Vacant jurisdictions: the accountancy profession and the UK charity sector[1]

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ABSTRACT:

Professions enjoy privileged positions and expend efforts to sustain these in public and interprofessional domains. This research investigates a previously vacant and largely uncontested jurisdiction in the UK charity sector that was claimed, maintained and subsequently expanded by the accountancy profession. We find that the dominant involvement of the accountancy profession leads to a charity regulatory framework that centralises the *giving of an account*. Over time, the accountancy profession advances highly specialised charity accounting and novel disclosures in annual reports. The study contributes to a deeper understanding of professions expanding jurisdiction in the absence of competition. In our conclusions, we scrutinise implications for trust and legitimacy in the UK charity sector, balancing increased information demand on charities with accessibility to users.

KEYWORDS:

System of professions, institutional work, SORP, charity regulation, jurisdiction

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INTRODUCTION

Professions flourish by driving insititutional change, often by promulgating rule-based systems in the public interest (Suddaby & Viale, 2011). In the UK, the accountancy profession enjoys 'jurisdictional' or technical expertise in bankruptcy, tax, audit and cost accounting, supported by its various professional institutions and state legislation (Sikka and Willmott 1995, Walker 2004, Suddaby, Gendron et al. 2009). These factors are often described as legitimising the profession and conferring trust on its members, yet recent failures have exposed matters of the profession's influence, organisation and self-regulation to public scrutiny (Sikka, 2019). Our study provides a distinctive affirmation of the profession's continued success in jurisdictional development by focusing on the United Kingdom (UK) charity sector. This input from the accountancy profession has created a more 'business like' sector (Maier, Meyer & Steinbereithner, 2016) with implications for legitimacy and trust.

Since the 1970's, the UK charity sector has grown in scale: it is estimated to contribute £17.1billion to the UK economy (0.85% GDP) across 166,854 organisations which employ 870,000 staff and 11.9million volunteers (National Council for Voluntary Organisations (NCVO), 2019). It has also experienced substantial regulatory changes, including the renewal of the regulator in England and Wales and the creation of regulators for Scotland and Northern Ireland. UK regulators have a statutory duty to increase public trust and confidence in charities, and they explicitly link this to good-quality, publically-available accounting and reporting (Connolly, Hyndman & McConville, 2013). Account giving is at the centre of UK charity regulation. Legislation has defined charitable activities (those 'in the public benefit') in each region and therefore which organisations can become registered charities. Legislation also requires charities to report on the extent to which they deliver public benefit, and to file Annual Reports and Financial Statements with the relevant regulator[i]. For the largest charities[ii], these must be audited or independently examined, and comply with a Charities Statement of Recommended Practice (SORP)[iii], which clarifies accounting requirements. This focus on Annual Reports and Financial Statements stands in contrast to many other countries where the preparation and publication of audited and accounting standard-compliant Annual Reports and Financial Statements is not required, such as the USA and much of continental Europe (Crawford, Morgan & Cordery, 2018).

This paper explores the role of the accountancy profession in the development of this regulatory and reporting regime. We define the accountancy profession as including its standard setting bodies, professional institutes, interest groups, firms and individual, qualified accountants (in practice or in the charity sector). We use insights from the system of professions (Abbott, 1988) and institutional work (Lawrence & Suddaby, 2006). Specifically, the research questions of this paper ask how the accountancy profession has claimed, maintained and expanded jurisdiction in the UK charity sector, and what have been the implications on regulation. Unusually in the context of previous literature, we find that the accountancy profession's claim, maintenance and expansion of jurisdiction in the charity sector is largely uncontested by other professions potentially interested in this vacant jurisdiction. Our combined theoretical framing allows us to highlight: the relatively non-conflictual nature of the profession's expansion, largely endogenous reasons for change rather than exogenous shocks, and how others are convinced of claims of professional expertise, in addition to the subject content of knowledge. This helps us to explain what we see as a key contribution of the paper: the building of jurisdiction in vacant, non-contested spaces. Based on this understanding, we also posit what implications the actions of the accountancy profession, and the uncontested changes to regulation that result, might have on trust and legitimacy in the charity sector.

The paper continues by discussing the theoretical framing of the research, before explaining the methods through which our data was collected and analysed. The findings are presented in three sub-sections before the discussion and conclusions. Finally, we outline limitations of the research and opportunities for future research on this important matter.

LITERATURE REVIEW

A number of theoretical perspectives has been used in considering how professions, and the accountancy profession specifically, have built jurisdiction. Professional jurisdiction can be defined as 'a coherent set of tasks anchored to a profession's abstract knowledge base' (Edwards et al. 2007, p62). Recent work often blends theoretical perspectives and, given the complexity of account giving in the charity sector, there is a case for theoretical pluralism (Jacobs, 2012). In this paper we use both Abbott's (1988) system of professions and institutional work (Lawrence & Suddaby, 2006). Each framework has a distinct level of analysis which is useful for our study. Specifically, previous research has highlighted reciprocal dynamics between processes of institutionalization and processes of professionalization: Suddaby & Viale (2011, p.424) note these are 'inextricably related, i.e. that professional projects carry within them projects of institutionalization'.

Abbott (1988) analyses key developments primarily at the macro level of professional activity, treating professions as a body of homogeneous actors (Sikka & Wilmott, 1995) with 'strategic intentionality' (Suddaby, Saxton & Gunz, 2015). The system of professions has been described as 'highly influential…a dominant voice in the sociology of professions' (Empson et al, 2015, p.30), providing the basis for our understanding of what it is to be a profession, to have jurisdiction, and to claim, maintain and expand that jurisdiction over time. This work posits jurisdictional change through grand conflicts with other professions or 'bump events' (Abbott, 1988, p.89) that demand response: exogenous shocks such as regulatory change (Edwards, et al., 2007) or technological change (Moll & Yigitbasioglu, 2019). Institutional work on the other hand provides a lens to consider jurisdictional change at the micro level, focusing on the individual, and inter-personal dynamics that result in incremental changes in overall tasks and domain over time (Suddaby et al., 2015). As such, institutional work brings a granular understanding of a profession's progress, with less emphasis on the conflict or disruption posited by Abbott (1988). The respective theories are examined in more detail below.

In the system of professions, jurisdiction building includes the claim, defence and expansion of jurisdiction, as a 'more-or-less exclusive claim' to perform work within the purview of the professional group (Abbott, 1988, p.34). A number of parties undertake jurisdiction building, with Abbott (1988) focusing on professional institutes, and their substantial power to exclude others from the performance of tasks through qualification, certifications to practice and self-regulatory practices (Cooper & Robson, 2006). Individuals are highlighted as important to the extent that they collaborate: for example, to create professional institutes in order to protect the status of the profession, and exclude or differentiate it from others (Walker, 2004; Edwards et al., 2007).

Professional jurisdiction may be claimed and expanded by using abstract knowledge at the core of the professional group and translating it to new areas (Abbott, 1988). For the accountancy profession, such core knowledge could include, for example, double entry book keeping, financial information giving (Edwards et al., 2007), or ethics and independence (Sikka and Wilmott, 1995). Further, it is also clear that the giving of an account is central to our understanding of the accountancy profession. Abbott (1988) contends that, by a process of reduction, professions diagnose a problem in reference to their abstract knowledge, thereby replacing others' perspectives on these social concerns (see also Edwards et al., 2007; Jeppesen, 2012). A balance must be maintained, for if a profession strays too far from its core knowledge, it will struggle to claim or maintain jurisdiction (Edwards et al., 2007; Jeppesen, 2012).

Professions maintain jurisdiction through negotiation, force, or by mobilising external allies and technical resources (Jeppesen, 2012). A dominant profession can prevent some inter-professional contests by exploiting its privilege: '…the incumbent's definitions of what constitutes successful treatments are commonly accepted by the workplace and public as legitimate' (Abbott, 1988, p.137). Conflict, or competition either within or between professions as a key pivot for jurisdictional change in professions has been supported in previous studies of the accountancy profession including in historical studies of development (Sikka and Willmott 1995, Walker 2004, Edwards, et al. 2007) and studies of contemporary conflicts (e.g. Jeppesen, 2012).

The profession's claim of jurisdiction is settled when there is an 'an adequate network of support' in place, including regulatory involvement (Jeppesen, 2012, p.220; Abbott, 1988). In the system of professions, the State can enshrine professional jurisdiction using legislation (or other regulation). This often follows on from public support, or perceptions of legitimacy, encouraged through the selective communication of technical insights to provide the aura of objectivity (Abbott, 1988, p.60). Jeppesen (2012) highlights the importance of demonstrating the alignment of the work of the profession with common values in society to indicate that the profession serves the public interest, for both public and State support. However, Cooper & Robson (2006) highlight the apparent paradox of professional institutes acting as regulators of professional members as well as acting to promote the profession over other interest groups. These issues have been cited in recent discussions as reducing legitimacy of, and trust in, the accountancy profession (Sikka, 2019).

Institutional work is 'the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions' (Suddaby et al. 2015, p.215), or, as Lawrence & Suddaby (2006) note, challenging entropy. Lawrence and Suddaby (2006) proposed a preliminary typology of forms of work that might be carried out by organisations and individuals engaged in creating, maintaining and disrupting institutions. These include advocacy, defining, mimicry of existing practices, educating, policing, deterring, enabling and routinizing institutional norms into participants' day-to-day activities. Subsequent work has developed that typology to clarify that different types of work may occur simultaneously (Empson, et al, 2013), and are used to both create and maintain institutions (Currie et al., 2012). Some institutional work will be successful and some will not (Lawrence & Suddaby, 2006; Empson et al., 2015). It may give rise to unintended consequences (Currie et al., 2012). Institutional work can be invisible and even mundane (Suddaby et al., 2015). In contrast, it may instead be highly visible: Suddaby et al. (2015, p.64) identifies 'celebrity accountants', whose professional expertise resides with the individual, rather than an organisation. Additionally, large multinational professional firms have been particularly important in expanding accountancy's jurisdiction (see for example Empson et al., 2015; Suddaby et al., 2015) due to their visibility.

The type of institutional work is influenced by a number of factors including social capital in a field and control of resources (Empson et al., 2013, Currie et al., 2012): social capital stemming from authority and specialist expertise (Empson et al., 2013, Suddaby & Viale, 2011). Suddaby & Viale (2011) highlight professionals as key drivers of institutional change because of their unique position as brokers of various types of capital, with social capital being particularly important. They argue (following a process not unlike Abbott's (1988) claim, maintain, expand) that professions' existing expertise and legitimacy allows them to challenge the incumbent order and to define a new, open and uncontested space. Once the field is defined, social capital allows the profession to populate the field with new actors/identities, before introducing new rules and standards to recreate the boundaries of the field. Once settled, the professionals become the new arbiters of social capital in the field, creating hierarchies and social orders that protect and increase their position.

Previous research (Cooper & Robson, 2006; Malsch & Gendron, 2013) has indicated that the accountancy profession has successfully used both social capital and economic power in securing institutional change, not least because the profession has the 'financial and intellectual resources to harness the capacity of the state and judiciary to disrupt institutions that de-privilege them in some way' (Lawrence & Suddaby, 2006, p.238). Malsch & Gendron (2013, p.870) substantiate this to describe a non-linear set of 'more or less connected experiments' through which agents[iv] individually and collectively use professional legitimacy to build new jurisdictions and enrol others in this expansion. These agents will also draw on important professional actors to support the cultural rationalisation for the need for accounting (Lawrence & Suddaby, 2006; Suddaby et al., 2015). A unique aspect of the accountancy profession's success in gaining legitimacy and entry into regulatory space is in explicitly problematizing an issue as an *accounting problem* and using accounting language with its apparent rationality (Suddaby et al., 2015). Similarly, the making and defining of standards (Lawrence & Suddaby, 2006) can be used to point to expertise and legitimacy. Institutional work is less concerned with the subject content of professional knowledge, and more with how *others* are convinced of claims of professional expertise.

Studies of institutional change indicate the potential for professionals to expand their jurisdiction either into uncontested, vacant spaces, or to resolve contests without conflict: Suddaby & Viale (2011) highlight previous research, including Dezaley & Garth (1996), exploring business dispute resolution. Suddaby et al. (2015) studied the rise of 'social media professionals' in the North American Big Four Accountancy firms, suggesting this as an example of non-conflictual boundary change, with 'experts striving to understand and assimilate practices from each other' (p.62) and highlighting the potential of intra-professional negotiation in changing the domain of accounting work.

We seek to build on this work by examining how the accountancy profession claimed, maintained and expanded jurisdiction in the UK charity sector over time. In examining the profession's actions, we also analyse the implications for regulation, and potentially for the trust and legitimacy of the UK charity sector. The research design for the paper is explained next.

METHODS

The paper's objectives are to analyse how the accountancy profession has built jurisdiction in the UK charity sector and the implications for regulation. The UK has been chosen because, as noted by an interviewee:

> I don't see elsewhere in the world any achievement anywhere near ours in terms of a regulatory regime that is comprehensive and state regulated, and so efficiently, as well. (Interviewee 4)

The charitable sector is previously unexplored in research on the professions but is a potentially interesting context due to the unusually broad range of potentially engaged professions (accountancy, legal and cause-related professions), in an environment characterised as co-operative rather than competitive (Connolly et al., 2013; McConville and Cordery, 2018). Work here is not particularly lucrative by contrast to other areas of accounting work. We respond to calls for research beyond a single professional body and the 'Big Four' (Cooper & Robson, 2006).

A two-stranded approach was taken to gather information to meet our objectives. A comprehensive review of literature was performed, including previous empirical work, publications by interest groups, Acts/Regulations, consultation responses and information available on regulators' websites. This provided background detail and themes for the interviews, triangulation for analysis of the interviewee data, and was particularly useful in clarifying historical events and developments.

Semi-structured interviews were undertaken with a series of key actors on the process of developing charity regulation and reporting requirements. Interviewees were identified through the literature review and snowball sampling. Interview Guides, based on literature review themes, were sent before the interview to prompt interviewees' recollection of historical events. In addition to questions of fact, including generating a timeline of key changes, questions explored interviewees' perceptions of why and how events described had happened. Semi-structured questions also encouraged conversation, offering the interviewee the opportunity to speak freely about their recollections, and to reduce possible response bias. Prompts were designed and used to explore answers more fully and to test the interviewer's understanding. Aware of the potential for interviewee bias and errors in recollection, we used our document analysis and development of timelines, plus some re-interviewing, to triangulate the interviewees' comments.

In total, 22 interviews were conducted with 17 interviewees (some re-interviewing updated findings and challenged emerging themes). Each interviewee's background is summarised in Appendix 1, with their permission. Interviews were confidential and all participants have been anonymised, to the fullest extent possible. University ethics requirements were adhered to throughout data collection and analysis. The interviews ranged from one to two hours in length and were transcribed and annotated with contemporaneous field notes. Transcripts were analysed manually using theme-based manual coding and interpretation. Insights from the theories shaped our refinement and interpretation of the data. Examples of these themes are provided in the findings, along with representative direct quotes (identified by sequential interviewee number).

FINDINGS

Our findings demonstrate clearly that the accountancy profession has built jurisdiction in a previously vacant space within the UK charity sector. We organise this building of jurisdiction as first claiming, then maintaining, and ultimately expanding this jurisdiction, illustrated by indicative quotes.

Claiming Jurisdiction

In the late 1970s, charities were required by law to maintain accounting records, but financial statements were not required to show a true and fair view, to be audited, or (for most) to be filed with the regulator. Few were required to register with the (then) Charity Commissioners. Reflecting concerns raised in Parliament and elsewhere about an almost complete lack of information about the activities and finances of a growing sector, the Institute of Chartered Accountants in England and Wales (ICAEW) sponsored an academic study into reporting practices. Bird & Morgan-Jones' (1981) landmark study highlighted charities' widely divergent financial accounting practices, and lack of reporting on matters beyond the financial:

> I myself think that the Bird & Morgan-Jones Institute-funded research was probably quite central to waking accountants up to the fact that charity accounting wasn't in the state that it should have been. It… also woke up standard setters to an extent. (Interviewee 9)

Diagnosing the problem as primarily one of accounting, the accountancy profession, led by the Accounting Standards Committee (ASC), set about dealing with the problem in its traditional way: prescribing a treatment of improving reporting through standard setting. This echoes Abbott's (1988) abstraction of core knowledge into new areas and Suddaby et al.'s (2015) suggestion of the particular potential of framing an issue (in this case, charity accountability/ transparency) as an *accounting* problem to gain legitimacy and entry into the regulatory space.

The ASC prepared the first SORP for charity accounting in 1988. It focussed on financial accounting recommendations, was not mandatory, and gave considerable freedom in presentation. The flexibility was important because 'professions cannot afford to invoke either too much, or too little inference' (Abbott, 1988, p.56). That first SORP was seen as ground breaking (Interviewee 16), with the creation of the SORP as a standard optimally positioning the profession in defining what charity accountability should constitute (Lawrence and Suddaby, 2006). However, it was also criticised as having 'too much commercial practice involved' (Interviewee 5) and given its flexibility and non-mandatory status was dubbed as the 'statement of <u>rare</u> practice' (Interviewee 11). A lack of enforceability could undermine the SORP's legitimacy in charity account giving, and threaten the profession's developing jurisdiction in this sector (Lawrence & Suddaby, 2006). Important changes followed. After the 1988 SORP, aligned with changes in other sectors, the ASC passed responsibility for preparing the charities' SORP to the SORP Committee of the Charity Commission (now a joint committee with the Office of the Scottish Charity Regulator (OSCR) and Charity Commission for Northern Ireland (CCNI)). However, the ASC continued to prepare UK GAAP (Generally Accepted Accounting Practice), and to review and approve the SORP-Committee prepared SORP before its promulgation. This function is undertaken now by its successor, the Financial Reporting Council (FRC). SORPs in 1995, 2000, 2005 and 2015 were developed in this way. Presently, charities with income in excess of £250,000 are required to follow the SORP, but many more do so in accordance with their constitutions or as a signal of legitimacy to grant makers. While specific figures on SORP application are not available, NCVO's (2019) estimate is that 18% of the UK's 166,854 organisations had income above £100,000, but these 18% account for 96% of sector income.

Critically, the approach of creating the SORP 'mimics' the traditional corporate reporting model of requiring filing of accounts and audit (Edwards et al., 2007; Lawrence & Suddaby, 2006). Perhaps convinced of the legitimacy of this approach, and its potential in regulating a sector under increasing scrutiny, this professional privilege of diagnosis and treatment was then supported by the State, through new Charities Acts and Regulations in England and Wales, Scotland and Northern Ireland. As commented by Interviewee 11, these Acts and Regulations, from 1995, tend to simply replicate components of the SORP as requirements in law, with Interviewee 8 suggesting there was not very much debate about this. These Acts and Regulations include requirements for charities to prepare an Annual Report and Financial Statements (compliant with SORP for the largest charities), have those audited/ independently examined, and submit them to the relevant regulator (for publication on their websites).

The fact that it is the profession's SORP driving regulation, and not vice versa, was acknowledged as unusual:

> Theoretically, regulations trump SORPs, don't they? But the SORP provided the basis to the regulations, which is, traditionally, the wrong way round. (Interviewee 9)

This is unexpected in the context of past research in the profession, which has more commonly identified legislation as a 'bump event' leading to a change in a profession's jurisdiction (see, for example, Walker's (2004) discussion of the Bankruptcy Act). The way SORP drives regulation was ascribed to 'buy-in from accountants over the years, even those that sort of criticised it' (Interviewee 9).

Simultaneously with these legislative changes, the State developed a regulatory regime: reconstituting the now Charity Commission for England and Wales and, in the devolved nations, OSCR and CCNI were also established. Each regulator has its own test of public benefit with registered charities required to file an Annual Report (SORP compliant, audited for large charities). Interviewees stressed the importance of these changes:

> So, I think, for me, [moving to] every charity having to prepare a set of accounts, which was in a prescribed format, and also, having a requirement to have them independently examined or audited [and]… to send them to the regulator… that was a real line in the sand, that someone else is going to be looking at charities' performance. (Interviewee 8)

By contrast, interviewees were clear that other professions that might have potentially threatened the accountancy profession's claim of jurisdiction, were not significantly influential. Even within the charity sector, Interviewee 9 commented that 'to an extent, the sector always seems to me to need to be dragged forward'. Those in the charity sector, and the potentially powerful legal profession, were not seen as having 'organised' (Abbott, 1988, p.83) themselves to influence the development of the SORP and later regulations:

> I don't think that we have much involvement currently from the lawyers. They may well have responded to the SORP Committee consultations in the past, but I don't think their presence has been particularly huge. (Interviewee 1)

Certainly, this lack of engagement, or organised engagement, contrasts sharply to mobilisations by the accountancy profession (discussed more in the next section). The lack of organised competition for the jurisdiction, or conflict, may indicate that the charity sector and possibly even other professions tolerated these regulatory developments as an acceptable feature of enhancing the legitimacy of the sector.

The accountancy profession claimed a vacant, largely uncontested jurisdiction in charity regulation. It did this first by problematizing this regulatory issue as a failure in account giving, and secondly by prescribing a treatment based around the giving of accounts. This reflects abstraction of knowledge from corporate reporting where it has established expertise and legitimacy (Abbott, 1988; Suddaby & Viale, 2011). SORP, arguably the accountancy profession's 'treatment' for poor charity reporting and performance, was written into statute through various Charities Acts and Regulations. Few jurisdictions are claimed based solely on the power of the concerned profession, and we find, similar to Abbott (1988) and Jeppesen (2012), that the State was a critical supporting party. Institutional work attributes the primacy of the SORP to the dynamic between profession and the State, the former having a superior position in charity account giving before formal regulations were enacted (Lawrence & Suddaby, 2006). Thus the boundaries between the policy-makers, regulator/s and profession shift (see also Sikka & Willmott, 1995; Cooper & Robson, 2006), as the State and the profession work together, perhaps towards achieving the objectives of both:

> What the State was trying to achieve was very much in everyone's minds, but also, what the professional accountants thought was possible was there too. That formula, plus the promise of regulations to underpin the SORP, was what enabled the SORP to be more than just a voluntary statement. (Interviewee 5)

In this way, through diagnosing an accounting problem, developing a standard as treatment and working with the State to enshrine this in legislation, the accountancy profession claimed a vacant jurisdiction in charity reporting for the accountancy profession. The sector served to carve out a new specialism in accountancy, which is analysed next.

Maintaining Jurisdiction

Within the accountancy profession we see a clear charity accountancy specialisation emerge from the 1980's, in line with the suggestions of Abbott (1988), who defined such specialisation as the designation of specific task areas that limit professionals' interchangeability (Abbott, 1988). Likewise, institutional work recognises the power of changes in day-to-day activities as enabling work, embedding and routinizing institutional changes (Lawrence & Suddaby, 2006). This specialisation is seen at a number of levels. Individual accountants in practice and within charities were seen as:

> …pioneers who, in their own [accountancy] practices, started developing this expertise. I think that they were genuinely welcomed within the charitable sector, and they were a force for good. (Interviewee 10)

Smaller and mid-tier accountancy firms also specialised, rather than the Big Four firms which are the subject of much research into the profession:

> It's not being driven by the PriceWaterhouses, KPMGs of this world, its being driven by the specialist charity accounting firms who are living with this day-in and day-out and see what good [reporters] do, what bad [reporters] are doing, and want to encourage people to report in certain ways. (Interviewee 16)

In their own domain, these pioneers were similar to 'celebrity accountants' (Suddaby et al., 2015) incrementally shaping charity accounting. These small scale, day-to-day actions of professionals worked to change the nature of charity accounting, key to the description of charities becoming more 'business-like' from the 1980's onwards (see Maier et al.'s (2016) review) and to increase their legitimacy. These individuals collaborated to form a specialist Charity Finance Group (CFG)[v] which has influenced practice and served to legitimate charity accountancy as a specialism:

> I think, CFG right at its beginning was quite instrumental in saying, "Come on, guys, this is ridiculous! We need to have some sort of standards." (Interviewee 1)

> The CFG in 1987 [was] six people …now we have over 2,000 members. Charity finance has moved centre stage, and it's seen as very important for the governance of the charity, whereas before, a lot of these people were just seen as bean counters, and their opinion didn't matter. (Interviewee 4)

Moreover, already-established professional institutes[vi] developed charity special interest groups and committees over time. Such groups often encourage the profession's members to engage as trustees and advisers (Interviewee 6, 12) and provide support including formal and comprehensive guidance on charity accounting and reporting[vii], accessible and engaging 'how to' and 'tips' guides[viii], and even a Charity Manifesto (ICAEW, 2016), declaring:

> How the ICAEW, and the ICAEW members, in particular, could stand up and help the charity sector… the recognition that by having an ICAEW member involved in charity, we would expect stronger governance, financial oversight, etc. (Interviewee 6)

Increasingly, the profession has articulated the benefit for the charity sector of association and advice from qualified accountants, and its efforts to strengthen the governance and legitimacy of charities. These specialist groups have been recognised and engaged by the charity regulators who seek help in 'educating' the sector (Interviewee 8). Individual pioneers, organised professional networks and interest groups all serve to strengthen the normative foundation of charity account giving, augmenting the rules-based authority of the profession vested in the SORP (Lawrence and Suddaby, 2006). Furthermore, educational initiatives in the professional institutes allow actors to engage in novel structures and practices (Lawrence & Suddaby, 2006), embedding knowledge and changing day-to-day practices as the SORP changes (see below). ICAEW and Institute of Chartered Accountants of Scotland (ICAS), were seen as contributing at various points in the SORP development (Interviewees 6, 12, 13) 'and also influencing regulators, standard setters and State' (Interviewee 12). These mobilisations by accountancy's professional institutes and bodies such as the CFG (which reflect previous mobilisations in other jurisdictions: Sikka & Willmott, 1995) contrast sharply to the lack of engagement by other potentially interested professions, including lawyers.

One particularly important group of charity specialists is the SORP Committee. As stated, following the 1988 SORP, responsibility for preparing the SORP passed to the SORP Committee. The SORP Committee (now and since its inception) comprised representatives of the SORP's key stakeholders: although accountants, particularly specialist accountants in practice, tend to dominate numerically. The cited reason for this domination was due to the need for a wide variety of experience:

> I think you need to have different types of accountants… When people say, "Oh, well, you're an auditor, you're not a preparer of accounts," guys, I've probably prepared more accounts than you have. … Quite a few [SORP committee members], I think, brought that perspective to bear by saying, "Well, actually, we're not just talking about our charity, we're talking about the 50 to 100 charities that we're working with at any one point in time." (Interviewee 4)

The CFG has been represented on the SORP Committee since the 1995 Committee (Interviewees 1, 4, 16). Other representatives, including those from the sector, Charity Commission and academics were often also qualified accountants. After the 2005 SORP, membership was opened up (Interviewees 1, 3, 7 and 9): 'we tried to get in more sector members; we also tried to get people who would bring a broader perspective, not just the 'in-practice' accountants' (Interviewee 9). In many ways this is a protective stance, widening the representation and legitimising the SORP while, critically, accountants continue to dominate the Committee, the SORP retains its privileged position in regulation, and remains subject to FRC approval.

Over time, through the SORP Committee and often significant stakeholder engagement through consultations on each draft of the SORP, these highly engaged specialists made financial accounting much more charity-specific. From the 1995 SORP onwards, the SORP recommendations have become increasingly focussed on *adapting* commercial practices (commercial accounting standards still underpin the SORP) to meet charities' specific reporting needs. Thus, the Statement of Financial Activity (SOFA)[ix] introduction in the 1995 SORP was a significant step, as a SORP had never before recommended such a fundamental sector-specific change (Interviewee 5). However, these changes were also criticised as complicating charity accounting:

> One of the downsides is that charity accounts are so complicated now that the average set of readers can't understand them and I know they frighten a lot of people off doing charity accounting. And far from increasing transparency I think personally that they make life worse. (Interviewee 16)

These changes have been overseen by the accounting standard setter (FRC), which retains the key role of reviewing and approving the SORP. The primary purpose of the review is to confirm that the SORP contains nothing inconsistent with UK GAAP (Interviewees 4 and 5). Interviewee 5 argued that the SORP itself is in fact 'hostage' to the FRC in this regard, the FRC being perceived as 'hugely influential' (Interviewee 5) on the SORP. One example of this is that a radical first draft of the SOFA, prior to the 1995 SORP, was rejected by the then ASB and subsequently modified to look more similar to a profit and loss account, whereupon 'some ground-breaking [charity-specific] stuff was lost' (Interviewee 16). This is a clear example of the FRC maintaining jurisdiction by keeping established approval mechanisms in place, retaining the right 'to dominate public definitions of the tasks concerned' (Abbott, 1988, p.60) and reflects unwillingness to move too far from their core accounting base. This reaffirms the profession's domain in policing charity compliance (Lawrence & Suddaby, 2006).

We have seen specialisation (Abbott, 1988), but also actions to legitimate or build social capital in the new charity accountancy specialisation (Suddaby & Viale, 2011). These include building networks for advocacy and education and fundamental changes to the day-to-day work of charity-specific accountants in practice and in the sector, enabling and routinizing institutional norms. These are all actions of institutional work as suggested by Lawrence & Suddaby (2006), Suddaby & Viale (2011) and Currie et al. (2012), and these changes are endogenous to the profession, uncontested by other potentially interested professions. Within the charity field, there is an increasing normative association between the remit of charity reporting ascribed to accountancy specialists (Lawrence & Suddaby, 2006), and development of social capital as per Suddaby & Viale (2011). The SORP is critical to emphasising the accountancy profession's diversity from other potential jurisdictional claimants and to emphasise jurisdictional boundaries as accountants claim, maintain and later seek to expand their jurisdiction. This reflects Suddaby & Viale's (2011, p.433) comments that: 'because the professionals who construct the rules are often the only ones with the expertise and legitimacy to interpret and apply them, the rules consolidate the power and status of the professions'. The complexity of the new rules takes reporting beyond the expertise of, for example, charity managers or even non-specialist accountants, and creates a distinct charity accountancy specialism, with complexity as a key barrier to entry. As one interviewee commented:

> Well it's the chicken and the egg isn't it? Has the creation of the SORP and specialised fund accounting [and] trust law, has the sector supported professional development or has professional development supported these changes? They're now so linked it doesn't matter, they complement each other. (Interviewee 8)

The observed specialisation and rule-making has achieved the same result as Jeppesen's (2012) specialised audit qualification: that of (accountancy) profession control of the body of knowledge as well as legitimation.

Expanding Jurisdiction

Subsequently, the accountancy profession expanded its jurisdiction into performance reporting, quasi-regulatory and regulatory reporting, as now described. From 1995, the SORP contained increasingly detailed recommendations on narrative reporting, including information on the governance of the charity, risk management, the objectives and activities of the charity and on performance. From 2015, the SORP has also included recommendations on reporting impact.

Interviewees argued that they had driven these (non-financial) reporting changes in response to what they perceived were the needs of the accounts' users, and with the intention of improving sector practices. Despite comments that the public 'often didn't know what they wanted to know' (Interviewee 4) there was a perception that members of the public were less interested in the technical financial reporting of charities, and more interested in other matters requiring a wider reporting:

> It's more about charitable objectives, and how it spends its money and things of that kind so we put a lot of emphasis about the narrative content in the 2005 SORP, a little in the 2000 SORP and changed its name from a SORP on *accounting* by charities to a SORP on *accounting and reporting* by charities. There was a lot of recognition that there's a lot more to it than the pounds and the pence. (Interviewee 4)

The expansion into quasi-regulatory reporting included 'things that were to do with introducing good practice to the sector and not so much to do with financial reporting' (Interviewee 15):

> When you ask them to talk about their grant-making policy, then they realise that they have to have a policy on grant-making… We suddenly said, "Well, you should say in your SORP, as part of your governance note, how you recruit, train and induct trustees". "Gosh, we have got nothing to say, we don't. You know, we can't say that we met this guy at dinner and we asked him if he wanted to be a trustee. So, we have to think about how to do it better". (Interviewee 4)

This is a further example of the profession's abstraction of core knowledge based around account giving and reporting. The underlying assumption here, clearly evident in the quote above, is that you can improve practice by requiring reporting – that is seen in the quasi-regulatory matters but also in the reporting of performance. This develops following impetus from the State and discussions in the sector:

> So I think the genesis was *Private Action, Public Benefit* [Cabinet Office, 2002], but I also think there was work done by ARAG[x], and there were also a few people on the SORP Committee who wanted to see a change in reporting and a new style of report. I think Pesh Framjee[xi] was quite a supporter of it, I don't think [the State] drove it. (Interviewee 9)

In this, influential professionals, including practitioners Pesh Framjee and Kate Sayer[xii], were suggested as having become 'bigger than accountants' (Interviewee 12) with their expertise and influence reaching beyond traditional accounting, perhaps examples of Suddaby et al.'s (2015) celebrity accountants. Some interviewees saw this as reflecting a broader change in the day-to-day work of accountants:

> I think the reality is… that there is a very different role that the accountants play now. There has been a move, a big move, in their role no longer being producing [only] accurate numbers. But, actually, interpreting those numbers, what does that mean for the organisation going forward? (Interviewee 6)

In this, as the incumbent profession (Abbott, 1988), the work of accountants expands into a vacant space, and potentially one which could have been claimed by other professionals. As noted:

> Should accountants be responsible for measuring the metric success in charities, or should they stay just being about money? I think, that's quite an interesting question, 'cause one of my observations would be that there is no natural home for the measurement of success and mission delivery in charities. (Interviewee 2)

On performance, charities are encouraged to 'tell their story' with the recommendations 'very mild' (Interviewee 4) in contrast to much more detailed and instructive financial reporting requirements. Perhaps for this reason, Interviewees 1, 2 and 6 commented that other potentially interested professions and parties did not engage with the developing recommendations on wider reporting including on performance:

> I know, certainly, when we were looking at the changes that came in for the 2015 SORP, we did quite a lot of pushing to the wider sector to say, "Don't just leave this to the accountants" …But I don't think, for example, that the Institute of Fundraisers has put in a response to the SORP consultation… (Interviewee 1)

A further important change in the role of charity auditors and independent examiners (IEs) is the recent requirement for them to report any matters of material significance that arise in their work (including, for example, a qualified audit report) to the relevant regulator.

> Now, that is not itself accountability. That's regulatory regimes, and the regulators shifting the workload onto the profession. The regulators are, effectively, saying, "We rely on you, the accountancy profession, to tell us where something has gone wrong. But at the same time, you the accountancy profession, are regulated by the FRC, so if you don't do your job, your regulator will sort you out." So, in a way, it's quite a clever development. (Interviewee 5)

Other interviewees (e.g. Interviewees 8, 12) concurred that this move by regulators showed dependence on the profession and enabled regulators to scan the sector more easily. It was explained as being:

> Recognition that, as auditors and IEs, accountants can play a key role in the regulation of charities. They are uniquely placed and they have access to records that the regulator doesn't have access to for 24,000 charities all the time. They have knowledge, they have experience, they have a lot of professional skill that can be used to help the regulator understand when it needs to, perhaps, engage, or use its powers, or whatever it may be. (Interviewee 8)

These changes in broader reporting mark a pivotal point at which the profession further expands its jurisdiction within the sector – going from a function of accounting and stewardship to fulfilling the broader remit of accountability and even a regulatory function within the sector. They are able to do so as the existing dominant profession in the sector, with their already strong organisation and accepted, legitimate solutions. Again, it demonstrates the abstraction of core knowledge and skills (Abbott, 1988) and a problematization of issues of performance and regulation as accounting problems (Suddaby et al., 2015). There is also evidence of a gradual shift in cognition (Suddaby et al., 2015) and incremental expansion of the work of individual charity accountants into the provision of performance and regulatory information, in addition to a more traditional role in financial reporting. This suggests once again a 'chicken and egg' question about this changing role and changing SORP recommendations. The established legitimacy of charity accounting specialists, the SORP and related social capital (Suddaby & Viale, 2011) enable the development of the SORP as a conduit for expanded, specialised approaches to reporting focussed on improving sector practices, 'beyond the pounds and pence' (Lawrence & Suddaby, 2006).

DISCUSSION

The paper's objectives are to analyse how the accountancy profession has claimed, maintained and expanded its jurisdiction in the UK charity sector, and how this has affected regulation. We have also considered implications for legitimacy and trust in the charity sector. Both the system of professions and institutional work provide insight into the success of the accountancy profession in the charity sector over a period nearing 40 years. The paper contributes to the literature explaining a profession's jurisdictional expansion in a vacant and uncontested jurisdiction. The dual theoretical insights from the system of professions (Abbott, 1988) and institutional work (Lawrence & Suddaby, 2006) highlight the relatively non-conflictual nature of the profession's expansion into the charity sector, driven by a desire from the sector incumbents for improved charity reporting. Subsequently, these largely endogenous reasons for change secured regulatory backing. The legitimacy of the accountancy profession and trust in it to make these changes underpin these events, while the changes that result are widely seen as improving legitimacy and trust in the charity sector. This context is distinct from prior literature (e.g. Walker, 2004; Edwards et al., 2007; Moll & Yigitbasioglu, 2019) which analysed the profession as reacting *ex post* to legislative or technological change. It is collaboration rather than competition which aided the accountancy profession to fill a vacant jurisdiction in the charity sector. And, unusually for studies into the accountancy profession, the accountants most involved in this jurisdiction are non-Big4.

In the system of professions (Abbott, 1988), the mechanisms of claiming jurisdiction are enacted through the framing of a solution to charity accountability via a core system of knowledge for accountants: financial reporting and account giving. Thus, the accountancy profession has used its expertise in these roles to create a SORP, and the profession's dominance of that SORP is central to their jurisdictional claim and later developments. The State has also had a substantial role as, convinced of the legitimacy of the profession's problematization and solution, they gave legal weight to the SORP, and developed a regulatory regime in the UK with substantial reporting requirements. The profession has maintained its claimed jurisdiction by developing a specific charity accountancy specialism, organising in influential groups and networks that ultimately developed reporting requirements (in SORP) that require specialist accountants and auditors, and by their complexity exclude non-accountants, and even non-specialist accountants. In more recent years, secure in its position of influence, and with some interviewees suggesting the accounting as fairly 'settled' (Interviewee 16), the profession has expanded its jurisdiction to influence the narrative content of charity reports and takes on a quasi-regulatory role. The system of professions pivots on the area of interest – that of the accountancy profession and its work in a regulatory sphere – and connects it to the developments in charity reporting.

In institutional work (Lawrence & Suddaby, 2006), we can see the creation of new institutions on charity accounting and reporting through the development of rules – the original charities SORP. The profession brings to bear its considerable financial resources and social capital, including its legitimacy, expertise in an adjacent area, and organised networks, echoing Suddaby and Viale (2011). The contents of SORP itself mimics other established areas of accounting domain, focusing initially on financial aspects of charity reporting, important in convincing first the State and later other devolved administrations and regulators of legitimacy. The enforceability of the SORP is boosted by State regulation integrating the SORP (and account giving more broadly) into regulations. At the same time, institutions based on norms are evolving, whether through professional interest groups such as the CFG, changes in the day-to-day activities of charity-specific accountants or actions of high profile, influential individuals. Increasingly specialised reporting, such as the SOFA and performance reporting, develops as expertise is gained, and new questions are identified and answered: this maintains the institutions of charity reporting. The norms espoused by networks and individuals augment the rules-based institutional legitimacy conferred through the accountancy profession. Likewise, the domain of the accountants is maintained through institutional barriers, including FRC approval of the SORP, as prepared by an accountant-dominated SORP committee. This also serves to deter other professions in disrupting regulatory developments. Problematizing regulatory issues as accounting problems (if we report on x, x will improve) (see Suddaby et al., 2015) and using the powerful, legitimate, and regulator-backed tool of SORP to propose solutions becomes important again as the profession expands jurisdiction. Moreover, regulators have sought to engage the profession more directly in the regulation of the sector, through the reporting of matters of material significance: placing trust, as noted by the interviewees, both in their expertise and in their professional accreditation processes. This is a stamp of legitimacy (Jeppesen, 2012), but Cooper and Robson (2006) suggest it could also paradoxical, if the profession is called upon to control members while maintaining their earning abilities.

It should be noted that this jurisdictional claim, maintenance and expansion has been largely uncontested by other professions. Abbott (1988) suggested such a claim of vacant space to be possible, but his work (and subsequent empirical work) is much more focused on contested jurisdictions. Additionally, rather than strong exogenous shocks of 'bump' events, as examined by

Abbott (1988), changes were driven endogenously by those concerned about 'better' charity reporting and governance. This is unusual in previous research on the accountancy profession, and in comparison to other countries' charity regulatory regimes (driven by tax authorities, funders, States, or charities themselves: see Crawford et al., 2018). Considering institutional work jointly with the system of professions, helps us to explain what we see as a key contribution of the paper, the building of jurisdiction in vacant and uncontested spaces. In particular, subsequent to the claiming of jurisdiction, the actions of individuals within the accountancy profession (specialising, changing day-to-day work, building networks, contributing to change in the SORP) are examples of endogenous changes that further reinforce institutional boundaries. Additionally, these actions increase the legitimacy or social capital of the profession in this space, and quotes in this paper show that these actions are seen to be a good thing for this sector, especially for public trust. As a profession, they are highly organised, with substantial economic resource: a perceived or actual institutional barrier. Taken together, these factors may indicate that other potentially affected professions are satisfied that actions taken by the accountancy profession are positive for the legitimacy of, and trust in the sector, and therefore tolerate their problematization and treatment of these matters.

It is apparent that the history of the accountancy profession's engagement with the SORP and the charities sector has potential to increase public trust in the sector. While Bird and Morgan-Jones' (1981) landmark study 'woke up' the accountancy profession to the lack of transparency in charities' financial reporting practices, this lack of transparency also affected government's view of charities with which they contracted, and the public's view of charities to which they donated. The effect of the profession's claim, maintenance and defence of jurisdiction in the charity sector has been to create regulation focussed on increasing transparency in charity reporting. Recent focus on narrative reporting, or the ability for charities to 'tell their story' has been highlighted as critical for public trust, and has meant that the annual report should be a foundational touchpoint for the public's trust in charities and their activities.

CONCLUSION

This paper contributes to the understanding of the professions by analysing the accountancy profession's claim, maintenance and expansion of a vacant jurisdiction in the UK charity sector, largely uncontested by other potentially interested professions. Using insights from the system of professions and institutional work we have discussed how this was actioned, and discussed the impact of this on regulation. These impacts include the centring of account giving within UK charity regulation, the highly charity-specific nature of accounting, and the substantial expansion in requirements for reporting on non-accounting matters including performance, risk and governance. We have also noted examples of where the legitimacy of the profession has facilitated certain actions. These developments have potentially important, complex, implications for trust and legitimacy in the charity sector.

The profession's involvement has led to a reporting and regulatory regime in this formerly vacant regulatory space. We don't know what reporting and regulation for UK charities would have looked like without the influence of the accountancy profession, so central has it been to the development of the current reporting and regulatory regime. Much of the previous research in this sector (including our own) has indicated that these are positive changes for the charity sector, potentially assisting in building trust in, and legitimacy of, the charity sector. Legitimacy may also have been conferred by this established profession's involvement. Even the SORP's 'mild' (Interviewee 4) recommendations on performance reporting have led to dramatic changes in the content of charity reports (see, for example, increases in the quantity of performance information identified by Hyndman & McConville, 2018). Much more information is in the public domain, and with performance reporting suggested as important to users, this has arguably increased the relevance and legitimacy of SORP-compliant documents in recent years, with potentially positive impacts on public trust.

We acknowledge the limitations of our current paper which help inspire further questions for the profession and future research. Limitations of this research include potential interviewee bias (or mis-remembering) and a predominance of accountants among interviewees, reflecting the background of those who had engaged in the development of the SORP. Therefore to reduce these limitations, evidence could be sourced from professions that have not engaged in the SORP and regulatory processes, such as lawyers and fundraisers, and indeed from the public more broadly.

This research raises some key questions with respect to legitimacy and trust in the charity sector. As noted, the accountancy profession has dominated these developments and the lack of challenge may have had significant impact on the regulation that has resulted. The accountancy profession's 'treatment' is not the only potential treatment or perhaps the best treatment. For example, aspects of the highly charity-specific financial reporting have been criticised in this paper as unintelligible, perhaps discouraging people from engaging with the accounts and damaging trust. Certainly, these complex requirements give rise to compliance costs to which donors might object, potentially affecting legitimacy. In this sector, the term 'business-like' is used as both praise and criticism. Questions remain as to the veracity of the assumption (underlying much of the expansion of jurisdiction) that by reporting on something as nebulous as charity performance we can improve it. Instead, increased reporting in these difficult areas may lack credibility, or expose uncertainties to the (arguably uninformed) public, negatively affecting legitimacy and trust. Or, do these reports simply become so long and complex that they are ignored, so potential positive impacts on trust and legitimacy are not seen? These are important questions posed by our findings, which clarify the contribution of this paper and point to interesting opportunities for further study.

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i In certain regions the smallest charities are excepted from this requirement, and certain types of charities are exempted from this requirement.

ii The definition of large charities varies across the regions, but is at income over £250,000 in most.

iii SORPs supplement accounting standards and other legal and regulatory requirements to reflect transactions or circumstances that are unique within specialised industries or sectors. Other examples include SORPs for pension schemes and further and higher education providers.

iv As noted above, the literature includes agents such as professional institutes, firms and individuals (see for example Suddaby et al., 2015).

v Formerly the Charity Finance Directors' Group (CFDG).

vi This includes ICAEW, ICAS, CAI, CIMA, ACCA and CIPFA.

vii For example, see ICAEW's Charity Sector pages at https://www.icaew.com/library/subject-gateways/charities/charity-sector which includes resources, guides, and extensive links to other institutes' resources.

viii A recent example is ICAS's Eight tips for Charities SORP success, tweeted via @ICASAccounting and OSCR https://www.icas.com/landing/charities/charities-resources/eight-tips-for-charities-sorp-accounts-success (accessed 28/11/19)

ix The SOFA is a primary statement for charities, in place of a commercial Profit and Loss. It requires charities to present income and expenditures by type of funds (including restricted/unrestricted), identifying income by source and expenditure by category including charitable activity and fundraising (Charity Commission for England and Wales & Office of the Scottish Charity Regulator, 2015).

x In response to Private Action, Public Benefit the Charity Commission constituted ARAG (Annual Reporting Advisory Group) as a sub-committee within, but with a broader membership than, the SORP Committee, to specifically consider that report's recommendations and how the SORP should develop recommendations focussed on governance and performance reporting.

xi Partner and Global Head of NonProfits at Crowe. Over 30 years' experience in the charity sector including more than 20 years on the SORP Committee.

xii Consultant at Sayer Vincent, extensive experience in the charity sector and member of 2000, 2005 and 2015 SORP Committees.

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Appendix 1: Interviewees by number, with information on background

Assigned number	Background
Interviewee 1	Professional Institute and Practitioner Sector Body, 2015 and current SORP Committees, Non-accountant
Interviewee 2	Sector Body, Current SORP Committee, Non-Accountant
Interviewee 3	Sector Body, Non-Accountant
Interviewee 4	Practitioner, Practitioner Sector Body, 1995, 2000, 2005 and 2015 SORP Committees, Accountant
Interviewee 5	Practitioner, Regulator, 1995 SORP Committee, Accountant
Interviewee 6	Practitioner, Professional Institute, Accountant
Interviewee 7	Standard setter, 2015 and current SORP Committees, Accountant
Interviewee 8	Regulator, 2015 and current SORP Committees, Accountant
Interviewee 9	Regulator, 2000, 2005 and 2015 SORP Committees, Accountant
Interviewee 10	Practitioner, Civil Servant in State Department, Regulator, 1995 SORP Committee, Accountant
Interviewee 11	Regulator, 2005, 2015 and current SORP Committees, Accountant
Interviewee 12	Practitioner, Professional Institute, Accountant
Interviewee 13	Sector body, trustee, academic, 2000 and 2005 SORP Committees, Accountant
Interviewee 14	Sector body, 2015 SORP Committee, Non-Accountant
Interviewee 15	Practitioner, Practitioner Sector Body, 2000, 2005 and 2015 SORP Committees, Accountant
Interviewee 16	Practitioner, Practitioner Sector Body, 1995 SORP Committee, Accountant
Interviewee 17	Practitioner, Practitioner Sector body, 2005 and 2015 SORP Committees, Accountant