		195		182			
10-100 NPOs	32		46		31		23			
>100 NPOs	8		5		7		2			
Total	164		250		233		207			

Table 4. Practice and beliefs about contemporary NPO financial reporting, internationally

<i>Respondent category</i> (see Table 3 for codes used)	<i>E</i>		<i>T</i>		<i>PP</i>		<i>PA</i>		<i>GP</i>		<i>R</i>		<i>U</i>		<i>Total</i>	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Panel A: The form of NPO financial reporting with which respondents are most frequently involved																
Cash	61	24%	16	20%	21	33%	13	15%	10	34%	11	25%	13	25%	145	24%
Accruals	175	69%	59	74%	41	65%	67	80%	15	52%	26	59%	29	55%	412	68%
Other**	16	6%	5	6%	1	2%	4	5%	4	14%	7	16%	11	21%	48	8%
Total respondents	252	100%	80	100%	63	100%	84	100%	29	100%	44	100%	53	100%	605	100%
Panel B: Financial Reporting Frameworks determining how NPO financial statements are prepared (multiple responses allowed; % of total N expressed))																
Corporate Law	102	40%	43	54%	29	46%	48	57%	7	24%	12	27%	15	28%	257	42%
NPO Law	92	37%	42	53%	16	25%	41	49%	10	34%	14	32%	22	42%	237	39%
National GAAP	128	51%	37	46%	35	56%	50	60%	11	38%	23	52%	26	49%	310	51%
IFRS	64	25%	7	9%	17	27%	15	18%	3	10%	8	18%	7	13%	121	20%
IFRS for SME	24	10%	9	11%	8	13%	15	18%	3	10%	4	9%	2	4%	65	11%
IPSAS	3	1%	1	1%	1	2%	5	6%	2	7%	6	14%	3	6%	21	3%
Regulator	70	28%	27	34%	15	24%	27	32%	8	28%	12	27%	17	32%	176	29%
Funder	65	26%	11	14%	12	19%	22	26%	8	28%	13	30%	11	21%	142	23%
NPO standards	55	22%	19	24%	13	21%	31	37%	6	21%	13	30%	18	34%	155	26%
Other	18	7%	2	3%	4	6%	8	10%	0	0%	4	9%	5	9%	41	7%
Total responses	621		198		150		262		58		109		126		1525	
Panel C: Respondents' views on whether specific issues are adequately covered in national reporting frameworks (% of total N expressed, indicating that each issue is adequately covered)																
Reporting entity	149	59%	50	63%	29	46%	58	69%	11	38%	26	59%	20	38%	343	57%
Non-exchange transactions	151	60%	52	65%	39	62%	66	79%	15	52%	25	57%	26	49%	374	62%
Valuation - specific assets	92	37%	28	35%	23	37%	46	55%	9	31%	23	52%	19	36%	240	40%
NPO-specific liabilities	124	49%	44	55%	31	49%	58	69%	12	41%	22	50%	23	43%	314	52%
Fund accounting	132	52%	53	66%	41	65%	56	67%	10	34%	28	64%	25	47%	345	57%
Narrative reporting	115	46%	46	58%	31	49%	39	46%	11	38%	23	52%	20	38%	285	47%
Related party transactions	156	62%	53	66%	32	51%	66	79%	10	34%	28	64%	21	40%	366	60%

Table 5. Respondents' perceptions of accountability and desirable characteristics

(Analysis of Likert scale responses where 1 = strongly disagree, 5 = strongly agree)

Sector Specific Accounting Issues	All		Group Mean (See Table 3 for respondent categories)								Kruskal-Wallace
	Mean	SD	E	T	PP	PA	GP	R	U		
Panel A: Perceptions about accountability											
The financial reports of NPOs should be published and available to anyone	4.223*	1.054	4.35	3.90	4.11	4.24	4.38	4.20	4.15	.017*	
Producing financial reports is a key means by which NPOs demonstrate their accountability	4.413*	.839	4.42	4.24	4.43	4.54	4.21	4.55	4.42	.369	
NPO financial reports should demonstrate appropriate stewardship of resources	4.509*	.745	4.57	4.41	4.46	4.48	4.38	4.59	4.49	.282	
NPO financial reports should be useful for decision making	4.294*	.859	4.31	4.10	4.33	4.37	4.34	4.45	4.17	.097	
Panel B: Perceptions about desirable characteristics											
NPO financial reports should provide a key means of transparency	4.517*	.762	4.53	4.36	4.52	4.58	4.62	4.59	4.45	.184	
Users should be able to place a high degree of reliability on the financial reports of NPOs	4.504*	.749	4.56	4.48	4.41	4.52	4.34	4.45	4.49	.472	
It is important that financial reports allow comparability between NPOs in a given country	4.026*	.998	4.06	3.81	4.03	4.04	4.03	4.16	4.06	.538	
Financial reports should allow comparability between NPOs in different countries	3.586*	1.074	3.69	3.30	3.51	3.52	3.66	3.64	3.62	.289	
NPO financial reports should be clearly understandable by someone who has no direct knowledge of the organisation	4.319*	.811	4.38	4.25	4.27	4.36	4.28	4.23	4.25	.537	

Table 6. Perceptions about international financial reporting for the not-for-profit sector

(Analysis of Likert scale responses where 1 = strongly disagree, 5 = strongly agree)

	All		Group Mean (See Table 3 for respondent categories)							KW
	Mean	SD	E	T	PP	PA	GP	R	U	
It would be useful to have international standards for NPO accounting	3.876*	1.194	4.02	3.60	3.97	3.67	3.83	3.93	3.81	.018*
The not-for-profit sector should follow internationally converged financial reporting standards.	3.657*	1.172	3.80	3.49	3.86	3.42	3.38	3.93	3.30	.001*
Leading donors/funders of NPOs would value accounts prepared in accordance with an international standard for NPO accounting	3.844*	1.106	4.02	3.58	3.92	3.62	3.86	3.86	3.66	.010*

Table 7: Empirical findings: accountability challenges and developing international practice (analysis of narrative responses)

<i>Accountability perceptions</i>	Not-for-Profit Organisations – View of respondents
<i>To whom for what?</i>	<p>Evidence that those involved in NPO financial reporting rank different users of NPO financial reports, with accountability to external stakeholders being prioritised over internal stakeholders, as follows:</p> <ul style="list-style-type: none"> • Upward financial and fiduciary accountability to external regulators and funders • Downward social accountability to external beneficiaries • Identity accountability to internal trustees/board members • Downward social accountability to internal employees
<i>Accountability focus</i>	Stewardship as the primary focus and decision-usefulness as secondary
<i>By what means?</i>	<ul style="list-style-type: none"> • Converged NPO-specific international financial reporting practice taking account of sector-specific transactions • Exhibiting characteristics of: Transparency, reliability, understandability, and to a lesser extent, intra-country comparability; cross-border comparability
<i>Benefit to NPOs and stakeholders</i>	<ul style="list-style-type: none"> • Reduce compliance burden internationally • Increase consistency globally • Address the need for guidance and/or international standards for the NPO sector
<i>Policy implications</i>	Develop international best practice guidance, or develop international reporting standards with the view to seeking endorsement from national regulators.