Perceptions of accountability by managers of faith-based social service not-for-profit organisations and forms and methods of reporting used by these organisations to discharge accountability obligations to stakeholders

by

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CERTIFICATE OF AUTHORSHIP

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Charles Sturt University or any other educational institution, except where due acknowledgment is made in the thesis. Any contribution made to the research by colleagues with whom I have worked at Charles Sturt University or elsewhere during my candidature is fully acknowledged.

I agree that this thesis be accessible for the purposes of study and research in accordance with the normal conditions established by the Executive Director Library Services or nominee, for the care, loan and reproduction of theses.

Signed:

Ken Crofts
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Whilst a doctoral thesis is, to an extent, the result of individual academic effort, it could not possibly be achieved without the support, assistance and encouragement from a broad range of people.

When I completed a course-based Masters of Economics in 1988, I had no intention of pursuing any academic research and was content to apply my skills in a professional context. My grandfather must have known better because he told me at graduation that one day I would become ‘one of those doctors’. ‘Grandad’ has since passed away, but 25 years later his prediction has come true and I remember him for his belief in me.

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<td>AASB</td>
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</tr>
<tr>
<td>ACNC</td>
<td>Australian Charities and Not-for-profits Commission</td>
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<td>ACNC Passport</td>
<td>Term used to describe process where information about an individual organisation will be shared with State and Territory governments</td>
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<td>ACOSS</td>
<td>Australian Council of Social Service</td>
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<tr>
<td>AIHW</td>
<td>Australian Institute of Health and Welfare</td>
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<tr>
<td>CAQDAS</td>
<td>Computer Assisted Qualitative Data Analysis Software</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CSI</td>
<td>Centre for Social Impact</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DGR</td>
<td>Deductible Gift Recipient</td>
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<td>Department of Community Services. A NSW government agency responsible for funding and regulating much of the social service delivery within the state</td>
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<td>EOY</td>
<td>End of Year (e.g. End of Year reporting)</td>
</tr>
<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
</tr>
<tr>
<td>ICAA</td>
<td>Institute of Chartered Accountants in Australia</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IPSASB</td>
<td>International Public Sector Accounting Standards Board</td>
</tr>
<tr>
<td>ITEC</td>
<td>Income Tax Exempt Charity</td>
</tr>
<tr>
<td>LPM</td>
<td>Local program manager, responsible for a localised geographic area</td>
</tr>
<tr>
<td>NDC</td>
<td>National Data Collection</td>
</tr>
<tr>
<td>NFP</td>
<td>Not-for-profit/Not-for-profit organisation</td>
</tr>
<tr>
<td>NFPs</td>
<td>Not-for-profit organisations</td>
</tr>
<tr>
<td>NGO</td>
<td>Non government organisation</td>
</tr>
<tr>
<td>NPFM</td>
<td>New Public Financial Management</td>
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<tr>
<td>NPM</td>
<td>New Public Management</td>
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<tr>
<td>NPFM</td>
<td>New Public Financial Management</td>
</tr>
<tr>
<td>OH&amp;S</td>
<td>Occupational Health &amp; Safety</td>
</tr>
<tr>
<td>QA</td>
<td>Quality Assurance</td>
</tr>
<tr>
<td>REDF</td>
<td>The Roberts Enterprise Development Fund</td>
</tr>
<tr>
<td>RDR</td>
<td>Reduced Disclosure Regime</td>
</tr>
<tr>
<td>SAA</td>
<td>Social Accounting and Audit</td>
</tr>
<tr>
<td>SAAP</td>
<td>Supported Accommodation and Assistance Program administered by the Federal Government</td>
</tr>
<tr>
<td>SBR</td>
<td>Standard Business Reporting</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>SCOA</td>
<td>Standard Chart of Accounts</td>
</tr>
<tr>
<td>SIMNA</td>
<td>Social Impact Measurement Network Australia</td>
</tr>
<tr>
<td>SPM</td>
<td>Senior program manager, usually responsible for a major program within the organisation</td>
</tr>
<tr>
<td>SPR</td>
<td>Service Performance Reporting project currently administered by the AASB to determine content of service performance reports by private sector NFPs</td>
</tr>
<tr>
<td>SROI</td>
<td>Social Return on Investment</td>
</tr>
<tr>
<td>SROI Network</td>
<td>Network (headquartered in the UK) of parties using and promoting SROI</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
</tr>
</tbody>
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ETHICS APPROVAL

This project was approved by Charles Sturt University Ethics in Human Research Committee on 27 May, 2007 Approval No. 2007/115. Official documentation, confirming ethics approval, appears in Appendix E.
ABSTRACT

Over recent decades, there have been calls to improve accountability of not-for-profit organisations (NFPs), particularly faith-based NFPs which are often subject to less onerous reporting requirements under existing legislation. With social service NFPs, the calls have included not only increased reporting of financial and other procedural accountabilities, but also consequential accountabilities, demanding disclosure of the efficiency and effectiveness of such organisations. As a result, measures of effectiveness, such as social impact, have become more widespread.

The research reported in this thesis examines the perceptions of accountability by managers of faith-based social service NFPs and, through these perceptions, aims to gain an understanding of why particular forms and methods of reporting are used to satisfy accountability obligations to multiple stakeholders. This interpretive research concentrated on three large faith-based social service NFPs based on the east coast of Australia, with supporting evidence gathered from four smaller organisations in the same sector.

Outputs of the research included:

- a ‘Stakeholder Model of Faith-based Social Service NFPs’ detailing the relationships between an NFP and various stakeholders,
- a ‘Summary of NFP Accountability Reports’ produced by faith-based social service NFPs, and
- an ‘Emergent NFP Model of Accountability’ illustrating how reporting and sanctions operate to satisfy accountability obligations to key stakeholders.

Outcomes of the research included the findings that faith-subscribers, whose personal faith aligns with the religious institution, perceive a personal accountability to God and a strong sense of stewardship in respect of their time and talents, whereas non-faith-subscribers are strong supporters of, and believers in the mission and vision of the NFP. All managers interviewed perceive a strong accountability towards their clients, who constitute the poor and marginalised.

Reporting was primarily driven by government, which demanded reports that were upward and instrumental in nature. A range of reports and mechanisms were used to discharge accountability obligations to other stakeholders. This included ‘experiential
accountability’ where a stakeholder is able to directly experience the delivery of a service from the NFP to a client.

The results of this research should provide an excellent base from which to compare future changes in perceptions of accountability by managers of, and reporting by, faith-based social service NFPS as a result of the introduction of new reporting and governance requirements following the establishment of the Australian Charities and Not-for-profits Commission (ACNC).
1.  INTRODUCTION

1.1  Introduction

In the academic accounting literature, much has been written about accountability from the viewpoint of for-profit and public sector organisations, although this is not the case for not-for-profit (NFP) organisations, particularly in an Australian context. However, over recent years there has been increasing interest from government and other stakeholders concerning the accountability of NFP organisations. In Australia, the NFP sector comprises some 600,000 individual entities (Productivity Commission, 2010), conservatively contributes $54.6 billion to GDP, and employs 8% of Australia’s workforce (Australian Bureau of Statistics, 2009a). Following a lengthy inquiry into the sector, the Senate Standing Committee on Economics (2009) made a number of recommendations concerning improved disclosures to stakeholders of charities and NFPs. In 2010, the Productivity Commission undertook a Review of the contribution of the NFP sector in Australia and made various recommendations, including the establishment of a one-stop-shop regulator for charities and community organisations (Recommendation 6.5, p. XLIII), as well as supporting the principle of ‘report once, use often’, through the use of a single reporting portal (Recommendation 6.6, p. XLV). The Commonwealth government has supported these recommendations through the establishment of a new body, the Australian Charities and Not-for-profits Commission (ACNC), which commenced operations on 1st December, 2012. The ACNC is establishing a reporting portal, which is based on the ‘report once, use often’ principle, although sharing agreements have not yet been formalised with state jurisdictions. The regulations and reporting requirements promulgated by the ACNC will be initially targeted at charities receiving taxation concessions, although it is anticipated that in the future the ACNC's remit will be broadened to include the majority of the NFP sector.

Social services (often termed ‘human services’) comprise a significant proportion of the charity sector. Social services are directed at people and communities and include services for particular groups, such as the aged, youth, people with disabilities, the homeless, and children. Specific services related to health, such as mental health, are usually categorised separately. Likewise, provision of housing is often categorised separately, but as the case organisations studied in the research provided a substantial number of both social services and housing services, with many overlaps between the
two in terms of service delivery, both categories are included in the research described in this thesis.

Faith-based charities, especially those grounded in Christian ideals, have historically played an important role in delivering social services within Australia. The first charity to be formally established in New South Wales was the ‘NSW Society for Promoting Christian Knowledge and Benevolence in these Territories and Neighbouring Islands’. This organisation commenced operations in 1813, run by members who had, in the main, served with the London Missionary Society, and is still operating today as the Benevolent Society (Judd, Robinson, & Errington, 2012, p. 48). Outsourcing of social services by government in Australia has been ongoing in the latter half of the twentieth century, with existing Christian charities being major recipients of funding to deliver these services. This is exemplified by the Industry Commission Report of 1995 which noted that the six largest social service organisations, and nine of the top fifteen, were Christian faith-based NFPs (Mendes, 2008, p. 232).

1.2 Faith-based social service NFPs

In comprehending the context of the research it is important to understand the terms variously used when referring to organisations in the NFP sector. Often the phrases such as “third sector organisations”, “not-for-profit (or “non-profit”) organisations, “non-governmental organisations”, “charities” and “social service organisations” are used interchangeably, even though their technical meanings are often more precise. Figure 1-1 illustrates how the various organisational terms inter-relate. The “third sector” comprises organisational bodies outside for-profit market enterprises or government. The largest group of entities within the third sector are “not-for-profit organisations” (NFPs). These organisations are usually distinguished by their constitutions prohibiting any distribution of surplus funds to owners or members, which is referred to as the “non-distribution” constraint (Hansmann, 1986). “Charities” are a subset of NFPs, and in Australia are benevolent organisations endorsed by the Australian Taxation Office1 as Income Tax Exempt Charities (ITECs). “Faith-based NFPs” are NFPs that are affiliated with a religious denomination or have a Mission Statement that focuses on faith beliefs. The majority of faith-based NFPs in Australia, and certainly the largest of

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1 As from 1 July 2013, the Australian Charities and Not-for-profits Commission will take over responsibility for endorsement of charities.
such NFPs, are Christian organisations. The case organisations studied in this research were all Christian organisations.

As noted in Section 1.1, social service organisations provide services directed at people and/or communities. Accordingly, this research concentrates on those organisations that are both social service NFPs and faith-based, as indicated in the shaded intersection in Figure 1-1.

![Figure 1-1 Research Area of Interest](image)

**Figure 1-1 Research Area of Interest**

1.3 **Accountability**

In recent decades, the delivery of social services has been increasingly outsourced by the government to NFPs, with a considerable amount of public funding provided to large faith-based NFPs. Concomitant with this increasing quantum of public funding being attracted to the NFP sector, businesses, governments and the community are all calling for greater accountability, of various forms, by the sector (Mulgan, 2001; Productivity Commission, 2010, p. xxx). Governments want to ensure value for the taxpayer dollar, corporate philanthropists and major donors want evidence of the
effectiveness of NFP objectives being met, while other businesses are concerned about competitive neutrality due to the significant taxation exemptions available to many NFPs. The community wants to ensure social services previously provided by the government are delivered efficiently and are made available to those requiring them. A survey conducted by *Choice* magazine (Australasian Consumers’ Association, 2008), which was focused on donations by individuals, found that 81% of individuals did not know what proportion of funds was actually used in service provision by NFPs, as opposed to the proportion used to meet overheads, whereas 94% of respondents thought it was important to have that information. The survey also found wide variability and inconsistency in the ways that NFPs reported information back to their donors.

Apart from NFPs in general, there have been calls for greater accountability by churches and faith-based organisations. Most church organisations enjoy similar or greater benefits than general NFPs, such as in respect to taxation exemptions. Many have income tax exemptions, land tax exemptions, and major concessions in relation to fringe benefits tax for clergy and employees. In an article entitled “The Purple Economy: Supernatural Charities, Tax and the State”, Wallace (2007), a director of the Australian National Secular Association, highlighted the economic power of churches in Australia, including the incentives offered by governments. The *Business Review Weekly*, in articles such as “Charity Inc.” (Ferguson 2005a), “God’s Millionaires” (Ferguson 2005b), and “God’s Business, taking advantage of lax taxation regulations” (Ferguson 2006b), has also featured discussion of the economic power of churches and provided critical analyses of how church organisations receive a raft of government incentives, but often provide little transparency or accountability for their activities. Matheson, a retired Churches of Christ minister, has argued the need for churches and faith-based organisations to be more accountable, and not to resist these demands for accountability simply because the organisation is faith-based:

> Churches need to understand the demands for accountability and transparency ... and it will be a futile campaign to label such demands as Christianphobia (Matheson, 2008).

Clearly, countering such criticism requires churches and faith-based organisations to ensure that they are, in fact, both accountable and transparent.
Despite calls for greater accountability, many NFPs are concerned about the existing accountability requirements imposed upon them. The Productivity Commission (2010, p. xxx) argued that:

Most NFPs agree that significant financial support warrants accountability (such as audited accounts and business plans) and demonstrable results. However, many argue that current requirements are not appropriate, impose compliance costs without commensurate benefits and are lacking any sense of proportion in regard to the size of the organisation or scale of the undertaking.

1.4 Research Questions

Given the foregoing overview, the main research question investigated in this thesis is:

*How do managers of faith-based social service NFPs perceive accountability and why are particular forms and methods of reporting used in satisfying an organisation’s accountability obligations to stakeholders.*

There are a number of issues that arise from the main question, and these are addressed by eight secondary or sub-questions that support this primary research question.

The first sub-question relates to who are the stakeholders to whom accountability is owed by the faith-based social service NFP, and how are the stakeholder groups ranked in terms of relative importance.

*Research Sub Question 1: Who do managers of faith-based social service NFPs perceive to be the stakeholders to whom they owe accountability and how and why are different stakeholders accorded particular accountability priority?*

While the first sub-question focuses on to whom accountability is owed, the second sub-question focuses on for what managers perceive they are accountable.

*Research Sub Question 2: What do managers of faith-based social service NFPs perceive they are accountable for and how are these perceptions developed and informed?*

Following from these questions relating to whom accountability is owed and for what, sub-questions three and four were designed to examine how accountability obligations are addressed through reporting and other accountability mechanisms. Sub-question three focuses on procedural accountability related to process, financial and legal obligations. On the other hand, consequential accountability, which relates to the efficiency and effectiveness of the NFP, is addressed through sub-question 4.
Research Sub Question 3: What is the nature of the reports and accountability mechanisms used to discharge **procedural accountability** in faith-based social service NFPs? Why are these reports and mechanisms used and how adequate are they?

Research Sub Question 4: What is the nature of the reports and accountability mechanisms used to discharge **consequential accountability** obligations in the faith-based social service NFPs? Why are these reports and mechanisms used and how adequate are they?

Sub-question five specifically targets the issue of the match between each identified stakeholder group and the reports and accountability mechanisms aimed towards that group.

Research Sub Question 5: What reports and accountability mechanisms are targeted at each stakeholder group and how do they meet the needs of these groups?

As the main funder of social service organisations, government can wield enormous power. Sub-question six addresses how that power is used when imposing accountability mechanisms on these organisations.

Research Sub Question 6: Does government impose upward and instrumental accountability mechanisms or downward and expressive accountability mechanisms on faith-based social service NFPs?

Whilst the nature and content of the reports and accountability mechanisms adopted by the NFPs are addressed in sub-questions three, four, and five, sub-question seven probes more deeply so as to gain an understanding of what factors actually underpinned the development and use of these reports and mechanisms.

Research Sub Question 7: What factors drove the construction of the reports and other accountability mechanisms used by the faith-based social service NFPs?

Faith-based organisations have a commitment to faith and morals, often tied to their related religious institution. Sub-question eight addresses the link between faith, morals and accountability, which anecdotally should be more prevalent in a faith-based NFP as compared to a non faith-based NFP.
Research Sub Question 8: How do faith and morals influence perceptions of accountability and accountability reporting in faith-based social service NFPs?

1.5 Methodology

The research adopts an interpretivist approach and therefore uses qualitative methodologies to investigate the research questions. Three main case studies were used to fully explore the pertinent issues relating to accountability, stakeholder relationships, and the discharge of accountability obligations in faith-based NFPs. These case study organisations comprised three large faith-based social service NFPs based on the east coast of Australia. In aggregate, these organisations have revenue of approximately $500 million dollars, employ some 12,000 people, and have a volunteer workforce approaching 1,000. They are significant players in the social services field, attracting a considerable portion of government funding available for social services, including aged care, children’s services, youth services and housing. Aside from the three large case organisations, individuals from a number of smaller organisations were represented in the research to ascertain whether findings were also applicable to smaller faith-based NFPs.

The specific research methods adopted in this thesis comprised semi-structured interviews, observation, and document analysis. In total, 23 persons from the various organisations were interviewed, all of these being program managers, CFOs, or CEOs of the relevant NFPs. Seventeen of these persons were employed by the three large case organisations. Observations were made of staff interactions and discussions at the case sites, and body language, tone of voice and other factors were observed when managers responded to interview questions. Reports produced by the case organisations to fulfil accountability obligations, as well as other documents, were thematically analysed. These documents included annual reports, websites, newsletters, magazines and, in one case, a DVD documentary.

The case studies enabled the issues raised in the main research question to be investigated in detail. The research strategy involved summarising existing theory derived from the literature into two models:

- an “NFP model of accountability”, detailing the primary accountability obligations faced by NFPs; and,
• a “Stakeholder model of faith-based social service NFPs” detailing the major stakeholder groups and the theorised interactions between these groups in relation to accountability needs and the discharge of accountability obligations.

These two models were then tested against the realities garnered from detailed analysis of the case study organisations and modified accordingly to produce emergent models to reflect these realities.

1.6 Significance of the research

The research undertaken for this thesis, and the findings, are significant for several reasons. First, there have been many calls for research into reporting by the NFP sector that addresses the needs of stakeholders. Most accounting research has concentrated on the for-profit sector, and research into the NFP sector has been limited, and particularly so for faith-based NFP organisations.

Secondly, there have been limited empirical studies into what type of reports are of use to stakeholders. Whilst the primary focus in for-profit entities is on measuring profit as an indicator of success, measures of efficiency and effectiveness for NFPs are often more difficult to articulate, develop and achieve. The findings should inform both the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission (ACNC), both of which promulgate reporting requirements that have direct impacts on NFPs.

Thirdly, there is a paucity of studies investigating how faith and morals impact accountability, and how faith-based NFPs may employ interpretations of accountability that are different from those of secular NFPs.

Regulation and reporting for charities, including social service NFPs, changed significantly with the ACNC commencing operations from 1\textsuperscript{st} December 2012 and:

\begin{quote}
It is clear that further empirical research on the performance and accountability of Australian NFP organisations is required, particularly at this juncture in Australian NFP history, with the inauguration of the new national regulator (Ryan & Irvine 2012).
\end{quote}

The research undertaken for this thesis can inform some of the decisions to be undertaken by this body, particularly in relation to reporting requirements.
1. 7 Contributions of the research

1.7.1 Contributions to policy and practice

In terms of policy and practice, this research makes several key contributions.

Firstly, all of the case organisations indicated that clients were their key stakeholder (along with government). This key stakeholder is not included as a “user” under the current International Accounting Standards Board (IASB) conceptual framework, which is a significant omission.

A further finding of the research is that the annual reports produced by the three main case organisations are prepared on an inconsistent basis, making comparisons between these social service organisations difficult. The research therefore provides support to policy makers aiming to provide reporting guidelines for NFPs (such as the AASB Service Performance Reporting project), thereby improving the consistency of information provided to users.

Government agencies demand varying types of financial information in differing formats, and the use of inconsistent definitions of terms is often in conflict with Accounting Standards. The research supports harmonisation via the Standard Chart of Accounts (SCOA) used by many NFPs with the Standard Business Reporting (SBR) project administered by the Commonwealth government. This harmonisation, together with the proposed “passport” as envisaged by the ACNC, will facilitate consistency and sharing of information between agencies.

The research indicates 'experiential accountability' may be one mechanism that can be used to overcome the narrow, instrumental approach to accountability traditionally required of NFPs by government.

1.7.2 Contributions to theory

The research has refined and extended the categories of stakeholders for NFPs that are embodied within stakeholder theory. The accountability type ‘experiential

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2 The charity passport is a set of data that charities report once to the ACNC to meet the baseline corporate and financial reporting requirements of Australian Government agencies. It contains standardised data that charities report once, is confidential and only available to agencies on a need-to-know basis, and is grouped as a passport of information and passed electronically to government agencies through the ACNC information portal. (See: http://acnc.taskforce.treasury.gov.au/content/Content.aspx?doc=publications/implementationreport/html/ACNC_ir_07.htm)
accountability\textsuperscript{3}, which has previously received limited exposure or application in the accountability literature, was found to be an effective accountability mechanism in certain circumstances. Further, a number of case study organisation managers expressed a personal accountability to God which went far beyond traditional notions of moral accountability. The research also indicated that some managers had moved past a traditional notion of Wesleyan\textsuperscript{4} stewardship, embracing a divine mandate for their organisation focused on improving the physical, social and spiritual well-being for clients of their services. These findings add to and aid in clarifying current understandings of concepts, forms, and mechanisms of accountability in NFPs, and to the theological discourse concerned with faith-centred NFPs.

1.8 Thesis structure

The thesis is arranged into nine chapters. Chapter 1 introduces the research. The next two chapters provide an overview of the literature relevant to the research area. Chapter 2 outlines a variety of accountability concepts and offers a discussion of NFP accountability reporting. Chapter 3 contextualises the research by providing an overview of the NFP sector in an Australian context, as well as looking at the theological perspectives distinctive to faith-based NFPs. Chapter 4 details the research paradigm and research methodology. The following three chapters (Chapters 5 to 7) provide the results of the analysis of each of the three main case organisations selected for in-depth research. Chapter 8 then provides a cross case analysis of the results of the organisation studies, together with presentation of the ensuing research findings. Lastly, Chapter 9 provides conclusions and implications arising from the research.

Specifically, the content of each of the subsequent chapters is:

Chapter 2 Commences with an overview of literature pertaining to the various relevant research disciplines and their interrelationships. Conceptions, perceptions and frameworks of accountability are reviewed, followed by a consideration of stakeholders to whom NFPs owe accountability. From this literature, an original NFP model of accountability is developed. Literature examining reports produced by NFPs to discharge procedural and consequential

\textsuperscript{3}The term \textit{experiential accountability} is described more fully in Section 8.4.2, and is used in the sense of NFPs discharging consequential accountability through providing a stakeholder representative with first-hand experience of service delivery.

\textsuperscript{4}Wesleyan stewardship refers to those who follow the doctrines enunciated by John Wesley, who argued a biblical view of stewardship entails being accountable for your time, talents and money.
accountabilities is reviewed, culminating in a summary of reports produced by NFPs.

Chapter 3 Contextualises the research, firstly in relation to NFPs, by listing characteristics of these organisations, examining theories about the formation of NFPs, and providing an overview of the NFP sector in Australia. Secondly, discussion is offered of literature in relation to faith-based organisations, detailing stakeholders relevant to faith-based NFPs in particular, and reviewing theological perspectives relevant to this organisational type.

Chapter 4 The research design, including outlines of the interpretivist approach, rationale for qualitative methods and case studies in particular, as well as methods of data collection and analysis, is presented in this chapter.

Chapter 5 Presents the results from the analysis of Case Organisation A. This includes a description of the case organisation and its structure, and analysis of all of the key issues presented in each of the research sub-questions, including accountability reporting and use of other accountability mechanisms.

Chapter 6 Presents the results of analysis of Case Organisation B in a similar manner to Chapter 5.

Chapter 7 Similar to the prior two chapters, this chapter provides an analysis of Case Organisation C.

Chapter 8 Provides a cross case analysis of the results obtained from each case organisation considered in Chapters 5, 6 and 7. From this analysis, key research findings are presented, including managers’ perceptions of accountability, discharge of consequential and procedural accountabilities, and reporting mechanisms employed in discharging accountabilities to each stakeholder group.

Chapter 9 Draws together conclusions concerning the research, answering the primary research question, and including the presentation of a revised ‘NFP Model of Accountability’. Recommendations for policy and implications for future research are presented, and this chapter also draws attention to the contributions made to policy, practice and theory, whilst recognising the limitations of the research.
1.9 Chapter summary

This introductory chapter has provided details of the significance of the research undertaken, including a discussion of the lack of empirical research into faith-based NFPs, particularly in Australia. The chapter has outlined contextual information relating to the research, such as issues of accountability and the distinctiveness of faith-based social service NFPs. The main research question and supporting sub-research questions were introduced, the primary findings and contributions of the research noted, and the structure of the remaining chapters overviewed.

The next chapter is the first of two dedicated to the review of apposite literature. It provides a synopsis of the literature pertaining to accountability and reporting issues, especially in relation to NFPs. Based on this literature, an "NFP Model of Accountability" is developed, as well as a summary of NFP accountability reports produced by a ‘typical’ NFP.
2 ACCOUNTABILITY & REPORTING

This chapter commences with an outline of the disciplinary relationships underpinning the thesis and focuses on accountability and reporting for NFP organisations. In Chapter 3, the literature review concentrates on the more contextual elements of the research, including a description and analysis of the NFP sector in Australia, theological implications of accountability and reporting, and a more specific focus on social-service NFPs.

2.1 Disciplinary relationships

An overview of the disciplinary relationships relevant to this thesis is illustrated in Figure 2-1. The solid black arrows indicate that literature on the areas of accountability and reporting have a direct bearing on this research concerning perceptions of accountability and forms and methods of reporting. The accountability literature is core to the research and there is a wealth of information on this topic, especially in terms of the private sector and also increasingly in the NFP sector. In many regards accountability is a contested concept, and at a base level how accountability is conceived is an important issue from which other accountability implications flow. There are many dimensions of accountability proposed by a wide variety of scholars and the focus of managers on one or more of these dimensions will no doubt affect their perceptions of accountability. Flowing from conceptions of accountability and accountability dimensions there are several accountability models that have been proposed, which appear relevant to NFP organisations. Organisational reporting is obviously tied to the discipline of accounting and financial reporting, but for NFPs, where profit maximisation is not the main focus of operations, performance reporting becomes critically important.

The dashed arrows illustrated in Figure 2-1 indicate discipline areas having an influence or affecting other discipline areas, but which may not have a direct bearing on the research focus of accountability perceptions and forms and methods of reporting. As the research is restricted to faith-based organisations, the theology discipline provides an understanding of the reasons why faith-based organisations choose to operate in the social services, particularly from a stewardship perspective, and in a narrower sense, assists in making meaning of the dichotomy between what is considered sacred in the church and the more mundane or secular, often termed the sacred-secular divide.
Liberation theology, a recent development in theology covered more fully in Chapter 3, fits well as an underpinning philosophy for many faith-based social-service NFPs, whilst morals and morality are an important aspect of all faiths. All of these theological implications have an effect on conceptions of accountability. Similarly, organisational form theory, which explains the theoretical rationales as to why NFPs establish and continue to exist in a particular organisational form, has an influence on NFP reporting directly, but also on New Public Management (NPM), which in turn has a direct effect on reporting due to the focus on results under NPM. It needs also to be noted that the accountability discipline itself has a direct influence on forms and methods of reporting.

The balance of this chapter provides a review of the accountability literature, including specific implications for organisations in terms of for what and to whom they are accountable and how this impacts on reporting, whilst Chapter 3 investigates the specific context of the research setting within faith-based social service organisations.
This contextual information will include rationales for the existence of the NFP organisational form, as well as consideration of theological perspectives on accountability and reporting, and a more specific focus on social-service NFPs.

2.2 Accountability concepts

Accountability is a term used widely in many different contexts. It can be found often in organisational mission and vision statements as it is seen as having positive connotations due to its links with concepts of ethics and fairness (Parker & Gould, 1999, p. 116). Accountability, in everyday usage, is often used interchangeably with answerability, or responsibility (Day & Klein, 1987, p. 229), but in its operation and scope accountability is more “total and insistent” (Parker & Gould, 1999, p. 117) than either answerability or responsibility. In a general sense, accountability means being answerable to other people in respect of one’s actions, and hence there is an obligation to explain and justify conduct (Bovens, 2005, p. 6). Written codes dealing with the accountability of those who entrust resources to others date back to at least 2000 BC (Gray & Jenkins, 1993, p. 53) and accountability concepts are derived from a number of sources including faith-based and biblical statements (Barlev, 2006; Crofts & Bisman, 2010, p. 181).

Despite the attention of many commentators, there appears to be little or no agreement on a definition of accountability and it remains an elusive concept meaning different things to different people (Sinclair, 1995). Crofts and Bisman (2010, p. 197) interrogated the conceptions of accountability espoused in articles appearing in top accounting journals early in this millennium through the use of Leximancer, a computer aided qualitative data analysis software package, and concluded that the term ‘accountability’ appears not to have developed a more precise meaning over time, but has retained its elusive, chameleon-like quality. Ebrahim (2003a) has noted the irony in the term “accountability” itself evading clear definition, and Kramer (1981, p. 290) has asserted its popularity in the social services is exceeded only by the lack of agreement about its meaning. Accountability is a regularly used and popular term in the NFP area, and Cutt and Murray (2000, p. 1) highlight the problem with such generic use:

Accountability is a fashionable word as we enter the new millennium, and is often used as an over-arching concept covering the institution, techniques and language of performance measurement, reporting and evaluation in public and
private non-profit organizations. The difficulty with such generic use is that a concept that is taken to mean everything effectively means nothing.

Little appears to have changed since Sinclair (1995) noted that “Accountability appears to reside in a ‘bottomless swamp’, where the more definitive we attempt to render the concept, the more murky it becomes.”

In the accounting and accountability literature there have been a number of different perspectives from which accountability can be viewed (Ebrahim, 2003b).

2.3 Perspectives of accountability

2.3.1 Legal perspective

Accountability has traditional roots in legislation, and laws underpin the base requirements of accountability for all organisations. Most typologies of accountability either include legal accountability as a type, or make reference to laws and legislation when describing the typologies (Cameron, 2004; Koppell, 2005; Mulgan, 2001; Page, 2006; Romzek & Dubnick, 1987, p. 22; Schwartz, 2001; Stewart, 1984). In particular for NFPs, common law places legal obligations on directors of boards of NFPs to act with fiduciary responsibility towards the organisation and to meet prescribed standards of care, loyalty and obedience that attach to the director’s role (Chisholm, 1995, p. 144).

Legal accountability is generally focused on punitive measures for failure to meet legal obligations, but also deterrence, as even a threat to take legal action can bring about a change in behaviour (Ebrahim, 2003b, p. 195). While a legal perspective is a useful starting point to consider accountability as it forms the base of many other perspectives, a broader conceptualisation of accountability through other perspectives is warranted.

2.3.2 Economic perspective

There is much written about the reasons for the formation of NFPs from an economic perspective. Many of these relate to government and market failure, which will be discussed more fully in Chapter 3. An economic perspective can also provide new insights into what constituents and interests NFPs are accountable to, and secondly how these interests attempt to hold NFPs and their managers to account. As these constituents often have competing and conflicting interests (Carlson, Kelley, & Smith, 2010; Hammack, 1995), NFPs need to find a balance between them all. Economics can
provide answers to this dilemma, principally through three theories - public choice, social choice, and principal-agent theory (Ebrahim, 2003b, p. 196).

Public choice theory can be defined as “the economic study of nonmarket decision-making” (Mueller, 2003, p. 1) and has been applied to examine how and why interests groups form, the processes through which they communicate and enforce their desires, and how they deal with free-riders (Ebrahim, 2003b, p. 196). Social choice theory is closely related and analyses how collective decisions are made from an economic viewpoint. “The theory of social choice starts out from the articulated opinion or values of the members of a given community or citizens and attempts to derive a collective verdict or statement” (Gaertner, 2006, p. 1). This ideal is often expressed in the maximisation of social welfare of a society, which can be defined as the aggregate of the individual welfare levels of all members in this society. However, the economic theory which has had far more written about it in the accountability literature and undoubtedly has made the greatest contribution to the concept of accountability, is principal-agent theory.

2.3.3 Principal-agent perspective

A major contribution to the development of the meaning of the term accountability has been via principal-agent theory. This theory is based on the observation that many activities are too costly or too complex to be provided by one principal, so an agent is hired with the requisite knowledge and skills to carry out the task (McDonald, 1997). In particular, there is an accountability relationship between the principal or accountee, the one who holds to account and “has the right to require an account” (Leat, 1988, p. 20), and the accountor, the one who is held to account and owes an explanation, which is provided through the giving of an account (Day & Klein, 1987; Parker & Gould, 1999; Stewart, 1984). In order for the accountee to be able to hold the accountor to account, two elements are required; firstly, the need for information or an element of account, and secondly, a judgement involving evaluation and consequence (Stewart, 1984, p. 15). Consequence can include the allocation of praise or blame, and more importantly the bestowing of rewards or sanctions (Gray & Jenkins, 1993; Mulgan, 2001). In this sense, accountability is more than just accounting for the resources and items to which a third party has been entrusted, due to the judgement element requiring evaluation and performance.
An important element of principal-agent theory is that of hierarchy in the sense of a superior-subordinate relationship (Roberts, 1991). The principal has the right to demand an account, and the agent has an obligation to give an account, or in the words of Mulgan (2001, p.90), has “the obligation to answer to a superior for one’s actions and to accept appropriate remedies including sanctions.” In essence, there is an explicit, or more usually an implicit contract in place between the principal and agent, hence the term _contractual accountability_ is often used to describe the principal-agent relationship.

Principal-agent theory was developed for private sector for-profit organisations and one of the key difficulties that NFPs have in giving an account to principals is the multiplicity of principals to which NFPs report on a range of ambiguous measures. Whilst a for-profit organisation is accountable primarily to shareholders, NFPs are accountable to a range of internal and external principals including their boards, government and corporate funders, regulators, individual donors, clients, and the community.Whilst for-profit organisations are accountable primarily on measures of profit and wealth maximisation, social service organisations are called to account for quality, financial sustainability, well-being and social impact which are notoriously difficult to measure. These principals will often have conflicting interests, so NFPs are faced with not only multiple accountabilities, but also competing accountabilities from different principals (Ebrahim, 2003b).

There has been some dissatisfaction with the principal-agent perspective of accountability, in that the principals retain the power in calling for an account and applying sanctions, which neglects broader social and environmental concerns.

2.3.4 _Social and environmental perspective_

There is now much greater concern within society about the effect that organisational activities are having on the environmental health of the planet, as well as the broader social health of the community. Organisations are increasingly being called on to account for their impact on the environment and on society. A number of accountability reporting frameworks such as the Sustainability Reporting Framework (Global Reporting Initiative, 2010), Social Accounting and Audit (Social Audit Network Limited, 2010b), Social Return on Investment (The SROI Network, 2010), and The
Balanced Scorecard (Kaplan & Norton, 1996) have been established to try and measure such impact.

The traditional principal-agent views of accountability outlined in Section 2.3.3, which emphasise the contractual relationship between accountee and accountor, do not work well in an NFP setting. Kearns (1994, 1996) advocated the use of a strategic and tactical approach to organisational accountability as a result of three problems that occur when translating traditional views of accountability to the NFP sector. Firstly, there is difficulty in developing an operational view of accountability without limiting it to narrow and technical issues of compliance. Secondly, the shifting, ambiguous and conflicting standards of behaviour or performance held by diverse constituencies, and finally the interplay between professional judgement and management and governance in forecasting, interpreting and possibly shaping societal standards of performance (Kearns, 1994, p. 187). Kearns identified an accountability environment in which NFPs must work, and argued that accountability must include the fulfilment of societal and community expectations as well as the defined mission of the organisation. Kearns’ (1994) notion of anticipatory/positioning accountability in particular, suggests NFPs should play a proactive role in shaping and defining external standards of accountability where possible, such as responsiveness to the needs of community and clients.

Societal standards of performance cannot be met simply by quantitative instruments common under a hierarchical-control relationship. Roberts (1991) distinguishes between the traditional hierarchical forms of accountability, which he argues are preoccupied with the individual as essentially solitary and singular and rely on accounting as a reckoning function, while in contrast, socialising forms of accountability focus on the interactions between people both internal and external to an organisation who share a common context and rely on less formal systems of accountability. Roberts (1991, p. 367), in advocating the use of socialising forms of accountability, stated:

> In practice accountability is a form of social relation which reflects upon the practical interdependence of action: an interdependence that always has both a moral and strategic dimension.

Accountability, therefore, has very significant social dimensions and it can be argued that accountability represents the attitudes of others towards us, and to a large extent how they address and confirm us (Roberts, 1991, p. 358). It is important that if NFPs undertake efforts to enhance or improve accountability, that the social and communal
dimensions of accountability are not ignored. A social and communal view of accountability needs to be adopted if organisations are seeking to enhance change beyond the surface level. The mission of an NFP needs to be influenced by the social needs in the community, including ensuring participatory input is received from clients of NFP services, as well as from the broader community. Accountability obligations of the NFP include ensuring an appropriate response to client, community and environmental need that the NFP has chosen to respond to in its mission. No NFP can hope to respond to all social and environmental needs of the community, instead NFPs are accountable in respect to the specific areas in which they strategically choose to operate, as defined in their mission statement.

2.4 Frameworks of accountability
Some authors (Behn, 1998, p. 54; Sinclair, 1995, p. 91; Stewart, 1984, p. 92) have tried to categorise the elements of accountability into various frameworks to reduce the vagueness associated with the accountability concept. In general, these frameworks are theoretic, prescriptive, or anecdotal, rather than empirically based, and are predominantly situated in a public sector context (Crofts & Bisman, 2010, p. 182).

2.4.1 Sinclair’s framework of accountability
Sinclair (1995) undertook interviews with Chief Executive Officers (CEOs) from a number of public sector organisations, revealing five types of accountabilities with which those CEOs could identify. Political accountability is the hierarchical concept of accountability espoused in the Westminster tradition of responsibility vesting in the public servant. There is a straight line relationship of accountability which links the public servant with the director general or CEO of the agency, who is in turn accountable to the minister, who is then accountable to the parliament and ultimately to the electors. Public accountability involves a more direct responsibility to the public and can entail a responsibility to the community in general or to the appropriate use of taxpayer funds. Managerial accountability is given priority by advocates of the NPM and is concerned with monitoring of inputs and outputs or outcomes. It is focused on results. Professional accountability invokes a sense of duty that one has as a member of a professional or expert group and can mean being a professional manager using appropriate managerial methods and techniques. Finally, personal accountability concerns fidelity to personal conscience in respect to basic values, such as human
dignity, and accepting responsibility for the lives of others. It is very much a morality based form of accountability.

2.4.2 Behn’s accountability for finance, fairness and performance

Behn (2001), in his book “Rethinking Democratic Accountability”, describes three notions of accountability - accountability for finances, fairness, and performance. Accountability for finances is a rather straightforward concept dealing with how the accounting records are kept, and how finances are acquitted by the organisation. There are well-defined rules, procedures and standards, plus appropriate sanctions for deviations from these rules. The rules are stipulated in the form of quantitative measures so that accounting for finances is a rational, objective and detached calculation. Accountability for fairness relates to organisations maintaining societal norms and democratic values, particularly fairness. With regard to a social-service NFP, this is especially important to ensure all clients within the remit of the NFP are fairly treated and none are discriminated against in any way due to financial situation, gender, race or religion. However, this is not to say the services of an NFP cannot be targeted at a particular demographic (such as youth or the aged), or a particular faith (such as the Jewish Welfare Society). Behn (2001) suggests that accountability for fairness is accomplished largely through legal and bureaucratic mechanisms, usually organised and implemented as human resource practices of the organisation.

In contrast to accountability for finances and accountability for fairness, Behn (2001) takes a normative approach to accountability for performance arguing that it should fall outside a hierarchal superior-subordinate relationship between accountor and accountee. Instead, the notion of accountability for performance should be broadened to encompass a democratic process concerning the entire citizenry, where there is a mutual, collective responsibility where all stakeholders are involved in ongoing communicative dialogue that is dynamic, not rigid. Within Behn’s approach, an NFP would not simply be accountable to a funder in a hierarchal relationship measured by quantitative instruments. Under a democratic process there would be a system of 360 degree accountability to internal stakeholders such as employees, volunteers and the board, as well as to external stakeholders such as suppliers and clients who are the beneficiaries of the services provided (Morrison & Salipante, 2007, p. 198).
2.4.3 *Stewart’s ladder of accountability*

One conception of accountability that was popularised by Stewart (1984) and has been used subsequently by a number of authors (such as Cunningham & Harris, 2001; Day & Klein, 1987; Funnell & Cooper, 1998; Kloot & Martin, 2001; Parker & Gould, 1999), is that of the image of a ladder on which the rungs progress from accountability by standards to accountability by judgement. When moving from lower rungs to higher rungs there is progression from accountability based on formal standards through a continuum to the higher rungs where accountability is based on judgement. On the bottom rung of the ladder is accountability for *probity* and *legality*, in ensuring funds have been used in the appropriate manner. On the next level is *process* or *procedural* accountability, aimed at ensuring that due process and appropriate procedures have been followed. On the middle rungs are *performance* and *program accountability*. These forms of accountability involve providing an account of each specific program in terms of goals, and are forms of accountability emphasised heavily in the NPM literature (Barberis, 1998; Mathiasen, 1999; Ospina, Grau, & Zaltsman, 2004; Pallot, 2003). Accountability for performance under this framework is based on a hierarchal superior-subordinate relationship between accountor and accountee, as opposed to the democratic notion of accountability as espoused in Behn's (2001) framework. The highest rung on the ladder is *policy accountability*, which operates at a more abstract level than either performance or program accountability, and concerns accountability for the achievement of outcomes in relation to broad policy goals. Although Stewart’s ladder of accountability is primarily a public sector construct, the upwards instrumental accountability that must be provided by NFP organisations to their government funders ensures NFPs must concern themselves with public sector notions of accountability, including policy accountability.

2.4.4 *Cutt and Murray’s procedural versus consequential accountability*

Whilst the frameworks of accountability mentioned above significantly add to our understanding of accountability in the NFP sector, the procedural versus consequential accountability framework developed by Cutt and Murray (2000, pp. 11-20), and now updated in a new edition of their work (2012), provides a greater degree of explanatory power as to the form and content of reports produced by NFPs for their stakeholders. The two key types of accountabilities specified by Cutt and Murray operate at different
levels. Procedural accountability operates at a basic level and is defined as “dealing with conformity to or compliance with processes and procedures, without explicit reference to ... organizational objectives and operations”, whilst conversely, consequential accountability operates at a higher level and is related explicitly to the achievement of organisational objectives which are usually defined in the Mission Statement for an NFP organisation (p. 11).

Cutt and Murray (2000, pp. 11-12) describe two basic types of procedural accountability. For all organisations, whether they are for-profit, public sector, or NFPs, they are built upon a foundational structure of basic financial information which is the primary element of procedural accountability. The production of this accountability information is grounded in financial accounting and the verification of this information is determined by financial auditing. A second element of procedural accountability is ensuring legal compliance with a broad range of authorities including statutes, regulations, by-laws, tribunals etc. Legal accountability is underpinned by administrative law, and verification can be sought through the use of an external compliance audit.

In contrast to procedural accountability which concentrates on how things are done, Cutt and Murray (2000, pp. 12-20) use the term consequential accountability to describe how well an organisation has performed, that is, what the organisation has achieved. As shareholders are the primary stakeholders in private sector for-profit organisations, consequential accountability can be measured in terms of items addressing shareholder value, such as accounting profit and return on investment. With NFPs, however, the addressing of consequential accountability is not that simple due to multiple principals often having conflicting goals or activities they would prefer to be achieved by an NFP. For NFPs then, consequential accountability consists broadly of two components, effectiveness and efficiency.

Effectiveness refers to the achievement of objectives and in the case of a social service NFP it must relate to the objectives as laid out in the mission of the organisation. Effectiveness will, in general, concern the achievement of outcomes, rather than outputs. Whilst there are no significant issues with effectiveness as a theoretical construct, there are severe practical limitations in its use due to measurement problems. Both the achievement of outcomes, and the contribution of a social-service NFP towards achievement of those outcomes, are notoriously difficult to measure. Efficiency
refers to the use of human, financial and other resources such that outcomes or outputs are maximised for any given set of resource inputs. The combination of effectiveness and efficiency is concerned with the notion of “value for money”, which Cutt and Murray (2000, p. 15) describe as a surrogate for profit for organisations such as NFPs that do not sell their products.

2.4.5 Instrumental and expressive accountability

Knutsen and Bower (2010) highlight the differences between the resource-seeking practical dimension of instrumental accountability, as compared with the value-oriented resource-consuming dimension of expressive accountability. The principal characteristics of instrumental and expressive accountability are summarised in Table 2-1.

<table>
<thead>
<tr>
<th>Characteristics of control mechanisms</th>
<th>Instrumental Accountability</th>
<th>Expressive accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>External, mandatory, and coercive toward the organization:</td>
<td>Internal and voluntary for the organization:</td>
</tr>
<tr>
<td></td>
<td>• Reporting, supervising, monitoring</td>
<td>• Values and beliefs</td>
</tr>
<tr>
<td></td>
<td>• Indicators, outcome measures</td>
<td>• Shared mission (e.g. with members)</td>
</tr>
<tr>
<td></td>
<td>• Punitive: funding withdrawal</td>
<td>• Shared ownership (e.g. with the community)</td>
</tr>
<tr>
<td>Beneficiary</td>
<td>• External resource providers</td>
<td>• Community</td>
</tr>
<tr>
<td></td>
<td>• Values and beliefs</td>
<td>• Members</td>
</tr>
<tr>
<td></td>
<td>• Shared mission (e.g. with members)</td>
<td>• Clients</td>
</tr>
<tr>
<td>Characteristics of activities</td>
<td>• Outcome-oriented</td>
<td>• Process-oriented</td>
</tr>
<tr>
<td></td>
<td>• Measurable</td>
<td>• Difficult to measure</td>
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<tr>
<td>Accountability relationship</td>
<td>• Transactional</td>
<td>• Transformational, unilateral, voluntary</td>
</tr>
<tr>
<td></td>
<td>• Rational</td>
<td>• Non-hierarchical</td>
</tr>
<tr>
<td></td>
<td>• Principal–agent relationships</td>
<td>• Downward</td>
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<td></td>
<td>• Upward</td>
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Table 2-1 Characteristics of expressive and instrumental accountability
Adapted from (Knutsen & Brower, 2010, p. 14).

NFPs that derive the majority of their funding from external resource providers such as government and corporate funders will find instrumental accountability imposed upon them by these funders as a result of the power imbalance in the principal-agent relationship. Governments, in particular, concern themselves with instrumental
accountability and often attach burdensome reporting requirements and outcome measures as a condition of NFPs accepting government funds (Knutsen & Brower, 2010, p. 8). The accountability relationship is thus governed by principal-agent contractual matters, is upward, and focused on rational and transactional matters.

In contrast, expressive accountability is driven by a social perspective of accountability rather than an economic one and is usually at the fore when considering accountability by a social-service NFP to certain stakeholders including the community, members of the NFP and clients of the NFP. Expressive accountability is non-hierarchical and downward, and because of the normative and value-based nature of expressive accountability, it cannot be enforced by stakeholders. Control mechanisms are softer and less direct than instrumental accountability and include values and beliefs, such as religious faith, shared ownership of the community and organisation, and the mission of the organisation itself. Values and beliefs are paramount in faith-based organisations and this aspect, including how values and beliefs drive the mission of a faith-based NFP, is covered more fully in Chapter 3 of this thesis. Managers of social-service NFPs see themselves as part of the community, in a sense belonging to the community, and can be motivated by the challenge of ‘giving back’ to the community (Knutsen & Brower, 2010, pp. 10-12). Under expressive accountability, responsiveness to client needs is paramount, not just the sense of meeting clients' immediate needs such as shelter, but also in a holistic transformational sense. Expressive accountabilities are fulfilled over a long and enduring process and are extremely difficult to measure (Knutsen & Brower, 2010, p. 14).

Ideally, NFP organisations should have a balance between multiple accountabilities, especially between expressive and instrumental accountabilities. In practice, however, expressive accountabilities are often traded-off because they possess no strong, direct enforcement mechanisms (Knutsen & Brower, 2010, p. 14).

2.4.6 Other accountability types

It is important to note that the frameworks discussed above by no means represent an exhaustive list of different types of accountability. Nevertheless, the frameworks do provide an excellent basis for exploring perceptions of accountability by managers. Other types of accountability that are relevant to social-service NFPs may include moral accountability, which is linked to concepts of ethics and fairness (Parker & Gould,
1999, p. 116), and where answerability is to unwritten, unalterable laws (Day & Klein, 1987, p. 24), and *accountability for the use of power* (Behn, 2001, p. 9) where there are unequal power relationships, for example between the social-service NFP and a client.

Perspectives on accountability and frameworks of accountability are often reliant on, and determined by, the stakeholder group to whom the NFP is accountable. It is only by determining and understanding the NFP stakeholder groups that an NFP can fully appreciate the accountability obligations owed to those stakeholders, which in turn will determine the form and method of reporting used to satisfy these varied obligations.

### 2.5 Accountability stakeholders

NFPs are broadly accountable to a range of stakeholders and, therefore, have to balance an array of competing interests, as outlined in Section 2.3.2. Nevertheless, some stakeholders have greater power to enforce accountability because of their ability to impose sanctions. A summary of the major NFP stakeholder groups, accountability obligations imposed by them, and their ability to impose sanctions, are detailed below.

#### 2.5.1 Government

Government is the main provider of funds to the NFP sector in Australia (Productivity Commission, 2010) (refer to Section 3.4 for further details on government funding) and government also regulates much of the NFP sector, particularly NFP organisations that operate in the social services area. Hence, government wields the greater power in the relationship between an NFP organisation and government (Young, 2000). Sanctions that can be imposed by government that will often prove fatal to an NFP organisation include, firstly, withdrawal of funding, and secondly, revocation of the ability of the NFP to operate through regulatory mechanisms such as through the withdrawal of accreditation.

While the concept of accountability can be broad, government funders and regulators in the NFP area have traditionally defined accountability in narrow terms so that they are limited to processing concerns of legal obligations, finances, internal controls and regulatory compliance (Morrison & Salipante, 2007, p. 197), which relate to accountability for finances under Behn’s framework, or procedural accountability under Cutt and Murray’s framework (2000, pp. 11, 12). Under this conception of accountability, government funders and regulators endorse the principal-agent theory of accountability, prioritising instrumental accountability over expressive accountability,
and enforcing their superior role over the NFPs who are the agents or subordinates in a hierarchical control relationship and consequently are subject to upwards accountability mechanisms.

One change led by government that has had dramatic effect on NFP organisations over recent decades has been the embracement of NPM. NPM views the public sector and private sector as being similar in many ways, and in particular sees the public sector as being able to benefit from the managerial processes successfully adopted in the private sector (Barberis, 1998; Crofts, 2006; Pollitt, 1993; Pusey, 1991). This has led to adoption of the market based approach of the private sector to the provision of government services, including the outsourcing of a range of public services to the NFP sector.

As government has outsourced a range of services it has traditionally provided, including social services, to the private NFP sector under the auspices of NPM, it has also demanded an additional type of accountability. A key driver of the changes under NPM is managing for results and performance (Barberis, 1998; Gray & Jenkins, 1993; Hood, 1995), and so there has been an increase in emphasis on Cutt and Murray’s consequential accountability as NPM has been embraced by governments across the globe, including Australia. However, despite the fact that government is now placing greater emphasis on consequential accountability, many research studies indicate that government is still adopting a hierarchical control view based on contractual accountability (Flack & Ryan, 2005; Guthrie, Humphrey, Jones, & Olson, 2005; Mathiasen, 1999, p. 92), often with excessive monitoring (Cordery, 2009). This enforces the government’s superior-subordinate view of the accountability relationship with NFPs and accordingly demanding procedural accountability information.

Critics are concerned with this narrow view of accountability and have called for a broadened view encompassing downward, expressive accountability and the communal aspects of accountability relationships, not just an upward instrumental accountability (Awio, Lawrence, & Northcott, 2007; Campbell, 2002; Cribb, 2006b; Flack & Ryan, 2005).

2.5.2 Corporations

Whilst funding from corporations and the private sector is low in Australia compared to the USA, it is a growing area of funds for NFP organisations (Australian Bureau of
Statistics, 2009a, p. 14). Corporations are increasingly concerned about their image in terms of corporate and social responsibility (CSR), and partnering with, and providing funds to, an NFP organisation is one way in which they can improve their standing in the community in terms of CSR (Moon, 2005, pp. 56-57; Wilburn, 2009; Wiltshire, 2008). In general, corporations are usually able to demand accountability reports from NFP organisations under a principal-agent relationship due to the size of funds donated (Flack & Ryan, 2005; Ospina, Diaz, & O'Sullivan, 2002). At a minimum, this will encompass procedural accountability to ensure funds are spent appropriately and due legal processes are followed. Increasingly, reports on consequential accountability are also demanded (Brown & Troutt, 2007) to feed into the private sector corporation’s reporting on CSR to the broader community. Corporate Australia is generally concerned with quantitative information structured in a business-like format that feeds into their CSR reporting. So while corporations are concerned with social and community accountability, it may be in terms of how they project themselves in the community with respect to enhancing image and brand, rather than a direct response to client and community need. Thus, NFPs need to be on their guard to ensure they are not exploited and do not lose their ‘distinctiveness and raison-d’être’ when partnering with corporations (Wiltshire, 2008, p. 64).

2.5.3 Individual donors

Individual donors can be distinguished from government and corporate donors in that they have little power to impose sanctions or instrumental forms of accountability (including reporting demands). Usually, individual donors will only give to an NFP if they have a sense of shared commitment to the mission, or are part of the shared community which an NFP serves. Individual donors will have different wishes in receiving accountability reports from NFPs, but one indication of the type of information that individual donors require comes from Richard Stradwick, a regular donor to a number of charities, who was quoted in the final report of the Inquiry into the Disclosure regimes for charities and not-for-profit organisations (Senate Standing Committee on Economics, 2009 Submission 138 p.3) as stating that donors should have access to the following information:

1. What are the objectives of the organisation?
2. How does the organisation intend to achieve these objectives?
3. Who are the people responsible for the governance of the organisation?
4. Where do the organisation’s funds come from?
5. Where are the funds used?”

Similarly to individual donors, and unlike government and corporations, clients and community stakeholders do not have the power to enforce accountability, meaning that they are dependent on downwards expressive accountability, grounded in the beliefs and values of the social-service NFP and reliant on a sense of shared mission and shared ownership from the board and management of the NFP. Client and community stakeholders include clients, service delivery partners, and the community.

2.5.4 Clients

Clients are an important stakeholder for a social-service NFP because delivering services to clients and advocating on their behalf is usually the reason for the existence of social-service NFPs (Judd et al., 2012). Unfortunately, clients often do not figure prominently in books and articles relating to NFP accountability, with focus instead on corporate and government funders (Mulgan, 2000; Ospina et al., 2002). As social-service clients are often in a vulnerable situation, they usually have limited power in the accountability relationship and hence are subject to a downwards expressive accountability (Flack & Ryan, 2005). Sanctions clients can impose may be ‘voice’, but this can often by muted by bureaucracy or lack of understanding. The principal sanction adopted by clients is usually ‘exit’, if they are able to transfer to another service provider (Knutsen & Brower, 2010).

2.5.5 Service delivery partners

Social-service NFPs often need to partner with other organisations in order to better meet the needs of their clients. Accountability may be horizontal or lateral if there are equal power relationships, but can often be rendered through a downwards form of accountability if one of the partners has greater power than the other/s. Social-service NFPs, in general, are altruistic and use expressive accountability when partnering together to deliver services.

2.5.6 Community

Community can take on different meanings depending upon the level of examination, but the notion of community should be related to the areas in which the NFP wishes to focus its mission and deliver services to clients. Accountability to the community will
usually be an expressive one based on responsiveness to client and community need. True responsiveness must be grounded upon participatory input by the community (and clients) to ensure the NFP has an accurate understanding of client and community need.

Whilst accountability by NFPs is often focused on external stakeholders, NFPs also have accountability obligations to stakeholders internal to the organisation.

2.5.7 Internal stakeholders

There are a number of internal stakeholders operating within a social-service NFP, with four predominant stakeholders being the board, CEO, employed staff, and volunteers (Ospina et al., 2002, p. 9; Poffley, 2010, pp. 306-309; Candler & Dumont, 2010).

Employed staff, particularly managers within the NFP, are accountable to and are required to provide reports, which cover both procedural and consequential accountability, to the CEO, who in turn is accountable to and is required to provide reports to the board. This type of accountability is an instrumental one. However, it is to be expected, particularly in a faith-based social-service NFP, that the board, CEO and staff would have shared values and beliefs based on faith and morals. This observation led to Research Sub Question 8: “How do faith and morals influence perceptions of accountability and accountability reporting in faith-based social service NFPs?” These values, along with a strong sense of mission for the organisation, mean that expressive accountability will also be important. For internal stakeholders there will need to be a balance between expressive and instrumental accountability to ensure both have a part to play.

Volunteers are only likely to offer their time and efforts to an organisation if they share a common understanding of the values and beliefs of the organisation, as well as a sense of shared ownership (Ospina et al., 2002, p. 8), and so expressive accountability will be more important for this internal stakeholder.

Thus far, this chapter has provided a review of accountability concepts, perspectives on accountability, frameworks of accountability, and accountability stakeholders. The next section draws on all of these areas to unveil and provide explanation for a comprehensive model of accountability pertaining to NFPs.
2.6 NFP model of accountability

All of the aspects of accountability that have been reviewed in this chapter are combined in Figure 2-2 to provide an overview of how accountability operates for an NFP. An original model is presented, which does not draw heavily from any single source, but rather from the range of literature reviewed. The model concerns the means for addressing the first part of the principal research question: “How do managers of faith-based social-service NFPs perceive accountability...”.

This NFP model of accountability:

i) provides a summarised depiction of the variety of the literature on accountability relevant to NFPs,

ii) shows the interrelationships between the concepts and constructs in that literature,

iii) provides a framework within which to undertake data collection and analysis, and

iv) will be modified on the basis of the patterns that emerge from the data, allowing critique of the literature and current understandings in light of the research on actual practices in the empirical world.
Figure 2-2 NFP Model of Accountability
Figure 2-2 NFP Model of Accountability contains three columns - reporting, stakeholders, and sanctions. The middle column relates to stakeholders.

2.6.1 Stakeholders

For the sake of simplicity and to differentiate upwards and downwards accountability to different stakeholders, the stakeholders described in Section 2.5 have been banded together in groups. Firstly, the funders to, and regulators of, the NFP have been grouped together. These include government, as a funder and regulator, in addition to other funders such as corporate funders, philanthropic foundations and individual donors. The large upwards arrow on the far left of Figure 2-2 indicates that these stakeholders (with the exception of most individual donors) impose an upward instrumental accountability on the NFP (Flack & Ryan, 2005; McDonald, 1999). The second grouping is the NFP’s internal stakeholders. The model illustrates the upwards accountability of staff to the CEO, and then to the Board, whilst accountability to volunteers is non-hierarchic and expressive in nature. There is no hierarchical relationship and hence no arrows between volunteers and other internal stakeholders. These relationships vary between organizations so were deliberately left unconstrained. The final grouping is ‘Clients and Community’. This communal group usually shares common values and beliefs and a shared sense of mission as stated by Gray, Bebbington and Collison (2006, p. 334):

“NGOs are actively accountable through shared values, understandings and knowledge to the staff who work for them, to the other NGOs with whom they interact, to the communities in which they are embedded ...”

Clients and community have little power to demand reports and so their only options in terms of sanctions are limited to refusing the service (exit), or complaining about it (voice) (Ebrahim, 2003b, p. 203). Reporting is characterised by downwards expressive accountability as illustrated by the large downwards arrow on the far left of the model. “Downward pulls require managers to be responsive to and accountable to partner organizations, clients, staff, volunteers, and organizational supporters” (Ospina et al., 2002, p. 9). Staff and volunteers are included as internal stakeholders and thus the ‘Clients and Community’ group is comprised of service delivery partners, the community, and clients. Clients have been included in this group as the NFP should be responding to client need. The only sanctions that can be applied by clients are also
voice and exit (Ebrahim, 2003b, p. 203), and in general they do not have the power to demand reports (Knutsen & Brower, 2010).

2.6.2 Sanctions

The third column of Figure 2-2 indicates the sanctions that are able to be imposed by the different stakeholders. Within the ‘Funders and Regulators’ stakeholder group, government, corporate funders, individual donors and philanthropic foundations are able to withdraw funds from the NFP, whilst government regulators are able to revoke the ability of the NFP to operate. Through these sanctions this group wields enormous power and is able to impose instrumental accountability on the NFP.

In contrast, the ‘Clients and Community’ stakeholder group have insufficient power to be able to demand reports or force accountability from the NFP. Instead, they are reliant on expressive accountability, including the shared values and beliefs and sense of ownership with the NFP (Ospina et al., 2002, p. 9).

The literature is largely silent on sanctions that could be applied by internal stakeholders so consequently none are identified in Figure 2-2.

2.6.3 Key accountabilities

The box in Figure 2-2 labelled ‘Key Accountabilities’ describes the accountabilities that are critical in determining the reports produced to fulfil accountability obligations owed to the various stakeholders. These have been derived from an amalgam of the frameworks described in Section 2.4 of this chapter. Cutt and Murray’s (2000) distinction between procedural accountability and consequential accountability is a useful starting point for explaining the form and content of reports produced for stakeholders of NFPs. Under procedural accountability, legal accountability and financial accountability form a base level of compliance with rules, regulations and probity. These accountability types incorporate the bottom rung of probity and legality in Stewart’s (1984) ladder of accountability, and Behn’s (2001) accountability for finances and accountability for fairness logically sit within Cutt and Murray’s (2000) concept of procedural accountability, based on a contractual relationship between principal and agent. In my model of NFP accountability (Figure 2-2) I have added a third element to the procedural accountability grouping, which I have entitled process accountability. Whilst not having any legal effect (except perhaps through contractual
obligation), many funding bodies seek to dictate what processes and procedures an NFP must adopt when undertaking their daily operations (Broadbent & Laughlin, 2003; Cribb, 2006b). This is equivalent to the second rung on Stewart’s (1984) ladder of accountability.

Whilst procedural accountability concentrates on how things are done, consequential accountability relates to how well an organisation has performed. As described in section 2.4.4 above, effectiveness refers to the achievement of objectives, whilst efficiency refers to the use of human, financial and other resources, such that outcomes or outputs are maximised for any given set of resource inputs. It should be noted that although my model of NFP accountability uses the same terminology as Cutt and Murray (2000), the term consequential accountability, as used in the model, is broader than that described by Cutt and Murray and incorporates nuances and aspects included in the other accountability frameworks described above. For example, consequential accountability would generally incorporate the notion of managerial accountability as described in section 2.4.1 on Sinclair’s framework of accountability. Managerial accountability is very instrumental in nature, has a significant emphasis on efficiency and cost comparisons, and is also focused on measurable results, with the result that those outputs or outcomes that cannot be measured will receive less priority (Sinclair, 1995). This is in contrast to the more general achievement of objectives as indicated by consequential accountability under Cutt and Murray’s (2000) framework. Similarly, Behn’s (2001) accountability for performance encompasses most of the aspects of Cutt and Murray’s (2000) concept of consequential accountability, such as the notions of efficiency, effectiveness and achievement of outcomes, however, the main difference results from Behn advocating a democratic 360 degree approach based on expressive accountability as opposed to the instrumental hierarchical control approach observed by Cutt and Murray. In my model, Cutt and Murray’s (2000) instrumental accountability is reflected in the upward accountability to stakeholders based on mandatory reporting, whilst Behn’s more expressive accountability approach results in voluntary reporting downwards, which would more likely highlight the shared mission and shared values and beliefs of these stakeholders.
2.6.4 Stakeholder expectations

Whilst government and corporate stakeholders are able to demand reports from social-service NFPs, the NFP and these two organisational stakeholder types often engage in a back and forth negotiated accountability process concerning reporting requirements and procedural accountability (Benjamin, 2008; Cutt & Murray, 2000). This is illustrated by the double-headed arrow shown on Figure 2-2 entitled ‘Negotiate explicit shared expectations’. Such explicit expectations are usually documented in writing and are often included as a formal contractual obligation between the organisations (Kearns, 1996). However, what are not captured in this process are the implicit expectations of the government or corporate stakeholder, either because they are not fully aware of their expectations, which may operate at a sub-conscious level, or because they cannot state these expectations for political reasons (Benjamin, 2008; Ebrahim, 2003b; Kearns, 1994).

In terms of reporting, the first column in Figure 2-2 illustrates how mandatory reports are demanded by corporate and government stakeholders and must be produced in respect of key accountabilities. A verification account operates to testify that the NFP has met the shared expectations of the corporate or government stakeholder and the NFP through the production and delivery of mandatory reports. When the NFP fails to give an adequate verification account or if the NFP fails to meet implicit expectations of a funder, then an explanatory account will be demanded (Benjamin, 2008, p. 207). This explanatory account will usually detail where the NFP organisation has deviated from expectations, often explained by ‘excuses’ or circumstances outside the control of the NFP (Scott & Lyman, 1968), and would also document what corrective actions, if any, have been undertaken to remedy any problem. However, there may be occasion where the NFP provides an explanatory account to “challenge and change the expectations that necessitated the account in the first place” (Benjamin, 2008, p. 212). Benjamin has provided an excellent summary of this verification and explanatory account process, and this is reproduced in Table 2-2 below.

The relationship between the communal stakeholder group and the NFP is somewhat different. Social-service NFPs need to respond to client and community need, specifically related to the mission area in which the NFP chooses to serve (Brown & Troutt, 2004). To do so effectively, participatory input is required from the communal stakeholders, so that clients and community members can specify what their needs are
in their own words. For reporting purposes, the NFP can then voluntarily report to these stakeholders. The reports will more likely relate to consequential accountability than to procedural accountability since communal stakeholders will want to know how effective and efficient the NFP has been in meeting their needs and accomplishing the NFP's mission. The reports will also reflect the altruistic nature of the mission, based on the shared values and beliefs of the NFP and its communal stakeholders.
Table 2-2 Account Space Framework
Source (Benjamin, 2008, p. 49)

<table>
<thead>
<tr>
<th>Accountability process</th>
<th>Funder requires a grantee to give account when...</th>
<th>Grantee gives an account to a funder when...</th>
<th>Funder accepts a grantee account when...</th>
<th>Funder rejects a grantee account when...</th>
<th>Consequence of funder accepting grantee account...</th>
<th>Consequence of funder rejecting grantee account...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verification process</td>
<td>Grantee makes a formal commitment</td>
<td>Verification account was met;</td>
<td>Verification account adequately demonstrates that grantee has met commitment</td>
<td>1. Verification account inadequately demonstrates that grantees have not met commitment; 2. This failure is visible and significant to funder</td>
<td>Status quo</td>
<td>Grantee needs to explain practice</td>
</tr>
<tr>
<td>Explanatory process</td>
<td>1. Grantee fails to meet expectations: (a) the account verification is inadequate or (b) the grantee fails to meet implicit expectations; 2. This failure is visible and significant to the funder</td>
<td>1. Re-establish equilibrium, in light of funder’s existing expectations; 2. Challenge and change funder’s expectations</td>
<td>1. Account bridges unacceptable practice with funder’s existing expectations; 2. Account bridges to larger values pointing to the contradiction between funder’s expectations and larger shared values</td>
<td>1. When account fails to adequately bridge practice and existing expectations; 2. The funder will not experience significant negative consequences of rejecting the account</td>
<td>1. Equilibrium restored or 2. Funder’s expectations changed and equilibrium re-established</td>
<td>Conflict remains unresolved and grantee has to: (a) give another explanatory account, (b) change to meet expectations, (c) exit relationship</td>
</tr>
</tbody>
</table>

2.6.5 Reporting

To this point, the current chapter has presented a review of various aspects of accountability, and a specific model of accountability for NFPs has been developed as illustrated in Figure 2-2. The left-hand column of the model provides a basic guide as to how reporting acts as an important accountability mechanism for NFPs. The remainder of this chapter focuses on reporting for NFPs in more detail, providing a rationale from existing literature as to how and why reporting is used, as well as details concerning the form and content of accountability reports to NFP stakeholders. This review culminates in the development and presentation of a diagrammatic model of accountability reports that are normally prepared by NFPs for their stakeholders and which will form a basis for answering the second part of the primary research question “...why are particular
forms and methods of reporting used in satisfying the organisation’s accountability obligations to stakeholders?"

The first reporting area examined is that of reporting to satisfy the procedural accountability obligations to stakeholders, including reports that address financial, legal and process matters.

2.7 Reporting for procedural accountabilities

Reporting for procedural accountabilities is undertaken for the three key accountability areas listed in Figure 2-2, financial, legal and process, logically resulting in financial reporting, legal reporting and reporting on appropriate process and procedures.

2.7.1 Financial Reporting

Although several countries have seen fit to issue accounting standards in respect to NFP financial reporting, Australia has chosen to develop a transaction-neutral approach to accounting standards, and to treat similar transactions the same no matter whether they are incurred by a for-profit, public sector, or NFP organisation (Ryan, Guthrie, & Day, 2007; Simpkins, 2006; Newberry, 2003; van Staden & Heslop, 2009). Historically, this has not been the case in other countries where specific accounting standards have been developed for application to the NFP sector. For example, the Canadian Institute of Chartered Accountants issued Section 4400 Financial Statement Presentation by Not-For-Profit organizations in 1996, the Financial Accounting Standards Board in the US issued SFAS No.117 Financial Statements of Not-For-Profit Organizations in 1993, whilst in the UK The Statement of Recommended Practice: Accounting and Reporting by Charities (Charity SORP) was issued in 2005 by the Charity Commission and the Office of the Scottish Charity Regulator.

With the introduction of International Financial Reporting Standards (IFRS), NFPs that are publicly accountable are required to prepare general purpose financial reports in conformity with IFRS. At the same time, the International Public Sector Accounting Standards Board (IPSASB) is reviewing its conceptual framework, which is likely to have implications for the private NFP sector as well as for the public sector.

In addition to mandatory accounting standards, various bodies have written guides to assist NFPs with their financial reporting and to highlight best practice for the NFP sector. CPA Australia commissioned a study into financial reporting by NFP
organisations in 2000, which resulted in the release of a policy paper (Flynne, Leo, & Addison, 2000). In identifying the financial reports that should be prepared by an NFP organisation, Chapter 4 of the policy paper draws heavily on the US standard SFAS No.117 to identify four reports: The Statement of Financial Position; The Statement of Activities; The Cash flow Statement; and the Statement of Service Performance. It is noteworthy that the adoption of a Statement of Service Performance is unique to the NFP sector and not required for private sector organisations. However, an indicator of the changing notions of financial reporting for NFPs is that in a later financial management guide for NFP organisations, CPA Australia (2009) indicated that the important financial reports comprised: Balance Sheet; Income and Expenditure Statement; and Statement of Cash Flows, omitting the Statement of Service Performance. In contrast, the Australian Accounting Standards Board (2009) is currently undertaking a “Service Performance Reporting” project in respect of NFPs in an attempt to determine the nature and content of information that should be included in these reports, and whether these reports should be mandatory or voluntary. The intention is to provide an accounting standard on what NFPs should include in a “Service Performance Report”.

The Institute of Chartered Accountants in Australia (ICAA) undertook a review of NFP financial and annual reporting in May 2003, which was updated by a further study in 2006 (Leslie, 2006). The information gleaned from these studies was then utilised to produce a best practice document entitled “Enhancing not-for-profit annual and financial reporting” (Leslie, 2007), which was subsequently revised and updated in 2009 (Leslie), 2011 (Institute of Chartered Accountants in Australia) and 2013 (Institute of Chartered Accountants in Australia). The ICAA documents distinguish between financial reporting and annual reporting, arguing that the annual report normally only contains a summary or graphical representation of the financial reporting information. The ICAA recommends the financial report contains the four main reports as required by IFRS: Income Statement; Balance Sheet; Statement of recognised income and expense; and Cash flow statement. The information recommended for the annual report largely concerns outcomes and output reporting which relates to consequential accountability and is therefore covered in more detail in Section 2.8.

Another major difference between the UK, New Zealand and Australia in terms of financial reporting for NFPs is that in both New Zealand and the UK a Charities
Commission has been established and funded by the government (Charities Commission NZ, 2010; Cordery & Baskerville, 2007; The Charity Commission for England and Wales, 2010) to raise awareness of NFPs and to assist them in numerous ways, including reporting. Within Australia, financial reporting has been driven by private-sector organisations (Simpkins, 2006), with NFPs generally having to comply with reporting regulation principally suited to the private sector. However, the Gillard government has recently established the new Australian Charities and Not-for-profits Commission (ACNC), (Pro Bono Australia, 2010) which has promulgated draft financial reporting obligations for charities that come under its remit.

2.7.2 Legal

In terms of reporting for legal obligations, there are a number of legislative and contractual reporting requirements according to which NFPs must disclose whether or not they have been in compliance with legal responsibilities (Behn, 2001; Romzek & Dubnick, 1987). These will include reporting to government funders on whether the NFP has used funds in accordance with the funding agreement, Occupational Health and Safety (OH&S) legislation, requirements under charities law and fundraising legislation, as well as broader legal requirements that also pertain to for-profit organisations, such as not trading while insolvent.

2.7.3 Process Reporting

The third area of reporting for procedural accountabilities is process reporting. This covers the areas in which NFPs are required to report in respect to their conformity with appropriate processes and procedures. For example, ensuring that the neediest clients receive priority in the delivery of social services as required by regulatory bodies and funding agencies.

These processes and procedures will include verifying that appropriate internal control mechanisms are in place, often substantiated through the use of internal audit and internal evaluation of systems and processes. The internal evaluation report and internal audit opinion provide an independent view apart from the CEO and staff opinion, offering a level of reassurance to the Board (Cutt & Murray, 2000, p. 90).

In addition to procedural accountabilities, NFPs are required to report on the other major key accountability area, that of consequential accountabilities.
2.8 Reporting for consequential accountabilities (Performance reporting)
As illustrated in Figure 2-2, the two key areas for reporting of consequential accountability are effectiveness and efficiency. Often performance reporting is used to describe reporting for consequential accountability, as it covers both effectiveness and efficiency (Hyndman & Anderson, 1995, p. 2; Kluvers, 2003, p. 58). Performance reporting relates to the reporting of the achievement of outputs and outcomes, and how efficiently these have been achieved. The performance reporting literature about the for-profit sector relates to the achievement of profit, rather than outputs and outcomes, and so is not directly applicable to the NFP sector. There is a substantial body of literature on performance reporting in the public sector (Christensen & Yoshimi, 2001; Kloot, 1999, p. 566; Modell, 2005; Ospina et al., 2004; Schatteman, 2008) which is of more relevance to the NFP sector. As of yet there have been limited empirical studies of performance reporting in the NFP sector (Cutt & Murray, 2000; Micheli & Kennerley, 2005), particularly in Australia (Tilbury, 2006; Flack 2007). One of the conundrums for NFP organisations is that they are expected to report performance measures to their government funders so that the government funding agency can report against its own policy objectives, but such measures may not be helpful for the NFP organisation in measuring the effectiveness and efficiency of its service delivery in meeting its own mission and objectives and in assisting clients (Meagher & Healy, 2003), particularly if the performance measurement is undertaken as a “ritual of verification” (Tilbury, 2006, p. 59).

Reporting of performance, especially ‘results’, has been of increasing importance to government funding agencies as they are called upon to adopt private sector practices as a result of NPM (Hood, 1995; Kluvers, 2003). The reporting of such information has been variously called performance measurement, results management, and service efforts and accomplishment (Cunningham & Harris, 2001, Flack, 2007, p.96). Performance reporting is used for more than just providing accountability information. Harry (1999) suggests that public managers use such information to perform ten different tasks: respond to demands for accountability; make budget requests; do internal budgeting; trigger in-depth examinations of performance problems and possible corrections; motivate; contract; evaluate; support strategic planning; communicate better with the public to build public trust; and improve. To be able to use a performance measure, a manager needs a specific comparative gauge, plus an understanding of the
relevant context (Behn, 2003, p. 598). Abstract measures of performance are worthless, but so are quantitative measures without contextual understanding. Quantitative and qualitative information need to go hand in hand to provide a complete understanding of the performance achieved (Kaplan & Norton, 1996).

In terms of reporting for consequential accountabilities, measures of efficiency can be relatively straightforward, but the measurement of effectiveness is much more complex, particularly in the NFP sector where organisational objectives are far more complex than maximising profit, and there is a vast array of different stakeholders all seeking different outcomes from the service delivery process. Effectiveness measures the extent to which an NFP’s mission and objectives have been achieved through the delivery of services to clients and the community, and can be framed in terms of outputs or outcomes. Outputs are the actual goods or services delivered directly to clients or the community, which in turn are intended to generate the desired outcomes. Outcomes are the impacts that the service delivery has on the clients and community, and the timing of the outcome may range from an immediate impact to a long term result. However, it is difficult to assess long term impacts as the outcomes may be attributable to multiple activities or causes (Lee & Fisher, 2007, p. 46). Indeed, Slim (2002, p. 3) states that accounting for the results of the work of NFPs:

- Can be uncertain, is usually contested and can border on pure speculation at times as NGOs try to track causes and effect between their actions and the personal, social, economic, environmental and political change around their projects.

Difficulties continue to arise in determining exactly what output/outcome to measure, and what metric can be effectively applied to measure performance. ‘What gets measured gets managed’, is a renowned aphorism of performance measurement. Unfortunately, there is no one performance measure which will suffice for all purposes in a NFP organisation. “The search for the one best measurement is just as futile as the search for the one best way” (Behn, 2003, p. 600). A variety of performance measures is more meaningful, and more likely to create desirable behaviour. However, the use of multiple performance measures is not necessarily a simple solution to the problem of knowing what to measure. Using a large number of measures may result in ‘information overload’, which can detract from management performance by exceeding a manager’s
(or other stakeholder’s) information processing and cognitive capabilities when making judgements (Ittner & Larcker, 1998, p. 226).

Within the private, public and NFP sectors, there has been increasing use of non-financial performance measures. Many organisations are implementing systems such as the balanced scorecard (Kaplan & Norton, 1996), which supplement traditional financial measures with other perspectives such as customers, internal business processes, and learning and growth. Three reasons why firms have adopted non-financial measures have been identified by Ittner and Larcker (1998):

(a) Perceived limitations in traditional accounting based measures

Many managers believe that traditional accounting based measures are too historical and backward looking; lack predictive ability to explain future performance; reward short term or inappropriate behaviour; are not actionable as they provide little information on root causes or solutions to problems; do not capture key business changes until it is too late; are too aggregated and summarised to guide managerial action; reflect functions, and not cross-functional processes; and give inadequate consideration to difficult to quantify intangible assets. By supplementing traditional accounting based measures with non-financial indicators, managers can identify factors leading to the creation of value within the organisation.

(b) Competitive pressure

Substantial changes in the nature and intensity of competition have forced many private sector organisations to determine and measure the non-financial value drivers leading to success in increasingly competitive environments. Although public sector organisations are not subject to the same competitive pressures per se, they nevertheless face pressures from a variety of stakeholders to provide additional disclosures relating to performance and outcomes, particularly as stakeholders have seen other jurisdictions embrace New Public Financial Management (NPFM).
(c) Outgrowth of other initiatives

Firms that have adopted other initiatives, such as total quality management (TQM), found that performance indicators were required that were typically not available from aggregated accounting data. Hence, new non-financial measures were adopted, and some organisations seeing the need for new measures took the opportunity to undertake a more extensive overhaul of their measurement processes.

Performance reporting in the social services area of the NFP sector is particularly problematic due to the difficulties of measuring social outcomes, as they are often subjective and when positive social outcomes are achieved there is usually a range of contributing factors to any success making it difficult to ascribe the benefit to any one social program. Nevertheless, there have been attempts to measure such social outcomes, and two methods which are gaining in popularity are Social Return on Investment (SROI) and Social Accounting and Audit (SAA).

The SROI framework was started initially by The Roberts Enterprise Development Fund (REDF), a private charitable foundation operating in the San Francisco Bay area. What was initially a simple cost-benefit exercise gradually expanded into the SROI framework (Gair, 2002). The SROI framework has been enhanced and developed over recent years by the SROI Network based in the UK (Zappalà & Lyons, 2009, p. 15). SROI attempts to measure the social impacts of an organisation or project and puts financial values on important impacts identified by stakeholders that do not have a value in the normal marketplace. Despite significant lobbying in the UK, SROI is yet to gain significant traction with social service providers or government funders. Possible reasons for this lack of recognition include the difficulty in applying financial measures to soft outcomes, such as improvements in self-esteem and the investment in time and human resources to effectively implement an SROI framework (Millar & Hall, 2012). Millar and Hall (2012, p. 16) argue that a more significant reason is the dominating focus of NFP literature and practice on “monetizable outcomes at the expense of practitioner based measures and broader kinds of value”.

Social Accounting and Audit is another technique used to measure social impact and follows a three-step process (Social Audit Network Limited, 2010a) of: (1) planning, including a Mission Statement as well as an internal and external stakeholder map; (2)
accounting, involving the collection of both qualitative and quantitative information, and; (3) audit, where a social audit panel is convened and the draft social accounts checked. There has been limited adoption of SAA in Australia (Zappalà & Lyons, 2009, p. 22) and, interestingly, where it has been adopted, it is usually not driven by the accounting sector (see for example, “Social Accounting: A Practical Guide for Small community Organisations and Enterprises” (Cameron, Gardner, & Veenhuyzen, 2010)). A paper entitled “The relationship between Social Return On Investment (SROI) and Social Accounting and Audit (SAA)” (Nicholls & Pearce, 2010) highlights the similarities and differences between the two approaches to performance reporting for social service NFPs. One of the main differences is that SAA does not try and reduce all impacts to a quantitative financial measure, but uses qualitative information as well.

In order to change the focus of reporting for social service NFPs in Australia away from input and monetary measures towards achievement of client outcomes and social impact, a new body, Social Impact Measurement Network Australia (SIMNA), has recently been launched (Lyons, 2012). This body will advocate for, and provide assistance with, measures of social impact including SROI and SAA.

2.9 Mandatory and voluntary reporting

As noted in Figure, there are upward pulls of instrumental accountability from government and corporate stakeholders, as opposed to the downward push for expressive accountability to communal stakeholders, including staff and volunteers, partner organisations, clients, individual donors and the community in general (Ospina et al., 2002). Government and corporate stakeholders have the power to demand mandatory reports due to the sanctions that they are able to impose, including funders having power to withdraw funds, and the right of regulators to revoke the ability of the NFP organisation to operate. The form and content of the reports required to be produced are usually specified as part of the contractual relationship between the NFP organisation and the funder (Flack & Ryan, 2005), and via legislation when it comes to government regulators; a form or situation which Cribb (2006b) refers to as ‘hard accountability’.

Even when reports are mandatory, there is usually a negotiated process between corporate and government stakeholders and NFP organisations receiving funds, as detailed in Section 2.6.4 (Benjamin, 2008; Cutt, Bragg, Balfour, Murray, & Tassie, 1996; Cutt & Murray, 2000; Herman & Renz, 1999).
Practical problems that have arisen in relation to mandatory reporting, as required by government and corporate stakeholders, and which have been recorded in the literature, are detailed in the following sections.

2.9.1 Complexity and compliance burden

There are significant reporting requirements expected of NFPs by government and corporate stakeholders. One of the problems in discerning the exact nature of these requirements, and which introduces complexities for NFPs, is that the requirements are often contained in several documents, such as application for funding forms, prescribed periodic financial report formats, related explanatory documents, and contracts or funding agreements entered into between the NFP and the funding agency (Flack & Ryan, 2005, pp. 71-72). Often these requirements are difficult to locate, and may change over time. There are particular difficulties for NFPs working across jurisdictions in Australia due to the differing reporting requirements enshrined in state and federal legislation (Gilchrist, 2010, p. 27).

In terms of the requirements of government, many NFPs are critical of the compliance burden and significant bureaucracy that reporting to government entails, such as increasing paperwork and time involved with applications and grant acquittals, made worse by the inconsistent treatments and requirements of different government departments. As administrative costs are not usually included in grant funding, McGregor-Lowndes and Ryan (2009, p. 22) argue that this amounts to ‘underpricing or cost shift’. One of the largest empirical studies undertaken to date of the reporting requirements placed on NFPs by Australian government funding agencies is that of Flack and Ryan (2005), who investigated the reporting requirements of all Queensland government agencies that administered contracts or service contracts with non-profit organisations. A main finding of this research was that there were major inconsistencies in the reporting information requested by funding agencies, such as incompatible line descriptions and aggregations for revenue and expense items, a requirement to report similar transactions in incompatible ways for different agencies, a preference for fund accounting in contravention of new Australian accrual accounting standards, and differences in how to report for valuation of contributions in-kind. These inconsistencies in reporting, together with the bureaucratic language that is often used by public sector agencies (De Weaver, 2004), lead to an obvious compliance burden
(Brown & Troutt, 2007; Cribb, 2006b; Flack & Ryan, 2005; McGregor-Lowndes & Ryan, 2009).

2.9.2 Non-vetting of information requested and little feedback

Another criticism levelled at funding agencies is that they will often request accountability information and then not use it, or appear not to use it, from the perspective of the NFP. On the issue of NFPs providing reporting information to government departments in relation to child protection in Queensland, Tilbury (2006, p. 56) reported:

There is virtually no reporting of data from funded agencies [NFPs], so it seems unlikely that data from agencies is used for performance monitoring. As there is no aggregation of these performance data there is no capacity to assess whether a funding program has achieved its objectives. Therefore performance data does not appear to inform government purchasing decisions at the departmental level, despite the fact that a significant proportion of child protection expenditure is allocated to non-government agencies [NFPs].

Similarly, a review of the reporting and accountability requirements of the Department of Family & Community Services found there was a lack of feedback to NFPs following submissions of the mandatory reports (Rawsthorne & Shaver, Feb 2008, p. 147).

2.9.3 Accountability Focus

In terms of the instrumental upward nature of accountability illustrated in Figure 2-2, most NFPs support the procedural accountability requirements identified in the model. The Productivity Commission (2010, p. xxx) found that:

Most NFPs agree that significant financial support warrants accountability (such as audited accounts and business plans) and demonstrable results.

However, other authors have described an over-emphasis on instrumental and procedural requirements. Flack and Ryan (2005), for example, stated that the reporting requirements prescribed by Queensland government funding agencies “appear only to be useful in determining whether the funds have been spent in accordance with the terms of a specific funding agreement”, and while this emphasis on acquittal reporting discharges financial accountability, it is not useful for measuring outcomes or results which are supposedly the primary emphases under the NPM.
Commentators have argued that governments need to change focus from an upwards instrumental form of accountability to a downwards expressive form in respect of NFPs (Unerman & O'Dwyer, 2006). Flack and Ryan (2005, p. 75) argue strongly for this change in focus:

- Governments must move from short term focus on upward and external accountability mechanisms to long term capacity building through downward and internal accountability mechanisms.

Similarly, Ebrahim (2003a, p. 826) states:

- The current emphasis among NGOs and donors on the upward and external dimensions of accountability is problematic in that it encourages the formation of relationships with highly imbalanced accountabilities.

Arguably, such a change in focus improves the capacity of NFPs to deliver social services to clients. Indeed, some governments have acknowledged this issue, including a government led initiative in Ireland, trying to move NFPs toward more social and expressive forms of accountability (O'Dwyer & Unerman, 2007).

Unlike mandatory forms of reporting, reporting to communal stakeholders already embraces a downward expressive form of accountability, primarily due to the voluntary nature of such reporting.

2.9.4 Voluntary reporting

In contrast to reporting to government and corporate stakeholders, downward accountability to community, clients and individual donors is predominantly voluntary as these stakeholders have limited power to coerce the NFP organisation to provide reports. There is, therefore, less structure required in terms of the form and content of reporting, resulting in more flexibility in reporting formats. Most NFP organisations produce an annual report summarising the activities of the organisation for the year. Although parts of the Annual Report (such as the financial report) may be prescribed by legislation, the Annual Report usually addresses a range of stakeholders (Steccolini, 2004) and contains consequential accountability information on actual outputs and outcomes compared to targets, and actual efficiency measures as compared to targets (Coy, Fischer, & Gordon, 2001). As a result of the large variety of different types of NFPs and the voluntary nature of the reports, there is little information that is standardised. There may be some quantitative measures and KPIs and, often with social
service NFPs, there is a range of case studies indicating the outcomes achieved by the NFP through the delivery of its services.

Regardless of whether NFP reports are mandatory or voluntary in nature, there is a time-based element to all reports.

2.10 Prospective, ongoing and retrospective reporting
Most of the literature reviewed thus far has viewed accountability reporting as being retrospective or historical in nature. However, accountability is also relevant at the planning stage, as well as ongoing throughout the year (Cutt & Murray, 2000, pp. 5-6), and therefore accountability reporting should also address prospective and ongoing elements. Important reports that are prospective in nature at the planning stage, include defining the mission and vision of the organisation (Molnár, 2008, p. 131), and setting program and activity targets for the year that indicate outputs and outcomes hoping to be achieved, as well as costs required to achieve the service delivery. From a financial viewpoint, revenue and expenditure budgets are important (Molnár, 2008, pp. 131-132).

Several of the reports required under procedural accountability are ongoing in nature. There should be monitoring of actual revenue and expenditure against budgets, there may be internal evaluations of programs at regular intervals and, for larger NFP organisations, the internal audit function should assess internal controls on an ongoing basis (Cutt & Murray, 2000, pp. 75-94).

2.11 Summary of NFP accountability reports produced
Based on the foregoing review of NFP reporting, a diagrammatic “Summary of NFP Accountability Reports” was developed for the thesis research and is shown at Figure 2-3. This summary was initially premised on Cutt and Murray’s (2000, p. 89) figure of “General Information Standards”, but it has been heavily modified to suit the research setting and other relevant dimensions not covered in their version. The reporting by all NFPs will not necessarily fit the summary exactly, but it is intended to represent the major accountability reports produced for a ‘typical’ NFP, as documented in the literature to date.
<table>
<thead>
<tr>
<th>Time Element</th>
<th>Management Systems</th>
<th>Procedural Accountability</th>
<th>Consequential Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prospective</td>
<td>• Strategic Direction</td>
<td>• Actual results compared to Budgets</td>
<td>MISSION &amp; VISION</td>
</tr>
<tr>
<td>(Where are we going?)</td>
<td>• Management Direction</td>
<td>• Internal Evaluation and Internal Audit</td>
<td>Program &amp; Activity Targets</td>
</tr>
<tr>
<td></td>
<td>• Financial Control Systems</td>
<td>• Acquittal reports to funders</td>
<td>- Outputs &amp; outcomes</td>
</tr>
<tr>
<td>Ongoing</td>
<td>• Financial Control Systems</td>
<td>• End of year financial statements</td>
<td>Actual outputs &amp; outcomes compared to targets</td>
</tr>
<tr>
<td>(How are we doing?)</td>
<td>• Monitoring &amp; reporting systems</td>
<td>- Income &amp; Expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Internal evaluation &amp; audit systems</td>
<td>- Balance Sheet</td>
<td></td>
</tr>
<tr>
<td>Retrospective</td>
<td>• Financial Control Systems</td>
<td>• External audit of financial statements</td>
<td>EOY report on actual outputs &amp; outcomes</td>
</tr>
<tr>
<td>(How did we do?)</td>
<td>• External evaluation &amp; audit systems</td>
<td>- Cash flow statement</td>
<td>compared to targets</td>
</tr>
</tbody>
</table>

Figure 2-3 Summary of NFP Accountability Reports
The leftmost column of Figure 2-3 considers the time element of accountability reporting and classifies accountability reports into the three elements of prospective, ongoing, and retrospective reports. The second column identifies the management system from which each report is generated, whilst the third and fourth columns list the actual reports under the headings of procedural or consequential accountability, depending upon which type of accountability obligation the report predominantly meets.

The first report produced under the Prospective time element is the Mission and Vision Statement. This is the only report produced in the Prospective and Ongoing time element that is primarily for the benefit of external stakeholders. All of the other reports produced in these two time elements are primarily for the benefit of internal stakeholders, including the Board. The mission and vision statement sets the strategic direction for the NFP organisation - it must respond to client and community needs and should involve participatory input from communal stakeholders, as illustrated in Figure 2-2 NFP Model of Accountability. Once the strategic direction is set, management direction automatically follows. From this process, a list of organisational programs, activities, objectives and priorities will be developed, and in terms of consequential accountability, program and activity targets for outputs and outcomes, will be set. With respect to procedural accountability, budgets, including revenue and expenditure relating to the programs and activities to be undertaken, will be set (Cutt & Murray, 2000, pp. 88-90), and these budget reports will be produced from the financial control system.

Under the ongoing time element, actual results are compared against forecasts on an continuing basis. This will include ‘Actual results compared to Budgets’ under procedural accountability and derived from the financial control systems, whilst ‘Actual outputs & outcomes compared to targets’ fall under consequential accountability and are derived from the monitoring and reporting systems. For larger NFPs, an assessment of these ongoing reports will be contained in the ‘Internal Evaluation Report’ and/or the ‘Internal Audit Opinion’ (Cutt & Murray, 2000, p. 90).

The main accountability reports to external stakeholders are historical in nature and accordingly these reports are covered within the retrospective time element. A major type of report required under procedural accountability is the ‘Acquittal Report’, required for government and corporate funders and detailing how funds were expended. The Annual Report is retrospective in nature and is usually comprised of three other
reports. Firstly, the end of year financial statements, and secondly, the external audit of these financial statements, both of which relate to procedural accountability. The third report is the ‘EOY (End of Year) report on actual outputs & outcomes compared to targets and actual costs/productivity compared to targets’, which usually relates to consequential accountability and contains a range of information that can be either quantitative or qualitative in nature. For larger NFPs, or perhaps just the major programs of a large NFP, there may be an ‘External evaluation/audit on EOY performance’ (Cutt & Murray, 2000, p. 92).

Whilst Figure 2-3 does not present an exhaustive list of reports produced by social-service NFPs, it provides a summary of reports produced by a ‘typical’ social-service NFP, and offers a useful starting point in investigating the form and methods of accountability reporting used by faith-based social-service NFPs.

2.12 Chapter summary

This chapter has provided an overview of the term accountability, including the notion of it being a contested concept, and that it can be viewed from a variety of perspectives. The various stakeholders of a social-service NFP and their accountability requirements were then identified and an original model of NFP accountability derived from the literature. The different types of accountability reporting that meet different stakeholders’ requirements, and the notions of procedural and consequential accountability, were then identified, and a Summary of Accountability reports for a typical NFP produced.

Having reviewed the key issues of accountability and NFP reporting, the following chapter examines the literature concerning contextual issues that impact the case studies, including overviews of the NFP sector, theological issues surrounding faith-based organisations, and issues specific to social-service NFPs.
THE NFP SECTOR, THEOLOGY AND SOCIAL SERVICE NFPs

Following on from the review of accountability and reporting introduced in Chapter 2, the current chapter focuses on the contextual nature of the faith-based social service not-for-profit (NFP) organisations that are the subject of the research. The chapter begins with an overview of the third sector in Australia, locating faith-based social service NFPs within the overall structure of that sector. Sections 3.2 and 3.3 highlight the distinguishing features of NFPs in contrast to public sector and private sector organisations and provide theoretical rationales as to why the NFP organisational form has developed. These rationales are important since the accountability reporting that flows to stakeholders should be consistent with the rationales used to justify the existence of the NFP.

Section 3.4 of this chapter deals with the NFP-government stakeholder relationship, specifically because the adoption of New Public Management (NPM) over the last several decades has resulted in government outsourcing an increasing amount of public services to the NFP sector, fundamentally changing the relations between the two actors, including those concerned with accountability reporting.

Focusing on faith-based organisations, Section 3.5 identifies the theological perspectives that are likely to influence accountability and accountability reporting within this type of organisation. The section also summarises the literature pertaining to the sacred-secular divide, which has been well-researched and has obvious implications for faith-based NFPs. Following this, the contextual nature of the research is reinforced through the development of a detailed stakeholder model, specifically highlighting the myriad stakeholders of faith-based social service NFPs.

3.1 Overview of the not-for-profit sector in Australia

The NFP sector in Australia is diverse, and comprises a range of organisations and activities that contribute to societal outcomes in a number of different ways. As most NFPs are small organisations and are not required to be registered for taxation or corporate purposes, it is difficult to estimate the total number of organisations or of the contributions of the sector as a whole. Despite these difficulties, the Productivity Commission (2010, p. xxvi) estimated that there were some 600,000 NFPs in Australia, of which the majority (around 440,000) are small unincorporated associations, such as neighbourhood tennis, babysitting or card clubs. The Australia Bureau of Statistics
(ABS) has provided some measures of the NFP sector in Australia through its publication *Non-profit Institutions Satellite Account* (2009a). This publication only includes the 58,779 NFPs that are registered with the Australian Taxation Office, primarily because they employ staff or access tax concessions. The contribution of these NFPs to Gross Domestic Product (GDP) increased from 3.3% to 4.1% between 1999-2000 and 2006-2007, with a dollar contribution of close to $43 billion in 2006-2007. However, these numbers do not include the contributions of voluntary workers, of which there was the equivalent of 317,000 full-time persons (from a total of 4.6 million volunteers) utilised in the sector and who, if paid wages, would be equivalent to $14.6 billion. These NFPs employed 889,900 staff, comprising around 8% of total employment. The NFPs received $25.5 billion in funds from the government and which constituted 33.2% of income for these organisations.

The first major attempt to map the dimensions of Australia’s NFP sector was undertaken by Mark Lyons and colleagues between 1995 and 2000. An article recounting the story involved in collecting this data (Lyons, 2003) highlights some of the difficulties involved, particularly in determining definitions and groupings of organisations; issues which remain unresolved today. The broadest grouping of organisations in the NFP area is termed the third sector. Third sector organisations are any organisations that fall outside the domains of the public or private sectors. The boundaries of NFP organisations are somewhat grey, but it is generally acknowledged that NFPs should be constrained from distributing profits or assets to owners. Thus, as illustrated in Figure 1-1, NFPs are a subset of third sector organisations. The main categories of third sector organisations that permit distribution of net assets to owners or members, and hence fall outside the definition of an NFP, include credit unions, some building societies, mutual insurers and trading co-operatives (Lyons & Hocking, 2000, pp. 2-3). NFPs can be divided into two major clusters – those which are member-serving and those that are community-serving (Hansmann 1986). Member-serving NFPs primarily look after the interests of the members belonging to the NFP, such as in the case of a tennis club, while community-serving NFPs are primarily interested in serving needs in and of the community, including social needs. The focus of this research is on those community-serving NFPs that operate to meet social needs, as this is the primary NFP type established by religious institutions (as discussed further in Section 3.5).
The ABS statistical data relating to NFPs (Australian Bureau of Statistics, 2009a) utilises the International Classification of Non-profit Organisation (ICNPO) data, which is a statistical standard developed by the United Nations (Salamon & Anheier, 1996) to describe the types of activity normally undertaken by NFPs. Organisations are classified into one of twelve groups, as listed in Table 3-1.

<table>
<thead>
<tr>
<th>The International Classification of Non-Profit Organisations (ICNPO)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1) CULTURE &amp; RECREATION</strong></td>
</tr>
<tr>
<td>1 100 Culture and Arts</td>
</tr>
<tr>
<td>1 200 Sports</td>
</tr>
<tr>
<td>1 300 Other Recreation and Social Clubs</td>
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<tr>
<td><strong>2) EDUCATION AND RESEARCH</strong></td>
</tr>
<tr>
<td>2 100 Primary and Secondary Education</td>
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<tr>
<td>2 200 Higher Education</td>
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<tr>
<td>2 300 Other Education</td>
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<tr>
<td>2 400 Research</td>
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<tr>
<td><strong>3) HEALTH</strong></td>
</tr>
<tr>
<td>3 100 Hospitals and Rehabilitation</td>
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<tr>
<td>3 200 Nursing Homes</td>
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<tr>
<td>3 300 Mental Health and Crisis Intervention</td>
</tr>
<tr>
<td>3 400 Other Health Services</td>
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<tr>
<td><strong>4) SOCIAL SERVICES</strong></td>
</tr>
<tr>
<td>4 100 Social Services</td>
</tr>
<tr>
<td>4 200 Emergency and Relief</td>
</tr>
<tr>
<td>4 300 Income Support and Maintenance</td>
</tr>
<tr>
<td><strong>5) ENVIRONMENT</strong></td>
</tr>
<tr>
<td>5 100 Environment</td>
</tr>
<tr>
<td>5 200 Animal Protection</td>
</tr>
<tr>
<td><strong>6) DEVELOPMENT &amp; HOUSING</strong></td>
</tr>
<tr>
<td>6 100 Economic, Social and Community Development</td>
</tr>
<tr>
<td>6 200 Housing</td>
</tr>
<tr>
<td>6 300 Employment and Training</td>
</tr>
<tr>
<td><strong>7) LAW, ADVOCACY &amp; POLITICS</strong></td>
</tr>
<tr>
<td>7 100 Civic and Advocacy Organizations</td>
</tr>
<tr>
<td>7 200 Law and Legal Services</td>
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<tr>
<td>7 300 Political Organizations</td>
</tr>
<tr>
<td><strong>8) PHILANTHROPIC INTERMEDIARIES &amp; VOLUNTARISS PROMOTION</strong></td>
</tr>
<tr>
<td><strong>9) INTERNATIONAL</strong></td>
</tr>
<tr>
<td><strong>10) RELIGION</strong></td>
</tr>
<tr>
<td><strong>11) BUSINESS &amp; PROFESSIONAL ASSOCIATIONS, &amp; UNIONS</strong></td>
</tr>
<tr>
<td><strong>12) NOT ELSEWHERE CLASSIFIED</strong></td>
</tr>
</tbody>
</table>

Table 3-1 ICNPO classifications

*Source: (Australian Bureau of Statistics, 2009b)*

‘Social services’ is the main category in which faith-based organisations operate, but the provision of aged, youth and other forms of housing also fall within the remit of these organisations as they also operate within the ‘Development and Housing’
category. Arguably, for at least three reasons, the NFPs falling within the social services category have a greater accountability obligation to report on their operations than most NFPs. Firstly, they serve the community and not just their own members, in contrast to a business organisation or professional association. A social service NFP’s accountability obligations are far broader, and interest in their activities by the community far greater than it is in respect to many other NFP categories. Secondly, these social service NFPs receive a greater share of funding from government, some 54% of total income as compared to an average of 33% for the NFP sector as a whole (Australian Bureau of Statistics, 2009a). Such funding received from government will normally come with contractual conditions requiring detailed reporting by the NFP. Thirdly, the nature of the activities these NFPs undertake mean that they are serving some of the most vulnerable members of the community, who often cannot enforce their rights if and where there are issues or problems with service delivery. Social service NFPs are often in the public eye when things go wrong, such as when vulnerable children are assaulted, or mentally ill clients are forced onto the street due to lack of temporary accommodation. It is important, therefore, for social service NFPs to engage with their stakeholder groups, including the community, to explain how they are meeting community needs and how they are responding to problems in the delivery of services. Due to the imperatives to report, and to engage with and be accountable to government, the community and other stakeholders, social service NFPs were chosen as a focus for this study.

The legal environment under which NFPs operate in Australia is complex, with NFPs subjected to a raft of legislative, regulatory and reporting requirements at both state and federal levels. There are many different legal types of entity in Australia, including state based Incorporated Associations and federally based Companies Limited by Guarantee, each of which is subject to different rules and reporting requirements. There are complex rules administered by the Australian Tax Office as to whether an NFP gains income tax exempt (ITEC) status, or Deductible Gift Recipient (DGR) status, allowing donors to receive income tax deductions for donations. Fundraising NFPs are also subject to other rules that vary from state to state. In terms of financial reporting, social service NFPs must comply with full International Financial Reporting Standards (IFRS) or the Reduced Disclosure Regime (RDR) in the case of smaller organisations.
Faith-based organisations play a significant role in the delivery of social services, particularly since government has increasingly outsourced the delivery of a number of social services from the government to the NFP sector under the mantra of New Public Management (NPM). There have been criticisms that faith-based organisations have not been fully accountable for the use of the public funds they have received, as many church-based organisations, in particular, are enacted by special Acts of Parliament with no or limited legislated reporting requirements, and calls have therefore been made for improved reporting (Ferguson, 2005a, 2006a; Lee, 2004). While there has been a number of studies in North America concerning accountability of faith-based organisations (see, for example Cnaan, 2009; Duncan & Flesher, 1999; Gibelman & Gelman, 2002; Netting, O'Connor, & Yancey, 2006), studies in the Australian context have been extremely limited (Booth, 1993; Irvine, 2000, 2002, 2005; Kluvers, 2001; Lightbody, 2000, 2003). The research reported in this thesis has been restricted to Christian organisations, both for convenience purposes, and since other faith-based organisations represent only a very small proportion of social services delivered in the sector in Australia.

3.2 Theories of NFP formation

As noted in Section 3.1, NFPs have historically played a critical role in the provision of public services, and are increasingly being relied upon by government to do so. This section of the chapter reviews the theoretical rationales for the existence of NFPs and their specific organisational form/s. Reasons are established as to why government accords special status to the NFP sector, reserving funding specifically for NFP organisations.

3.2.1 Government failure

One argument put forward by Weisbrod (1986) as to why NFPs exist is the theory of government failure. Weisbrod begins with the neoclassic economic assumption of individuals behaving rationally in pursuing the objective of maximising their utility. This drives their voting behaviour in which some voters want more collective goods and some want less. Only the median voter is fully satisfied. Some voters will be sufficiently dissatisfied to join organisations that provide additional collective goods.

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5 Many of these studies arose due to faith-based social service organisations receiving special status under President Bush’s faith initiative, enshrined in the Charitable Choice provision of the 1996 welfare reform act in the United States (Clerkin and Gronbjerg, 2007; Smith and Sosin 2001).
“Voluntary organisations come into existence as extra governmental providers of collective-consumption goods” (p. 30). The private sector is interested in providing only individual, rather than collective goods, and so it is left to NFPs to provide the extra collective goods that government does not provide or where there is a shortfall in the supply of a collective good provided by government.

However, there is difficulty with this explanation in that NFPs are not primarily providers of public goods, and human services organisations provide services which are essentially private goods with some public good elements (Billis & Glennerster, 1998, p. 82). A broader interpretation of Weisbrod’s (1986) proposition is that not only do markets fail, but so do governments, due to deficiencies arising from centralised monopolistic provision of goods and services and self-interested providers and professionals in the public sector. NFPs therefore step-in to provide services to alleviate these deficiencies in public sector service provision.

3.2.2 Contract failure

The collective goods theory of Weisbrod (1986) was criticised by Hansmann (1980, 1986), who approached the question as to why NFPs exist from a market failure point of view, rather than via a government failure rationale. Hansmann reasoned that NFPs had less incentive to take advantage of customers than the private sector as they are barred from distributing net earnings by the non-distribution constraint. More specifically, NFPs will provide services in circumstances where there is contract failure, that is, an inability to police producers through the mechanism of ordinary contractual devices. Hansmann (1986, pp. 63-74) provides five contexts where he believes contract failure exists. The first is where there is separation between the purchaser and the recipient of the service. This is typical in donative organisations such as CARE,6 where the donors cannot contact the intended recipient of the gift directly, and need to rely on an organisation that they can trust to carry out the distributive function. The second market failure scenario is in the provision of public goods which have two attributes: it costs no more to provide a good to many people compared to providing the good to one person; and there is no way to prevent others from consuming it as well. There is little relationship between the size of an individual’s contribution and the amount of good that he/she enjoys, so many will tend to become ‘free riders’. However, some will

6 A NFP humanitarian organisation which strives to fight poverty (Care Australia, 2011).
contribute to the good if they have assurance that all of their contribution will be used for good and not syphoned off as profit. Public radio is an example of this type of market failure. The third context of market failure is voluntary price discrimination, where organisations such as museums and those involved with high culture and the performing arts depend upon donations for a substantial portion of their income. In addition to personal altruistic reasons, informal social pressures can convince people to donate voluntary taxes, as donors can be repaid with status or prestige for donations, or alternatively, social ostracism if they do not donate (James & Rose-Ackerman, 1986, p. 26). The fourth area of contract failure is due to legal and practical imperfections in loan markets, and is more prevalent in the United States than in other economies. Private colleges commonly depend heavily on voluntary private donations from alumni to cover their expenses. In essence, the donations received are in response to a lack of availability of educational loans. If colleges charged for full tuition, then only very prosperous students could attend. Instead, private colleges have adopted a loan program with voluntary payback. In contrast, in Australia where there is an effective loan program via the Higher Education Contribution Scheme (HECS) and the Postgraduate Student Loans Scheme (PELS), voluntary private donations are very limited. The fifth area of contract failure, according to Hansmann (1986), is in relation to complex personal services where it is difficult for the consumer to determine whether services are adequately performed, as the producer has more information about product quality than the does the consumer (James & Rose-Ackerman, 1986, p. 21), resulting in information asymmetry. Examples of such complex personal services include nursing care, day care, education and hospital care.

3.2.3 Third party government

As an alternative to the government and market failure theories, Salamon (1987, pp. 33-52) put forward the concept of ‘third-party government’. Much of the growth of the welfare state in Western countries has not been a result of governments delivering more welfare services themselves, but has predominantly occurred by governments providing funds to other organisations for the implementation of social service and welfare programs. In practice, third-party government allows government funded welfare services to be delivered without the suspicion that may be attached to a powerful state apparatus which is providing those services. It also reflects a commitment to pluralism, where services can be differentiated by language or religion, for example, and enables
the service delivery system to be flexible during changing economic conditions (Frumkin, 2002, p. 72). Governments also fund NFPs as NFPs often enjoy lower costs and are better able to charge fees for service than can government (James & Rose-Ackerman, 1986, p. 30).

3.2.4 Voluntary failure

Using third-party government as a basis, Salamon (1987) argued for a voluntary failure theory. According to this view, the NFP sector should be regarded as the primary response to public demand arising for collective goods, and the government and the market should be regarded as the residual mechanism. Rather than picking up the slack, it is the NFP sector that leads in many areas. Unfortunately, NFPs may not be able to provide services in sufficient quantities due to resource limitations, in which case government responds to this voluntary failure by offering supplemental services or funding to allow for greater production by NFPs. “Government involvement is less a substitute for, than a supplement to, private non-profit action” (Salamon, 1987, p. 44).

In addition to these varied and distinctive theoretical rationales for the formation and existence of NFPs, these organisations also have unique characteristics.

3.3 Characteristics of NFPs

As NFPs represent such a diverse range of organisations, it is difficult to define characteristics that are applicable to all organisations in the sector, although a useful starting point is the definition of NFP organisations provided by James and Rose-Ackerman (1986, p. 4), where NFPs are “private organizations that are prohibited from distributing a monetary residual.” Building upon this basic definition, there are a number of principles by which an organisation is normally deemed to be not-for-profit.

The first of these principles is that NFPs have operating purposes other than to provide goods or services at a profit. Unlike the private sector, the primary focus of NFPs is not to make a profit (Kilcullen, Hancock, & Izan, 2006), but rather to pursue the special mission or objectives of the organisation. The second principle is often termed the non-distribution constraint and this is the principle that no profits or assets are allowed to be distributed to the owners of the organisation, either while the organisation is operating or when it is wound up (Australian Taxation Office, 2010). Instead, any profits that are generated should be reinvested to further the mission of the organisation.
Due to their special characteristics, NFPs are increasingly being used by government to deliver public services that were traditionally the domain of the public sector.

3.4 NFPs and the delivery of public services

In addition to theoretically-driven explanations for the delivery of public services through NFPs, other rationales for the development of NFPs, and which often characterise these organisations, include comparative advantage, development of social capital, and historical reasons (Monro, 2005).

Dacombe (2011, p. 163) argues that NFPs are seen to have a comparative advantage over the state and private sector providers in delivering public services as a result of their:

- Specialist skills / knowledge
- Ability to involve people in service delivery
- Independence
- Lack of bureaucracy
- Flexibility and responsiveness

Another reason for comparative advantage, at least in providing certain types of services, is because of higher trust levels (Billis & Glennerster, 1998). This can arise from NFPs being considered more trustworthy by the end client service user (Dollery & Wallis, 2001, p. 573; Monro, 2005). An alternative notion of comparative advantage, from a neo liberal viewpoint, is that NFPs may be considered more trustworthy due to the altruistic motives of these organisations. This trust characteristic can result in lower contracting and monitoring costs, giving NFPs a cost advantage over private sector providers and providing government improved security as a result of lower political costs due to the non-profit status of NFPs providing quasi-public goods (James & Rose-Ackerman, 1986, p. 31). More specifically, some proponents argue that faith-based organisations, in particular, have a high degree of trust placed in them by their beneficiaries (Peace, 2006, p. 785):

> It has been suggested that faith-based social service providers, armed with a religious sensibility, often go beyond what is prescribed and act in ways that inspire an unusual degree of trust among social program beneficiaries. Trust in professional relationships is the essence of the spiritual covenant.
While theory points to the notion that NFPs should have a comparative advantage, the empirical research on this point is unclear. Some studies have indicated that there are no significant differences in performance between the NFP and for-profit sectors (Ryan, 1999, p. 132), whereas others have found that NFPs were actually less likely to service disadvantaged clients. In one study of job training service providers it was found that NFPs and for-profits were equally effective in increasing clients’ earnings and employment rates. Heinrich concluded (2000, pp. 256-257):

> Overall, the findings of this study suggest that when for-profit and non-profit service provider organisations compete directly for public funding and service delivery opportunities and serve similar clientele, there is likely no basis for unevenly subsidising organisational operations or giving an unfair advantage to nonprofits in the awarding of service provider contracts.

Another reason why NFPs are used for the delivery of public services is that by operating through this type of organisation, the social connections and social fabric of community can be enhanced (Cordery, Baskerville, & Porter, 2011; Putnam, 1995). Although many commentators would argue that developing social capital is a valid objective in its own right, building social capital can also be the means for achieving other public policy objectives, including those encompassed within the New Public Management (NPM) reforms.

In a number of areas of public service delivery, particularly education, health, and welfare, NFPs were historically the first providers of such services (Lipsky & Smith, 1989, p. 625; Monro, 2005, pp. 2-3). Consequently, when government wished to move into these areas it was natural that public sector agencies involved NFPs (Monro, 2005). Although historically NFPs have enjoyed preferential treatment and funding in many areas of public service delivery, the advent of NPM reforms have produced a rapidly changing landscape for NFPs, particularly with the tendering for and outsourcing of a number of public services (Meagher & Healy, 2003; Rawsthorne & Shaver, 2008), and competition with for-profit private providers in an increasing number of areas (Ryan, 1999).

3.4.1 Outsourcing of non-core services

Outsourcing for the delivery of public services; the so called purchaser-provider split, has been a feature of NPM reform implementations. The term purchaser-provider split is often used to describe those arrangements where the government acts as the purchaser
or funder of services, but a third party physically delivers the services (Brignall & Modell, 2000). In the situation where it appears that third parties (often NFPs) can deliver public services more efficiently than government, the principles of the NPM mandate suggest that such services be outsourced, resulting in a more efficient use of public funds. As a result, many public sector organisations have downsized and have utilised mechanisms such as competitive tendering and the use of service contracts to outsource services that were conventionally delivered by public sector organisations (McDonald, 1997, p. 53; Meagher & Healy, 2003; Rimmer, 1998). Beneficiaries of this outsourcing of services have included private sector organisations as well as NFPs (Ryan, 1999).

One of the results of the outsourcing of non-core services of the public sector has been a change in the way that government funds NFPs, particularly in the social services area. Previously, NFPs were given funding on an annual basis to deliver services to clients, for example providing training and advocacy services to disabled clients in a specific geographic region. The government used a process of reactive monitoring such that if the services were delivered and the clients satisfied, the funding would be renewed year after year and defunding of an organisation would only occur if there was a scandal “and the scandal gets out of hand” (McDonald, 1997, p. 60). However, with contracting-out of non-core services, ‘contractualism’, the principal criterion for the allocation of funding, changes to one of efficiency. NFP providers are forced to compete with other organisations, including large private sector organisations, in order to retain service delivery (Rawsthorne & Shaver, 2008; Ryan, 1999).

Despite the rhetoric concerning the limitations of the traditional model of public administration and the efficiency benefits that NPM brings, NPM reforms are not without detractors who argue that the reforms are based on a very narrow conception of accountability that is instrumental and upward (Behn, 1998; Newberry & Pallot, 2004; Schmid, 2003).

3.4.2 NPM models of government funding

There are a number of different ways in which government can fund delivery of public services and the provision of collective goods, such as through direct grants, competitive tendering, and continuous funding. Two models which have been developed to attempt to explain methods of government funding are Shead’s (1997)
model of government service delivery and Lyon’s (2001) models of government financial support.

Five different government service delivery arrangements were identified in Shead’s (1997, pp. 16-17) discussion of purchaser/provider arrangements. The five arrangements were:

i) the *traditional model*, in which government does not distinguish itself as purchaser, provider or owner;

ii) the *contractual franchise model*, in which government distinguishes roles, but does not introduce competition into the provision of services;

iii) the *competitive franchise model*, in which government injects competition into the provision of public services, but does not provide a choice to clients;

iv) the *payments voucher model*, in which government provides vouchers to clients of public services to allow them to select their own supplier of these services; and

v) the *social payments model*, in which government provides subsidies to clients to allow them to select which goods or services they want, as well as which supplier they wish to use.

An alternative framework is provided by the models of government financial support developed by Lyons (2001). In many respects the categories are similar to those of Shead (1997), but the emphasis is directed towards funding to NFPs in particular. Five differing types of support, or ‘models’, are described by Lyons (2001). The first is the *philanthropist model* where the government bestows support upon a NFP organisation, after an approach to a relevant parliamentary minister. The *submission model* involves public policy makers determining the nature of the service they wish to fund, and then inviting third sector organisations to submit grant applications for financial assistance. Under the *planning model* public servants determine in advance what services are needed, and then invite expressions of interest from third sector organisations for delivery of those services. Lyons (2001, p.85) argued that these first three models are being superseded by two market-style relationships consistent with the NPM; a *quasi-voucher model* where organisations are funded according to the number and type of services delivered to clients, and a *competitive tender model* where NFPs bid against
each other, and increasingly against the private sector, for government tenders. One issue for the competitive tender model, as identified by Ryan (1999, p. 136), is that:

Designing and enforcing contracts that promote efficient services while protecting the individual client’s need for humane and high quality service is an enormous challenge.

Whether the framework of Shead (1997) or Lyons (2001) is preferred, it appears implicit that different accountabilities will flow based on the arrangements for, and type of funding utilised. Under the submission model, for example, the main accountability form will be fiscal accountability in order to determine whether the funds have been acquitted for the purposes intended, whilst under the payments voucher model the main accountability would be to ensure that a service was provided to the end client.

Faith-based NFPs have had strong involvement with the delivery of social services in Australia, historically before the government became a major player in the area, and they continue to do so today. Elaborating the theological underpinnings of faith-based organisations aids in understanding why these NFPs are involved with social service delivery in particular.

3.5 Theological perspectives and the sacred-secular divide

There have been a number of studies investigating the use of accounting and accountability reporting in faith-based organisations over recent decades, including those that offer commentary concerning theological perspectives on accountability (Carmona & Ezzamel, 2006, p. 120). The issues that arise from these studies, and that have particular relevance for this research project, can be grouped according to several themes which I have drawn from the literature and summarised below. The first theme, developed by Laughlin (1988), is the notion of a sacred-secular divide between spiritual elements and accountability reporting in faith-based organisations (Cordery, 2006; Hardy & Ballis, 2005; Irvine, 2005; Jacobs, 2005). Secondly, a number of studies have investigated how theological practices seek to liberate and enlighten, particularly in respect to the poor and those marginalised in society (Gallhofer & Haslam, 2004; McKernan & MacLullich, 2004; Moerman, 2006; Tinker, 2004). The third theme is how spiritual and moral dimensions of accountability have particular effects for faith-based organisations (McKernan & MacLullich, 2004). The fourth theme is how the principle of stewardship is of especial relevance to many faith-based organisations, and the final theme is the importance of mission, more particularly a divine mandate in faith-based organisations.
Each of these themes is considered in turn, followed by the review of a research framework for faith-based organisations as advocated by Booth (1993), and the presentation of a typology of faith-based social service organisations.

3.5.1 The sacred-secular divide

There have been contentions raised by several accounting researchers that the primary mission and goals of faith-based organisations are spiritual and are, therefore, sacred in nature, whereas the accounting practices of such organisations have their roots in the worldly or profane, and are therefore secular. Laughlin (1988), in his research on accounting and accountability practices within the Church of England, drew on the work of Durkheim (1976) who divides all things into the “profane” or the “sacred” to highlight the ongoing tensions between a faith-based organisation’s spiritual mission (the sacred) and a concern with money (the profane). This tension is highlighted by the need to obtain funding from government and secular sources for the financing of religious work, and the desire to protect the “central sacred sanctuary” of belief from corruption by those secular forces which help to sustain it (Irvine, 2002, p. 5). Booth (1993, pp. 39-40) expressed similar sentiments in his study of the Australian Uniting Church in positing that “accounting must serve the spiritual needs of those organisations”. He also stated that the sacred-secular divide should be used as a basis for a research agenda on accounting in churches. More recently, Laughlin has clarified his earlier writings (2007, p. 283) to extend the notion of the sacred-secular divide beyond faith-based organisations stating:

What is key is the understanding that some values and concerns are much more important than others - in all organisations - and if the former are perceived to be under threat either from the less important values or by intrusions from outside the organisation, they will be resisted because of the sacred and secular divide.

However, other authors have questioned the dualism of the sacred and the secular. Jacobs (2005, p. 193) argued that the sacred and the secular are not binary conditions, but represent two extreme points on a continuum of possible experience. Furthermore, the sacred-secular divide is not an inherent universal structure, but is dependent upon the organisational context of a particular religious institution. Thus, although Laughlin’s analysis of the Church of England in Britain indicated a sacred-secular divide in which accounting was relegated to the “profane”, this is not the case for all religious institutions (Cordery, 2006). Lightbody (2000), in a study of a protestant diocese,
indicates a separation between the sacred and secular as “tenuous” and Irvine’s (2002, p. 5) historical analysis of the accounting and accountability records from the beginning stages of the Salvation Army found that “there was no distinction between the sacred and the secular as money (and accounting) were seen as vital means for discharging stewardship responsibilities”. Cordery’s (2006, p. 214) historical analysis of New Zealand Wesleyan Methodist missionaries concluded that there was “no contradiction between the spiritual mission and stewardship, including the missionaries obligation to account for resources”. McKernan and Kosmala (2007, p. 731) have argued that due to criticism of the sacred-secular divide, accounting researchers are “anxious to move beyond it in their engagement with religion”. These examples confirm the situated nature of the sacred-secular divide, the depth of which is linked to individual and organisational values (Cordery, 2006).

3.5.2 Liberation, enlightenment and emancipation

There are aspects of Judeo-Christian philosophy that emphasise liberation, enlightenment, and emancipation, particularly for the poor and marginalised (Shapiro, 2009) who form the core client group of many faith-based social service NFPs. Such liberation and enlightenment flows from a covenant relationship, demonstrated by the special connection and covenant between God and his followers, usually expressed in the form “I shall be your God and you shall be my people”, which is a recurring theme throughout the Bible. The Abrahamic covenant relationship is described in Genesis 17:7. The covenant relationship is a binding, enduring relationship of mutual loyalty that aspires to the common good and is inclusive in that it seeks to assure that the rights of any of the most vulnerable are considered (Peace, 2006, p. 782). Within a church environment, Berry (2005, p. 263) distinguishes the covenant mode of accountability from that of constitution or contract. The covenant is a bond of mutuality between a faithful God and his faithful followers, and is sometimes referred to as higher principals (Laughlin 1996). In contrast, the constitution mode of accountability is based upon the legitimate requirements of organisations, such as canon or ecclesiastical law, and the contract mode of accountability is based upon a traditional principal-agent relationship as may be the case with an employment contract.

Taking the concept of the covenant relationship and addressing it from the position of the poor and marginalised, a new branch of theology has developed, principally in Latin
Liberation theology emphasises a view that the oppression and poverty of sub-sets of the community was created, to some extent, by other people and structures (Gallhofer & Haslam, 2004, p. 386), and encourages the poor and dispossessed to take emancipatory action. Key characteristics of liberation theology are:

First of all, it is rooted in ordinary people’s everyday experience of poverty. Second, it involves a use of Scripture the interpretation of which is closely related to that experience. Third, it is a theology which in many parts of the world has deep roots within the life of the Church ... Fourth, it has flourished in the meetings of groups within urban or rural settings, worshipping and reflecting on Scripture and joining in common projects for human welfare in health and education. Fifth, there is a theology which is explored not just in the tutorial and seminar but engages the whole person in the midst of a life of struggle and depravation. It is theology which, above all, often starts from the insights of those men and women who have found themselves caught up in the midst of that struggle, rather than being evolved and handed down to them by ecclesiastical or theological experts. Finally, books of the Bible ...and parts of the theological tradition, often ignored or despised, become a vehicle of hope and insight ... (Rowland, 1999, pp. 1-2)

In many ways, faith-based social service NFPs join in the struggle of their poor and marginalised clients, acting as advocates for the rights of these people to help lift them from their circumstances, and so it could be expected that at least some faith-based social service NFPs would support the principles embodied in liberation theology. Gallhofer and Haslam (2004) argue that a review of liberation theology can provide critical accounting researchers with a more emancipatory accounting with new insights and inspiration. Moerman (2006) argues that liberation theology presents an alternative ontological stance, both from the dualism perspective present in the sacred-secular divide, and the inherent dualism of the principal-agent model prevalent in financial accounting. She argues that the notion of accounting needs to progress beyond economic aspects and move from the narrow realm of financial accounting to the broader area of social accounting (p. 179). To reflect the values of liberation theology, Gallhofer and Haslam (2004, p. 399) encourage organisations to extend the conventional form of accounting in their reporting and consider interviews, oral histories, self-reflection and conversations. For the annual report, alternative media should be explored in a way consistent with having spirituality integral to accounting.
However, as Jacobs and Walker found in their study of the Iona community, the issue of whether accountability practices in a faith-based organisation are liberating or not remains an empirical one (2004, p. 379).

3.5.3  **Spiritual and moral dimensions of accountability**

Any consideration of accountability in faith-based organisations will, at some point, involve reference to an aspect of morality, and indeed some commentators have argued that the act of giving an account to others is in itself a moral activity (Shapiro, 2009, p. 946; Shearer, 2002). Morality is defined as “principles concerning the distinction between right and wrong or good and bad behaviour” (Oxford University Press, 2005). In terms of faith-based organisations, these principles are dependent upon the particular philosophies and beliefs to which their congregation or wider church body subscribes. However, there are beliefs and principles that are common to many denominations and faiths, such as the *Golden Rule* (see Matthew 7:12), which is the principle exhorting each person to “treat others as you would like them to treat you” (McGinnis, 2011; McKernan & MacLullich, 2004, p. 353; Weiss, 1941).

Some of the moral principles relevant to faith-based social service NFPs that may have an impact upon perceptions of accountability and the accountability reporting process include advocating for, and relationship building with clients of the NFP organisation, deep respect for relationship building and communication in general, and an emphasis on stewardship (O’Connor & Netting, 2008, p. 354).

Specifically, in terms of the preparers of accounting and accountability reporting, any judgement made or decision to include or exclude information has a moral dimension alongside the legal and technical dimensions (McKernan & MacLullich, 2004, pp. 348-349).

The universals, the rules and principles, must be contextualised so that they are appropriately brought to bear on the particular case. This contextualisation involves adoption of the moral point of view.

When contextualising accounting principles for faith-based NFPs in particular, report preparers should consider the moral dimension of their work when making accounting judgements, compiling accountability reports and considering the accountability implications of their craft. The moral agency of the preparer’s action must be brought to
bear on the alternative choices, for example, including content in accountability reports with the consequences for those choices being weighed (Francis, 1990, pp. 5-6).

One commentator who has addressed accountability in terms of such a moral dimension is Egerton (2009), who has argued that accountability is incommensurate with Christian theology. His view is that God’s people are called to do the right thing and make the right choice, and the requirement of having to report to others and letting them make judgements is not appropriate for a faith-based organisation. While this appears not to be a commonly held view, it does demonstrate the dramatic effect on accountability and reporting that may ensue once moral dimensions are more fully considered.

3.5.4 *Stewardship*

However, other commentators argue that faith-based NFPs should be accountable and report to others due to the stewardship principle, particularly as stewardship theory has its roots in theology (Tony, 1960). In biblical terms, a steward is someone who manages for the owner:

> Give me an account of your stewardship, for you cannot be my steward any longer. Luke 16:2-3

In general terms, stewardship is to hold something in trust for another:

> Historically, stewardship was a means to protect a kingdom while those rightfully in charge were away, or more often to govern for the sake of an underage king (Block, 1996, p. xx).

Within the accounting literature it has long been noted that there is a stewardship perspective of accounting, as well as a decision-usefulness perspective (Gjesdal, 1981; Heinle & Hofmann, 2011; Sunder, 1999).

In terms of managers of organisations, Chen (1975) has argued that the historical view of stewardship was superseded in the twentieth century by the proprietary theory, where all the assets are owned and all liabilities owed by the proprietor. However, in recent years there has been a renewed concern that management should discharge its responsibility to society, as well as to shareholders of for-profit organisations. This stewardship role and possible implications for the accounting profession are summed up by Chen (1975, p. 542) in stating:

> As a steward, management’s performance should be evaluated in terms of both profit and the accomplishment of social objectives. The latter aspect has long
been neglected by the accounting profession. It is the responsibility of the accountant, therefore, to measure, report, and audit management’s social performance.

If there is an expectation that for-profit organisations should measure, report and audit social performance, then the onus to report and importance of this reporting is logically amplified for social service organisations whose prime objective is to make changes for the betterment of society.

The notion of stewardship has particular implications for faith-based organisations because of what is termed the doctrine of Christian Stewardship, whereby humans hold earthly resources, such as time, talents and money, in trust from God and will be called to give an account for the use of these resources (Jacobs, 2005, p. 205). The doctrine of Christian stewardship is based on two principles from the book of Genesis:

First, that the world is created and owned by God and second that humanity, while given power to “rule or have dominion” (Genesis 1: 26) this also involved a responsibility to care for the world and the resources of the world as stewards and ultimately to account for their use (Jacobs, 2005, p. 205).

The implication for faith-based organisations is that they need to be wise stewards of the resources entrusted to them, and should accurately record usage of such resources, including monetary resources. Indeed, the recording of usage of a person’s time as well as money was a regular occurrence for English protestants in the seventeenth to nineteenth centuries (Cordery, 2006, p. 201). John Wesley also demonstrated a strong link between the notion of stewardship and accounting practices as he was meticulous in keeping detailed personal journals and accounts and entreated his Methodist followers to gain all you can, save all you can, and give all you can (Jacobs, 2005, p. 207).

3.5.5 Mission and divine mandate

Mission is of vital importance to faith-based organisations as they believe their organisational mission is mandated by God (Brinckerhoff, 1999; Vanderwoerd, 2004). Brinckerhoff (1999, p. 24) goes even further in stating “You and your organisation need to understand the reality of the situation: as a faith-based organisation you are on a mission from God”.

Given that accounting and accountability reporting within religious institutions is itself considered by a number of commentators as “secular” or “profane”, it can be argued that the acceptance of government funding by religious organisations will lead to even
greater pressures and tensions in preserving the “sacred central sanctuary” of such organisations (O’Connor & Netting, 2008; Vanderwoerd, 2004, p. 352). According to institutional theory, religious organisations delivering public social services will face powerful forces within the traditions of social welfare as a result of institutional isomorphism (Powell & DiMaggio, 1991). One point of resistance to these secularising pressures is where members of the religious organisations consider their organisational identities as mandated by the divine, rather than chosen by themselves (Vanderwoerd, 2004, p. 253). This can mean that (Vanderwoerd, 2004, pp. 258-259):

…when an organization is able to cultivate high levels of commitment to religious values and principles, it appears able to withstand an enormous amount of secular influences, including government funding. Further, such secular influences are not avoided as threats, but are sought out precisely because of their capacity to enable the organization to fulfil its religiously motivated mission.

3.5.6 Research framework for faith-based organisations

Booth (1993) developed a research framework for churches which is relevant to the research of faith-based organisations presented in this thesis. It should be noted that this research framework has strong functional overtones (Carmona & Ezzamel, 2006), and does not fully capture all of the themes raised above. Nevertheless, it does address some of the economic arguments for particular accountability reporting practices within faith-based organisations by noting important explanatory variables such as size, complexity, and hierarchy, upon which accountability reporting practices may be contingent. Booth’s framework emphasised three explanatory variables, being the nature of religious belief systems, church membership and occupational groups, and level of organisational resources.

Particular nature of religious belief systems

Booth (1993) premised that accounting and accountability reporting may be resisted in faith-based organisations as a form of secular intrusion. This is because the dominant ends in such organisations are transcendental, which makes impossible any rational ends-means analysis through accounting, for example to measure achievement of objectives. Nevertheless, protestant congregations have adopted the Weberian notion of the Protestant ethic (Weber, 1930) to embrace accounting and monetary measures with religious fervour. Booth therefore argued the particular nature of religious beliefs was a
potentially key explanatory factor in studying accounting as a situated practice in faith-based organisations.

Church membership and occupational groups

Members of churches often have conflicts over religious beliefs and the level of secularisation arising as a result of the adoption of accounting and accountability reporting. In consequence, Booth (1993) argued that members cannot be treated as one homogenous analytical category, but that it is more appropriate to analyse different groups of membership based on their particular experiences of the faith-based organisation. Specific attention should be paid to occupational groups, and particularly to the relationship between clergy and other internal occupational groups where there is potential for conflict.

Level of organisational resources

Finally, Booth (1993) held that membership size and the availability of financial resources to fund the faith-based organisation will directly affect the level of resistance to accounting and accountability reporting. Strong membership and financial resourcing will be expected to strengthen the dominance of religious beliefs and may maintain or increase the level of resistance to accounting. A financial or membership crisis will, on the other hand, produce a more indeterminate set of conditions as the sacred and secular interpretations of such crises compete to gain superiority.

Booth’s research framework proposes general tendencies in relation to accounting and accountability that can be analysed to determine whether they hold true across different faith-based organisations. To facilitate the analysis in this research project, the typology of various types of faith-based social service organisations are examined in the following section, and resulting labels subsequently applied to the case organisations which are the subject of the research.

3.5.7 Typology of faith-based social service organisations

One of the problems with the term ‘faith-based organisation’ is that no clear and meaningful definition of the term exists. Sometimes the term is interpreted very broadly to include any organisation that has connection to religion, whereas in other contexts the term is interpreted very narrowly to exclude all organisations except those that are religious in a very narrow sense (Smith & Sosin, 2001). In order to overcome this issue,
Sider and Unruh (2004) have inductively derived a typology of social service and education organisations based on their religious characteristics. This typology includes the following classifications (pp. 119-120):

(d) Faith-permeated organisations,

(e) Faith-centred organisations,

(f) Faith-affiliated organisations, and

(g) Faith-background organisations.

In *faith-permeated* organisations, connection with religious faith occurs across all levels of the organisation and is explicit in terms of mission, staffing, governance and support. Social service programs and delivery explicitly integrate religious content. The religious dimension is deemed essential to social service delivery and so individual workers will often be required to participate in religious worship and may be required to explicitly sign or agree to a faith declaration.

*Faith-centred* organisations were founded for a religious purpose and remain strongly connected to the religious community through funding sources and affiliation, and require the governing board and most staff to share the organisation’s faith commitments. Social service delivery incorporates overtly religious messages, but clients have the option not to participate in these activities and to still receive benefits of the program.

*Faith-affiliated* organisations have links with and are influenced by their religious founders, but do not require staff to participate in religious activities or affirm their religious faith. Service delivery incorporates little or no explicitly religious content, although spiritual resources may be made available to clients.

*Faith-background* organisations tend to look and act as would secular organisations, although they do have a historical tie to a faith tradition. Faith commitments are not considered in selection of staff and board, and these organisations do not expect religious experience to contribute to program outcomes.

In addition to this consideration of faith-based organisational form, it is imperative to understand the stakeholders, both within and without such organisations, since
accountability, accountability mechanisms and reporting are designed to address the concerns of relevant stakeholders.

3.6 Stakeholders of faith-based social service NFPs

Stakeholder theory and the stakeholder model of the firm can be traced back to the seminal work of Freeman (1984), who clearly articulated and modelled the concept of stakeholders as actors who impacted upon an organisation, and conversely were impacted themselves by the organisation. Whereas the work of Freeman primarily related to for-profit organisations, which have primary accountability to their shareholder owners, NFPs have a vast range of stakeholders to whom multiplicities of accountability obligations lie (Dacombe, 2011, p. 161; Ospina et al., 2002). Specifically, for organisations that come under the focus area of research interest in faith-based social service NFPs, there is an even more complex range of stakeholder and accountability relationships.

Broad categories of NFP stakeholders, together with related accountability reporting flows, were illustrated earlier in the thesis in Figure 2-2, with a brief description of these broad stakeholder categories provided in Section 2.6.1. The aim of this current section is to expand upon the “Stakeholder” column in Figure 2-2, to specifically identify the stakeholders that are relevant to faith-based social service NFPs, and to indicate the primary reasons why accountability is owed to each stakeholder. To facilitate this aim, an original ‘Stakeholder Model of faith-based social service NFPs’ has been developed for the research, depicting the main stakeholders that have been identified in the literature. This model is displayed in Figure 3-1.
Figure 3-1 Stakeholder Model of faith-based social service NFPs
The coloured rectangles in the model represent four categories of stakeholders – funders and regulators, internal stakeholders, clients and community, and political stakeholders.

Within the category of internal stakeholders, as well as including the social service arm that actually delivers the organisation’s services, the religious institution or denominational influence to which the social service NFP affiliates has also been included as an internal stakeholder since the religious institution is specific to each social service NFP, despite the reality that it may be a separate legal entity. Typically, this will be a separate organisation to the social service arm7, but as noted in Booth’s (1993) research framework in Section 3.5.6 above, the particular nature of religious belief systems in respect of the denomination, and the typology of the faith-based organisation (Section 3.5.7), will have an impact on the structure and the nature of spiritual oversight of the social service arm of the NFP. The classification of members in the stakeholder model refers to denominational or church-based members of the religious institution, and not general members of a membership-based NFP. The members usually contribute financially to the religious institution through collections and donations, whilst the religious institution would then (normally) contribute funds to the social service arm of the faith-based NFP. There can be friction between the leadership of the social service arm and the church-based members if the church-based members try and impose a level of spiritual oversight (Cribb, 2006a, pp. 102-103), which may result in tensions in terms of accountability reporting. The other internal stakeholders are based on roles not confined to faith-based NFPs and include the Board, CEO, staff and volunteers (Cribb, 2006a, pp. 89-104). Individuals fulfilling these roles in a faith-based NFP may be members of the religious denomination and/or embrace the spiritual values of the denomination, but this is not always or necessarily the case and often depends upon the typology of the faith-based organisation, as discussed in Section 3.5.7.

Within the funders and regulators category, funders of faith-based social service NFPs include government, corporate funders, philanthropic foundations, and individual donors (Carman, 2009). As faith-based social service NFPs can struggle for funds to provide all the services which they deem necessary for their clients, resource

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7 For example the main denominations in Australia, including the Roman Catholic, Anglican, Baptist, and Uniting Churches, all have separate arms running social service functions for the main church body.
dependency theory (Coppola, Hudak, & Gidwani, 2002; Nevile, 2010, p. 531) indicates that there may be an imbalance of power skewed towards funders who are able to exercise control, such as dictating the specifics of where and how funds are spent, possibly resulting in mission drift for the NFP (Nevile, 2010; O'Dwyer & Unerman, 2008, p. 182). Further, funders often demand a range of reports that are time-consuming to prepare and inconsistent between different funders and which may result in an increased compliance burden for the NFP (McGregor-Lowndes & Ryan, 2009). Individual donors generally do not have a power advantage equivalent to that of government and corporate funders, and thus are unable to demand reports. In some respects, individual donors sit closer to community stakeholders, as these donors will often empathise with the identified community need (Berman & Davidson, 2003). Government regulators are able to impose both reporting and procedural requirements on NFPs via upward and external dimensions of accountability, which may result in a compliance burden (Cribb, 2006b; Ebrahim, 2003a; Flack & Ryan, 2005).

Clients represent one of the three stakeholder groups identified in the clients and community category (Cribb, 2006a, pp. 77-88). Clients are the reason why faith-based social service NFPs are established, so that client needs can be appropriately met (Baulderstone, 2007). NFPs cannot meet the needs of every possible client, and consequently the Mission Statement of an NFP generally identifies a particular community which the NFP will serve. This ‘community’ may be, for example, a particular geographic area, or a cultural group, or a group with a specific type of disadvantage. NFPs should encourage participatory input from the community to ensure the needs of the community are met. Service delivery partners are those partner organisations that provide differing social services to the faith-based NFP, in order to provide a holistic service to clients at a higher level than if social services were provided by just one organisation.

Political stakeholders include influencer groups and the public. The ‘public’, in this political sense, encompasses matters relating to, or affecting the whole area of a nation or state (Merriam Webster 2001), which can be distinguished from ‘community’ in Figure 3-1, where the latter relates only to the community in which the NFP renders its services. Peak bodies and lobby groups are often set up specifically to change public opinion, and can directly or indirectly influence government funding and policy. Hamilton and Barwick (1993, p. 17) define a peak body as:
An ... organisation with other organisations as members formed to represent the collective views of its members to government, to the community and to other bodies.

Peak bodies are normally established by social service NFPs themselves, to represent their member interests and, particularly in Australia, to advocate responsible policy for their client groups (Walsh, McGregor-Lowndes, & Newton, 2008, p. 201). However, to curry favour with government, “some peaks are increasingly seen by their membership as co-opted by, and more interested in, Government agendas” (Cheverton, 2005, p. 426). Lobby groups can emerge from any number of disparate areas and are set up to advocate the views of a particular cause or group. Issues supported can include lobby groups that promote social disclosures (Islam & Craig, 2008) and groups advocating for adequate accountability for NFPs (for example, Aidwatch\(^8\)). Such groups aim to influence government policy and regulation.

### 3.7 Summary of chapter

This chapter has emphasised the contextual nature of faith-based social service NFPs that are the subject of the research, including an overview of the sector in Australia, NFP theory, and the numerous reasons why government agencies use NFPs to deliver public services. Attention was then focused on the theological issues pertaining to faith-based NFPs, including how these issues affect accountability, and finally a detailed stakeholder model of faith-based social service NFPs was developed. This detailed stakeholder model, together with the model of accountability relationships developed in Chapter 2, forms the basis for the investigation of accountability and accountability reporting in selected faith-based NFPs in Australia. The methodological approach and specific research methods applied in conducting this investigation are detailed in the next chapter of this thesis.

\(^8\) Aidwatch is an independent organisation focusing attention on the environmental and social impacts and issues relating to aid, trade and debt (see [http://aidwatch.org.au](http://aidwatch.org.au)).
4 RESEARCH DESIGN AND METHODS

4.1 Research aims and research questions
As a precursor to achieving the research objectives outlined in Chapter 1 of this thesis, Chapter 2 presented a review of the literature relevant to accountability and reporting for not-for-profit organisations (NFPs), whilst Chapter 3 was focused on the contextual nature of faith-based social-service NFPs that are the subject of the research. In Chapter 2, an ‘NFP Model of Accountability’, derived from the literature, was presented, together with a summary of accountability reports produced for a ‘typical’ NFP. The accountability model and report summary provided a useful frame for undertaking the data collection and analysis phases of the research. This frame was supplemented by a consideration of the equally vital specific contextual factors reviewed in Chapter 3, such as the Australian setting of the research and the nature of government funding and the theological aspects pertaining to faith-based organisations.

The aim of the research was to determine how managers within faith-based social-service NFPs perceive accountability, and why particular forms and methods of reporting (in a broad sense) are used in satisfying the organisation’s accountability obligations to stakeholders. This chapter provides an argument for the particular research design and methods chosen to meet this aim. The chapter commences with a discussion of research paradigms, particularly the interpretivist tradition to which the research question lends itself, followed by a justification of qualitative research methodology. The research methods, being observation, in-depth interviews, and archival document review, are then discussed in terms of their theoretical contributions to the study at hand, as well as specific details concerning how these methods were applied to conduct the research.

4.2 Research paradigms
The most appropriate research methodology is dependent upon the research questions posed and the phenomenon being researched (Abernethy, Chua, Luckett, & Selto, 1999, pp. 4-7; Lewis, Saunders, & Thornhill, 2009, pp. 136-137). The assumptions that a researcher holds regarding the nature of reality, that is, ontology, will affect the way in which knowledge can be gained concerning the phenomenon - the epistemology. In turn, an epistemology suggests the methodology – the way/s in which research can be conducted (Ryan, Scapens, & Theobald, 2002, p. 35). The selection of an appropriate
methodology must, therefore, be consistent with the ontological and epistemological assumptions that underpin the research question being asked.

A paradigm is a set of basic beliefs or knowledge claims that deals with ultimates or first principles (Creswell, 1998, p. 17; Guba & Lincoln, 1994). There are two main paradigms in social science research which reflect different epistemological views as to whether the social world can be studied according to the same principles and procedures used in studying the natural world. A positivist paradigm assumes there is one single common reality, and thus the social world can be discovered and explanations provided by using the same principles and procedures used in studying the natural world. An interpretivist paradigm, on the other hand, assumes that reality is socially constructed, that human actors are different to natural phenomena, and that there are a number of multiple realities that can only be apprehended through understanding the perceptions of human actors or research study participants (Collis & Hussey, 2003; Silverman, 2001).

4.2.1 The interpretive tradition

The goal of an interpretive researcher is to “develop an understanding of social life and discover how people construct meaning in natural settings” (Neuman, 2003, p. 76). Researchers are an integral part of the research process, rather than just independent observers, and seek to uncover meanings, understandings, and patterns of conventions created out of social interactions between people (Cavana, Delahaye, & Sekaran, 2001, p. 9). Interpretive research is value-laden, as findings are created by interactions between the researcher and the phenomena under study (Guba & Lincoln, 1994). This necessitates bringing into account biases and value judgements of the researcher, in contrast with the position of positivism which assumes that social research (including business and accounting research) is value-free. A number of researchers who have grappled with the issues of accountability in NFPs have utilised an interpretive paradigm in their research (Cordery, 2005; Cribb, 2006a; Saj, 2009).

The primary research question addressed in this thesis commences with ‘How do managers of faith-based social service NFPs perceive accountability...’. As the question deals with perceptions, an interpretivist approach is considered the most appropriate approach since “the interpretivist researcher assumes that the world is largely what people perceive it to be” (Cavana et al., 2001, p. 9). Communication with stakeholders of faith-based social service NFPs, through broad forms of accountability reporting, is
inherently enmeshed with social actors’ views of accountability and what they attach meaning to, particularly in the case of voluntary reporting where managers try to interpret the needs of stakeholders and respond to those needs in an appropriate manner. Gaining an understanding of the social meaning attached to accountability by managers and NFP stakeholders, and by answering questions important to interpretive researchers, such as:

i) What do people believe to be true?

ii) What do they hold to be relevant?

iii) How do they define what they are doing? (Neuman, 2003, p. 79)

are integral to providing an understanding as to ‘why particular forms and methods of reporting are used in satisfying NFP obligations to stakeholders’, which comprises the second part of the research question investigated in this thesis.

Despite many researchers dealing with the concept of accountability, the nature of accountability remains murky, residing in a ‘bottomless swamp’ (Sinclair, 1995, p. 221). Further, in terms of faith-based social service NFPs, very little empirical research has been undertaken, particularly in an Australian context, indicating that research in this area is still in the exploratory stage. Bisman (2010, p. 6) suggests that interpretive research is “usually context specific” and that interpretive research is not generally based on prior theory, but rather “employs grounded theory and aims to provide narrative and interpretive descriptions of events”.

As the research in this thesis is concerned with how NFP managers perceive and implement accountability, how these managers construct meaning around ‘accountability’, together with how that meaning is employed to discharge ‘accountability’ to multiple stakeholders through reporting mechanisms, an interpretivist approach was the most suitable paradigm to underpin the research.

4.3 Qualitative methodology

While quantitative methodology emphasises numerical measurement in the collection and analysis of data and normally incorporates the norms and practices of the positivist paradigm, qualitative methodology attempts to yield understandings of the meanings behind events and actions, emphasises words and narrative, and usually incorporates the norms and practices of the interpretivist paradigm. A comparison of various central
tenets and key characteristics of quantitative and qualitative methodologies are shown in Table 4-1. The table highlights that the criterion relating to qualitative methodology aligns closely to the interpretive approach. Bisman (2003, pp. 8-9) suggests that “the general topic as well as the objective of a research project may indicate the advantages of a particular philosophical approach or paradigm for conducting research” (also see Cavana et al., 2001, p. 11).

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Quantitative Methodology</th>
<th>Qualitative Methodology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reality is</strong></td>
<td>• objective, out there, to be found</td>
<td>• subjective, in people’s minds</td>
</tr>
<tr>
<td></td>
<td>• perceived through the senses</td>
<td>• perceived not only through the senses</td>
</tr>
<tr>
<td></td>
<td>• perceived uniformly by all</td>
<td>• diverse, perceived differently</td>
</tr>
<tr>
<td></td>
<td>• governed by universal laws</td>
<td>• created, constructed, not found</td>
</tr>
<tr>
<td></td>
<td>• based on integration</td>
<td>• interpreted differently by different people</td>
</tr>
<tr>
<td><strong>Human beings are</strong></td>
<td>• rational individuals</td>
<td>• creators of their world</td>
</tr>
<tr>
<td></td>
<td>• obey external laws</td>
<td>• make sense of their world</td>
</tr>
<tr>
<td></td>
<td>• without free will</td>
<td>• not restricted by external laws</td>
</tr>
<tr>
<td><strong>Science is</strong></td>
<td>• based on strict rules and procedures</td>
<td>• based on common sense and reason</td>
</tr>
<tr>
<td></td>
<td>• deductive</td>
<td>• inductive</td>
</tr>
<tr>
<td></td>
<td>• reliant on sense impressions</td>
<td>• reliant on interpretations</td>
</tr>
<tr>
<td></td>
<td>• objective and value free</td>
<td>• subjective and not value free</td>
</tr>
<tr>
<td><strong>Social research</strong></td>
<td>• employs quantitative methods</td>
<td>• employs qualitative methods</td>
</tr>
<tr>
<td></td>
<td>• aims to explain social life</td>
<td>• aims to interpret social life</td>
</tr>
<tr>
<td></td>
<td>• aims to predict the course of events</td>
<td>• aims to understand social life</td>
</tr>
<tr>
<td></td>
<td>• aims to discover social irregularities</td>
<td>• aims to discover people’s meanings</td>
</tr>
</tbody>
</table>

Table 4-1 Comparison of quantitative and qualitative methodology
Adapted from (Sarantakos, 2005, p. 42)

Given that the interpretivist paradigm is most appropriate for conducting the research, the choice of qualitative methodology is largely predetermined due to the close philosophical alignment between the research question, the paradigm, and the methodology, and which are, in essence, a ‘bundled choice’ (Abernethy et al., 1999, p. 23). Qualitative methodology is suitable for research questions (such as those posed in
this thesis) that stress how social experience is created and given meaning, and emphasis is given to the “value-laden nature of inquiry” (Irvine & Gaffikin, 2006, p. 117). Qualitative research also has the purpose of helping research investigators to interpret and understand actors’ reasons for social actions and the way they construct their lives and the meanings they attach to them (Sarantakos, 2005, p. 42). In this thesis, the use of qualitative methodology allows understandings to be gained of the meanings that managers and other actors attach to accountability, and facilitates the exploration and comprehension of their reasons for undertaking social actions, such as reporting, in response to their perceptions of accountability.

Qualitative methodology can provide rich descriptions helpful in gaining meaning behind the social interactions. Cavana et al. (2001, p. 134) contend that qualitative research provides “a rich and fertile opportunity for understanding the nature of humanity”.

In practical terms, Miles and Huberman (1994, p. 1) argue that qualitative data is:

... a source of well-grounded, rich descriptions and explanations of processes in identifiable local contexts. With qualitative data one can preserve chronological flow, see precisely what events led to which consequences and derive fruitful explanations.

One aspect of qualitative methodology that needs to be assessed in terms of a research study is the extent to which prior theory informs the research design, data collection and analysis (Vaivio, 2008, p. 74). On the one hand, no researcher’s mind is an empty canvas, a ‘tabula rasa’ (Vaivio, 2008, p. 74), but on the other, a strong focus on pre-specified constructs grounded in prior theory can limit new insights.

4.4 Case studies
A case study is preferred in examining contemporary events when the relevant behaviours cannot be manipulated, as in an experiment (Yin, 2003, p. 7). A case study’s strength is its ability to deal with a diverse range of evidence; direct observation of events, interviews of persons involved in those events, documents and artefacts. The richness and organisational context of accountability information reporting by faith-based social service NFPs was captured through the collection and analysis of a similarly diverse range of evidence.
The research approach applied to this project involved the conduct of several case studies situated in faith-based NFPs. Such studies are considered to be ideal in answering the how and why questions of this research (Yin, 2003). Case studies provide rich, context-dependent data (Flyvbjerg, 2006) that are useful in understanding the perceptions and meanings attached to accountability by managers, and which help to explain why particular decisions are made in respect to accountability reporting. Case studies have become more prevalent in accounting studies in recent years, as commentators such as Flyvberg (2006, p. 219) argue: “Social science may be strengthened by the execution of a greater number of good case studies” and researchers respond to calls for accounting to be studied in the practical, dynamic and complex context of ‘living’ organisations (Irvine & Gaffikin, 2006, pp. 115-116). A number of commentators have called for further case study research into faith-based social service NFPs due to the distinctive nature of these organisations. Following one case study investigating the adoption of accrual accounting into a faith-based social service NFP, Irvine called for additional studies on the legitimizing role of accounting and financial reports, “particularly in not-for-profit organisations with a strong mission focus, operating as they do with uncertain financial parameters” (2011, p. 842). In a study of Muslim religious organisations in Malaysia, Abdul-Rahman and Goddard (1998, pp. 199-200) observed that “moral values ... play a very vital part in the way members of the organisations viewed their personal responsibility” and made a plea for further case studies to realise a new theory.

Cooper and Morgan (2008) provide examples of case study research in various accounting fields and argue that these examples illustrate the strengths of the case study for theory development and the potential for generating new knowledge. Whilst foregrounding the value of case studies in accounting research, and the increase in the number of such studies more recently, they also note that there are relatively few case studies undertaken in accounting as compared to other disciplines, due to:

- case studies being difficult and challenging to undertake,
- novice accounting researchers developing a negative attitude to case studies as a result of their training in the scientific method, and
- a dearth of case studies in many accounting journals (Cooper & Morgan, 2008, pp. 173-174).
These limitations highlight the importance of undertaking case studies in accounting, particularly case studies that are useful for theory generation. As noted by Eisenhardt (1989, p. 536), the initial design of theory building research can be assisted with the use of *a priori* specification of theoretical constructs. In this regard, the theoretical constructs relating to accountability in NFPs derived from the existing literature were illustrated in Figure 2-2 (an NFP Model of Accountability), while the theoretical constructs relating to the relations between stakeholders of faith-based social-service NFPs were illustrated in Figure 3-1 (Stakeholder model of faith-based social-service NFPs). The *a priori* specification of constructs helped shape the initial design of the study, for example by ensuring significant variation in respect to the different types of faith-based NFP organisations selected as cases, and these theoretical constructs were then investigated for fit during the research.

Due to the limited amount of empirical research previously undertaken in the setting of faith-based social service NFPs, it was appropriate to study more than one case in order to extend extant theory in this area. Multiple cases or collective case studies (Silverman, 2005, p. 127) of faith-based social service NFPs were undertaken using replication logic (Yin, 2003), employing a diverse range of methods and several sources of information (Sarantakos, 2005, p. 212). Yin (2003, p. 53) describes two main advantages of multiple over single-case designs. Firstly, analytical conclusions arising from multiple case studies are likely to be far more powerful than those generated as a result of adopting a single case design. Secondly, if under varied contextual circumstances common conclusions can be arrived at, theoretical generalisability of the findings will be greatly enhanced as compared to findings arising from study of a single case. With respect to theory generation, the comparison and contrast between various case contexts can challenge existing theoretical assumptions and thereby generate more sophisticated theoretical understandings (Eisenhardt, 1989; Vaivio, 2008, pp. 74-75). O’Dwyer and Unerman (2007, p. 467) have called for further case study research into changing accountability relationships between NFPs and their funders and, more particularly, into how NFPs are dealing with the evaluation and reporting of effective service to their clients. In another study, the same authors contend that additional research concerning the usefulness of a range of specific accountability mechanisms employed by NFPs is warranted due to the “rapidly growing influence of [NFPs] on many aspects of the lives of growing numbers of people throughout the world” - further, such research will foster
“more effective [NFP] accountability mechanisms aimed at enhancing [NFPs’] ability to deliver the maximum social and environmental benefits” (O’Dwyer & Unerman, 2008, p. 822). The research into accountability mechanisms is taken further by some investigators, arguing that the imposition of rigid hierarchical and procedural accountability mechanisms can threaten the viability of the NFP itself, and that additional studies need to be undertaken to identify and develop suitable accountability mechanisms (Ebrahim, 2003b).

4.4.1 Case selection

In selecting an appropriate number of cases, the unit/s of analysis are of critical importance as a case can consist of an organisation, a subunit of an organisation, or individuals within an organisation (Miles & Huberman, 1994). The research question implicitly suggests that each faith-based social service NFP is a unit of analysis, since particular forms and methods of accountability reporting will relate to each specific organisation. Notwithstanding this, the embedded unit of analysis within each NFP is a manager, as the research question directly addresses each individual manager’s perceptions of accountability. This approach reflects a multiple-case design with embedded units of analysis (Yin, 2009, pp. 46-47).

For multiple case studies, selection by sampling of attributes should not be a particular priority (Stake, 2006, pp. 25-26; Yin, 2009, p. 60). Rather, the case should provide an opportunity to learn about the phenomena being studied and especially how context influences the phenomena. “We examine various manifestations of the phenomenon, thinking to some extent of how typical the cases are, but focusing more closely on cases that seem to offer the opportunity to learn a lot” (Stake, 2006, p. 25). Of crucial importance in case selection is the ability to test new and emergent themes as they arise (Rubin & Rubin, 1995, pp. 70-71).

The main cases chosen for the research were three large faith-based organisations typical of the social services sector and purposively selected. They represented different religious denominations and were comprised of different organisational structures. In addition to these three main case organisations, individuals from a total of four smaller organisations were also interviewed and document analysis was undertaken to confirm whether the accountability and reporting framework was applicable to these organisations in a similar manner to the larger entities. These smaller organisations
included one offering a broad range of social services, one providing housing services, and two working with the homeless. Two operated in a limited localised area, with the other two providing services across a broader swathe of NSW. This variation in case organisation type and size aimed to disclose the extent of the disparity and differentiation of the forms and methods of reporting by different faith-based social-service NFPs (Flick, 2006, p. 122). The diversity of organisation types allowed greater understanding to be garnered concerning the reasons why different forms and methods of accountability reporting are used in different organisational types, including whether perceptions of accountability by managers vary between organisation types, thereby testing the accountability model developed from the review of the literature.

Analysis was initially undertaken of the three main cases using a repetition of procedures from which theoretical models were developed. These models were then applied to the smaller case organisations where similar results to the initial cases were predicted, that is a literal replication (Yin, 2003). The cycle continued until theoretical saturation (Strauss, 1987) was reached, that is, no new themes emerged from the analysis and a rich theoretical framework was developed as a result of the replication procedures (Yin, 2003, p. 47).

4.4.2 Embedded units of analysis - Managers
Overall, there were 23 persons selected from the various case organisations, with 15 sourced from the primary case studies – the three large faith-based organisations. The main source of data collected in relation to the managers were transcripts from semi-structured interviews (see Section 4.5.1), as well as observational data (see Section 4.5.2). There were three key employment roles of interviewees: CFOs, Senior Program Managers, and Local Program Managers. CFOs were interviewed as they were the main preparers of the financial statements and were key players in formulating accountability mechanisms to discharge accountability obligations to stakeholders, particularly in relation to procedural accountability. Program Managers of the social service NFPs were interviewed as they were crucial actors in terms of understanding perceptions of accountability. A distinction was made between Senior Program Managers who were at a higher level in the organisation-wide hierarchy and responsible for programs at an organisation-wide level, and Local Program Managers who were responsible for a program at a local level or across a smaller geographic area. One Chief Executive Officer (CEO) was also interviewed, who provided useful insights into the
overall reporting framework of the organisation concerned and why certain accountability obligations were discharged in a particular manner.

<table>
<thead>
<tr>
<th>Case A</th>
<th>Case B</th>
<th>Interviewee</th>
<th>Acronym</th>
<th>Case B</th>
<th>Interviewee</th>
<th>Acronym</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFO</td>
<td>1CFO</td>
<td>CEO</td>
<td>2CEO</td>
<td>CFO</td>
<td></td>
<td>2CFO</td>
</tr>
<tr>
<td>Senior Program Manager</td>
<td>1SPMa</td>
<td>CFO</td>
<td>2CFO</td>
<td>Senior Program Manager</td>
<td>2SPMa</td>
<td></td>
</tr>
<tr>
<td>Senior Program Manager</td>
<td>1SPMb</td>
<td>Senior Program Manager</td>
<td>2SPMa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Program Manager</td>
<td>1LPM</td>
<td>Senior Program Manager</td>
<td>2SPMb</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior Program Manager</td>
<td>2SPMc</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Senior Program Manager</td>
<td>2SPMd</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local Program Manager</td>
<td>2LPM</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case C</th>
<th>Individuals and smaller organisations</th>
<th>Interviewee</th>
<th>Acronym</th>
<th>Interviewee</th>
<th>Acronym</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFO</td>
<td>3CFO</td>
<td>Chief Financial Officer</td>
<td>4CFO</td>
<td>CFO</td>
<td>4CFO</td>
</tr>
<tr>
<td>Senior Program Manager</td>
<td>3SPM</td>
<td>Senior Program Manager</td>
<td>5SPM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Program Manager</td>
<td>3LPMa</td>
<td>Chief Financial Officer</td>
<td>6CFO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Program Manager</td>
<td>3LPMb</td>
<td>Local Program Manager</td>
<td>6LPMa</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local Program Manager</td>
<td>6LPMb</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Program Manager</td>
<td>7SPMa</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Senior Program Manager</td>
<td>7SPMb</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Program Manager</td>
<td>7SPMc</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Table 4-2 List of managers interviewed

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9 Acronyms refer to participant identifiers, used throughout the remaining chapters of this thesis in referring to, citing, and quoting the views and perceptions of the relevant interviewees.
4.5 Research methods

The use of multiple sources of evidence is a key characteristic of case study research (Gillham, 2000, p. 2), where the most common methods used are observation, interview, and review of documentation, archival records and physical artefacts (Stake, 2006, p. 29; Yin, 2009, p. 101). In-depth case studies in an NFP organisation using multiple methods can provide greater insights into how NFPs are dealing with evaluating and reporting on their social effectiveness or impact (O’Dwyer & Unerman, 2007). In the case studies in this research, the multi-method approach involved:

- in-depth interviews with personnel of the NFP;
- direct observation of managers and interactions of the researcher and personnel at the case study sites; and,
- review of documents and multimedia reports, including accountability information and reports, produced by and/or about each case NFP.

The use of multiple sources of evidence was important since the primary research question deals with two separate, but related issues. Firstly, the question concerns what managers perceive accountability to be (i.e. abstract mental constructions), and secondly with what managers do in relation to accountability when they prepare reports to fulfil accountability obligations (i.e. observable actions). To study the effectiveness and accountability of faith-based organisations “one must first unravel the more subtle foundations and components that make them distinct” (Netting et al., 2006, p. 284). By using appropriate multiple methods, perceptions and moral understandings of the managers can begin to be unravelled, assisting in overcoming “the dearth of knowledge of the basic components of faith-based organisations” (Netting et al., 2006, p. 284).

Preliminary theory as to how managers perceive accountability and the reports that flow there-from was illustrated in Figure 2-2 (NFP Model of Accountability). The theoretical basis of this model was investigated using the multiple sources of evidence collected, and the model modified appropriately based on new insights arising from the data. Ethics approval in respect of the collection of interview and other data from the research participants was granted by the Charles Sturt University Ethics in Human Research Committee prior to any interviews being undertaken. A copy of the ethics approval letter is contained in Appendix E. A condition of the research was ensuring that the identity of individuals was kept confidential, as well as case organisations as far as possible.
4.5.1 Individual in-depth interviews

As perceptions of managers cannot be directly observed or garnered from documents and reports, it was essential that the managers of the case study NFPs were interviewed to ascertain their perceptions. Interviews provided the majority of relevant data for each case, and face-to-face interviews were conducted for all managers as a means to preserve the complexity and richness afforded by this form of communication (and the resultant data produced), compared to other forms of interview-based data collection such as telephone interviews or focus group interviews. The individual in-depth interviews provided the opportunity to pose a significant number of open-ended questions, to clarify, prompt and probe, and to establish a higher degree of trust in the face-to-face situation, enabling the respondent to disclose matters that they may be reluctant to do so otherwise (Gillham, 2000, p. 62).

Due to the interpretive nature of the research, a structured interview containing strict adherence to the order and wording of questions was not appropriate (Sarantakos, 2005, p. 268). However, in order to ensure that key theoretical issues, as identified in the NFP Model of Accountability, were addressed (Figure 2-2), the interviews were semi-structured and followed a general protocol. A copy of this protocol is provided in Appendix B. Gillham (2000, p. 65) argues that the semi-structured interview is the most important form of interviewing in case study research and, if well done, can be the richest single source of data. Although use of a protocol ensured that certain aspects of the interviews were standardised, the semi-structured format provided the opportunity for these conversations with managers to be flexible and unique (Gillham, 2000, p. 69).

This approach gave considerable freedom to interviewees to personalise their responses through asking a number of open-ended questions, and also to provide new or additional insights not covered by the interview protocol, but elicited via appropriate probes and prompts (Sarantakos, 2005, p. 279), encouraging further relevant and interesting information on issues not previously covered.

The following methodological parameters of qualitative interviewing (Sarantakos, 2005, p. 270) were adopted as guiding principles for the interviews:

- **Reflexivity.** Qualitative interviewing employs methods and a process of analysis in which researchers reflect upon their approach, and take into
account the implications of the knowledge produced for society and human interaction.

- **Primacy of the respondent.** The respondents are experts who provide valuable data and stand equal with the status of the researcher.
- **No response limitations.** Although the interviews were semi-structured, respondents were free to express their views without any external limitations.
- **Openness.** There was sufficient flexibility to correct and adjust the course of study as required by the research. The interviewer engaged in open discussion with the respondents and maintained a stimulating, but not dominating role.
- **Flexibility.** The researcher followed the course that emerged during the interview.
- **Explication.** Findings emerged through the study and were interpreted during the process of interviewing (as well as in the post-interview phase).

All managers were interviewed individually in their own work environment, with the exception of three managers (7SPMa, 7SPMb and 7SPMc) from one of the smaller case organisations who requested to be interviewed together. Individual interviewing lessened the likelihood of respondents offering untruthful answers as a result of a superior or other person in authority being present (Sarantakos, 2005, p. 284).

The interviews were recorded on a digital recorder since (Gillham, 2000, p. 69):

a) it is impossible to obtain a complete account any other way;

b) it allows for greater concentration on what the respondent is actually saying;

c) to write things down a researcher has to be selective, and important items may inadvertently be missed;

d) writing a lot of things down can inhibit the interviewee; and,

e) by recording, the interview can be listened to several times, and more discerned from the interview each time it is replayed.

From the digital recordings, the interviews were transcribed in full, producing a total of 432 pages of typed transcripts. Using this data, content analysis was undertaken through the utilisation of NVivo software, as described in Section 4. 6. The number of
interviews was not predetermined, with interviews instead continued until the point of theoretical saturation was reached.

4.5.2 Observation

Although the interviews provided a record of what managers said they do, observation added an important element in that observations offer the most direct way of obtaining evidence, offering first-hand information without relying on the reports of others (Sarantakos, 2005, p. 34), and can more accurately capture what managers actually do to the extent that the manager’s behaviour is open to observation (Gillham, 2008, p. 1). It is noteworthy that what managers actually do is also reflected in records and documents (Gillham, 2000, p. 46), so that the document review aspect of the research design (detailed in Section 4.5.3) provided an ideal form of methods triangulation, whereby the behaviours of managers and how they report could be compared and contrasted. Similarly, combining observation with interviewing was useful in identifying any hidden agendas, and in finding deeper meaning attached to people’s emotions and reactions (Whyte & Whyte, 1984, pp. 93-94). In keeping with the multiple sources of evidence characteristic of case study research, observation provided a bigger picture and additional evidence to clarify the theoretical framework developed in the NFP Model of Accountability (Figure 2-2).

Observation at the case study sites was undertaken during the field visits made to conduct interviews. Observations were made of staff interactions and discussions, which provided some insights on the perceptions of managers concerning their accountability obligations, and these observations added value to the data collected from interviews, as there is an acknowledged subjectivity of self-perception when managers respond to interview questions (Gillham, 2008, p. 2). Body language, tone of voice, and other factors disclosed by managers when they were being interviewed revealed further information about how managers perceive their accountability obligations to stakeholders.

The data from observations can be difficult to collate, analyse and adequately write up, but if observations are written up as soon as possible after the event, they will be “easier to recall and also more accurately recorded” (Gillham, 2000, p. 48). Field notes summarising the observations were written-up during and immediately after the interviews, recording appropriate details. These notes were then reviewed between field
visits, which had the effect of re-running them through the researcher’s mind (Gillham, 2000, p. 54), particularly in relation to the key research questions, and were ‘tidied up’ where necessary for clarification. Observations were, of necessity, less significant than the other forms of data collection, but the evidence gathered was useful in corroborating and supplementing data collected via other techniques and provided a “wider descriptive framework” (Gillham, 2008, p. 7) for answering the research questions.

4.5.3 Document review of accountability reports

Documentation was important in the context of the research, given that accountability reports (the prime focus of the research question) are provided by each of the faith-based social service NFPs and are, for the most part, in documentary form. Key documents relating to accountability information, such as annual reports, CD-ROMs, websites, and pictures and video were reviewed, and a content analysis undertaken of this data. Document reviews are important in accountability studies of NFP organisations as they are usually the output of the accountability processes adopted in organisations (Dhanani & Connolly, 2012; Sinclair, 2010; Torres & Pina, 2003). The annual report was given particular prominence as, over time, it has become the principal means of reporting for NFPs (CPA Australia, 2009; Dhanani & Connolly, 2012; Torres & Pina, 2003). Features of this type of content analysis include: objectively measuring specific attributes of text content, a focus on the meanings and interpretations in the text, unobtrusively studying content of a document without the knowledge of the author, and that the procedure is clear and open and, therefore, replicable (Sarantakos, 2005, p. 299). The content analysis process is also comparative, producing data across various organisations and managers. The documents which were reviewed for the three main case study organisations are listed in Table 4-3.
Table 4-3 List of documents reviewed

The focus of the content analysis related to two differing areas, the manifest and the latent content of the documents (Sarantakos, 2005, p. 300). Manifest content refers to the visible surface text and the physical parts of the text manifested in the document, such as words, sentences, and paragraphs. The analysis related to the straightforward and obvious visible content of the document, and it was by reviewing the manifest content that the existing descriptions of accountability reports garnered from the literature and depicted in Figure 2.3 (Summary of NFP Accountability Reports) were able to be investigated and assessed for applicability in the case organisations. Latent content, on the other hand, is more concerned with the underlying meanings conveyed through a document. In this type of analysis it was important to read ‘between the lines’ and identify any hidden meanings inherent in the messages (Sarantakos, 2005, p. 300),
which was particularly important in teasing out and clarifying perceptions and meanings of accountability as determined by the managers of the case organisations, and resulted in the production of the reports and documents leading to the fulfilment of such accountability obligations to various stakeholders.

Secondary documents such as newspaper reports and external research and consultancy reports were also reviewed to provide an independent viewpoint beyond that embedded within documents produced by each NFP. The use of this broader array of archival sources recognises that every document is written for a specific purpose and a specific audience, and a range of documents can provide deeper and different insights into the perceptions and actions of management in the case NFPs see (Cooper & Schindler, 2006, pp. 144-145).

4.6 Data collection and analysis

4.6.1 Principles of data collection

The following three basic principles, as advocated by Yin (2009, p. 114), were adopted for the research:

a) Use multiple sources of evidence,

b) Create a case study database, and

c) Maintain a chain of evidence.

All of the data captured by applying the methods described in Section 4.5 above, including oral interviews recorded to a digital note taker, field notes, and electronic copies of documents, were formally compiled into a computerised case study database. Computer-aided qualitative data analysis software (CAQDAS) is recognised as a significant development in the tools available for the analysis of text (Bryman & Bell, 2003; Crofts & Bisman, 2010, p. 181). For the purposes of this research, NVivo software was utilised. This software was chosen for interrogating the database due to its suitability in facilitating content analysis and thematic pattern matching.

The in-depth audio interviews were transcribed to Word documents and formatted according to NVivo conventions to facilitate further analysis. This enabled the data to be easily manipulated, for example, by automatically identifying content belonging to individual interviewees. The analysis and coding of the data was carried out
sequentially and not reserved until the end of the data collection (Miles & Huberman, 1994, p. 65).

4.6.2 Content analysis

The data content was analysed using a coding scheme based on thematic pattern analysis (Hayes, 2000). In order to undertake this analysis it was necessary to construct categories comprising a set of criteria integrated around a theme (Sarantakos, 2005, p. 302). Whenever a category was created, the researcher attempted to meet the following criteria for categories, as described by Sarantakos (2005, p. 303):

a) to be clearly defined and unambiguous,
b) to relate exclusively to the research topic,
c) to focus on a specific part of the research topic,
d) to be exhaustive, that is in combination to cover the whole topic,
e) to be accurate, unidimensional and mutually exclusive, and
f) to be independent from each other.

An initial start list of categories (Coffey & Atkinson, 1996, pp. 31-32; Miles & Huberman, 1994) was developed prior to undertaking research in the field, based predominantly on the model of accountability developed in Chapter 2 and other theoretical constructs emerging from the literature, as discussed in Chapters 2 and 3. A first pass involved coding the data into general categories incorporating the start list of codes. A model of the original codes developed in respect of accountability, and their interrelationships, is shown at Figure 4-1.
Figure 4-1 Model of start codes in respect of accountability

_Coding_ the data involved recording the presence, frequency, intensity and so on of each category within the original document, such as an interview transcript (Sarantakos, 2005, p. 303). Such coding and subsequent retrieval involved three types of operations, following Seidel and Kelle (1995, pp. 55-56):— firstly, noticing relevant phenomena; secondly, collecting examples of those phenomena; and thirdly, analysing those phenomena in order to find commonalities, differences, patterns and structures. Coding can be considered to be a form of data simplification or reduction if the codes are kept to a general level and their number kept relatively small, with the data reduced to a
simple form of categories (Coffey & Atkinson, 1996, p. 28). However, coding can also be conceptualised as data complication, by which an attempt is made to open up the codes and interrogate them further. In this thesis, coding involved a mixture of both data simplification and data complication as the purpose was to break up and emplace the data in simple, general categories, as well as to tease out the data to amend the accountability model, to formulate new theory, and derive differing levels of interpretation (Coffey & Atkinson, 1996, pp. 29-30).

All items within each category were then compared and contrasted using the ‘constant comparative method’ (Glaser & Strauss, 1967) characterised by a comparison of specific codes, concepts and themes generated from the interview data and other source documents. These were then combined to produce a broader understanding of perceptions of accountability and related concepts. A pattern coding scheme, particularly based on predominant themes (Miles & Huberman, 1994, p. 69), was then developed. The intention of the thematic content analysis was to “identify and evaluate the items that appear to be theoretically important and meaningful and relate them to the central question of the study” (Sarantakos, 2005, p. 306), such as exploring perceptions of accountability by managers, and also to provide an explanatory basis as to how and why faith-based social service NFPs use particular forms of accountability reporting.

Coding was largely an analytical procedure. As stated by Coffey and Atkinson (1996, p. 31), “... coding is much more than simply giving categories to data, it is also about conceptualising the data, raising questions, providing provisional answers about the relationships among and within the data, and discovering the data.” A hierarchical list of codes developed for the research is shown at Appendix C.

As the coding categories were elaborated and developed, broader themes emerged progressively during the analysis of the case study data, and recoding of the data continued in an iterative process until all the themes were readily classified, categories were saturated, and the overarching themes emerged from the analysis (Lincoln & Guba, 1985; Rubin & Rubin, 1995). The NVivo software assisted in this process. “Framework matrices”10 provided a grid where each row represented the case organisations, each column represented the main themes, and the intersecting cell

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10 Framework matrices in NVivo are visually represented by a grid. The columns represent the themes, the rows represent cases (in this research, the case organisations), and the intersecting cells contain summaries. Each summary describes the content coded for the case organisation that is relevant to the theme.
contained summaries of the coded content relevant to both the case organisation and also the theme. Reviewing each column provided a summary as to how a particular theme applied to each case organisation, highlighting similarities and differences between each organisation. In order to provide a greater depth of analysis, and to examine the latent as well as the manifest content, “Memos”\textsuperscript{11} were used within the NVivo software to document thoughts and ideas relating to each of the themes and to link to the original interview data to provide context to the themes. The memos facilitated reflexive thinking, allowing the themes and sub-themes codes to be developed and re-organised in alignment with the data presented, until the main themes emerged. An example of a memo used in the analysis phase of the research is shown at Appendix D.

Data collection ceased when there were no new findings, either supporting or contradicting earlier themes, emanating from the source data, thus indicating theoretical saturation (Kreander, Beattie, & McPhail, 2009). Consequently, although an \textit{a priori} start list of codes was utilised, the process of content analysis could still be rightly termed \textit{inductive category construction} (Sarantakos, 2005, p. 306), as the categories of data were gradually developed through analysis and refinement until a number of overarching categories were constructed.

4.6.3 \textit{Document content analysis}

The content analysis undertaken in respect of the accountability reports, particularly when coding the manifest content, could most accurately be labelled \textit{structuring context analysis} (Sarantakos, 2005, p. 306). It involved putting material in order and summarising the content into one of the previously defined types of reports identified in Figure 2.3 (Summary of NFP Accountability Reports). Where a report type could not be matched with the pre-designed model, a new category of report was created. This content structuration led to the identification of typical examples of accountability reports, and to a new summary model of NFP accountability reports for faith-based social service NFPs (see Figure 8-2). The types of codes allocated to reporting for the case organisations are illustrated in Figure 4-2.

\textsuperscript{11} “Memos” in NVivo are a special type of document. They are used for collating thoughts and ideas and can be linked to the themes developed (i.e. nodes), or to other memos and documents within the NVivo software application.
The multiple methods approach adopted, although each method possesses unique pros and cons, assisted in establishing data convergence across the various methods of interviews, observations, and document review.
4.6.4 Strengths and weaknesses of research methods

Table 4-4 presents an overview of the relative (and potential) strengths and weaknesses of each type of data collection method used in the case study research.

<table>
<thead>
<tr>
<th>Source of evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| **Documentation**  | • stable - can be reviewed repeatedly  
|                    | • unobtrusive - not created as a result of the case study  
|                    | • exact – contains exact names, references and details of an event  
|                    | • broad coverage – long span of time, many events, and many settings  | • retrievability – can be low  
|                    |                                                      | • biased selectivity if collection is incomplete  
|                    |                                                      | • reporting bias - reflects (unknown) bias of author  
|                    |                                                      | • access – may be deliberately blocked  |
| **Interviews**     | • targeted – focuses directly on case study topic  
|                    | • insightful – provides perceived causal inferences  | • bias due to poorly constructed questions  
|                    |                                                      | • response bias  
|                    |                                                      | • inaccuracies due to poor recall  
|                    |                                                      | • reflexivity – interviewee says what interviewer wants to hear  |
| **Observation**    | • reality – covers events in real time  
|                    | • contextual – covers context of event  
|                    | • insightful into interpersonal behaviour and motives  | • time-consuming  
|                    |                                                      | • selectivity – unless broad coverage  
|                    |                                                      | • reflexivity – event may proceed differently because it is being observed  
|                    |                                                      | • cost – hours needed by human observers  |

Table 4-4 Case study sources of evidence: strengths & weaknesses

Adapted from Yin (2009, p. 102)

All of the data collection strategies applied have certain strengths and weaknesses, such that no single data gathering method has a complete advantage over the other/s. However, the various data collection types are highly complementary in that they generally have non-overlapping weaknesses (see Brewer & Hunter, 1989, p. 17). For example, the review of existing organisational documentation that contains exact names, references and details of an event, may help overcome the issues relating to
obtrusiveness and observer bias which may be present under conditions of direct observation (Gillham, 2000).

4.7 Evaluative criteria for qualitative research

4.7.1 Methodological soundness

Within the positivist research paradigm, reliability, validity and generalisability are used to judge the soundness of the research (Neuman, 2006, pp. 188-198; Sarantakos, 2005, pp. 72-99). Reliability relates to stability of results and is the extent to which the research findings would be the same if the research were repeated at a later date, or with a different sample of subjects (Bryman & Bell, 2003, p. 33). Generalisability refers to the probability that the results of the research findings apply to other subjects, other groups, and other conditions (Bryman & Bell, 2007, pp. 169-170). Validity is the extent to which the data collected truly reflect the phenomenon being studied (Cavanaugh et al., 2001, p. 23) and can be distinguished in two ways. Internal validity refers to the degree to which inferences can be drawn that a causal relationship exists between two or more variables (Ghauri & Gronhauge, 2002, p. 71), while external validity pertains to the ability to extend the results obtained to wider settings (Bryman & Bell, 2003, p. 34).

However, positivist criteria for evaluating the soundness of research are generally inappropriate in qualitative research settings. Instead, qualitative researchers tend to use alternative research evaluation criteria, such as trustworthiness, credibility, transferability, dependability, and confirmability (Guba & Lincoln, 1989; Healy & Perry, 2000). Bryman and Bell (2003, pp. 288-289; 2007, pp. 411-414) believe that trustworthiness is the key criterion for evaluating qualitative research and is underpinned by the four other criteria of credibility, transferability, dependability, and confirmability, as discussed below.

4.7.2 Credibility

The criterion of credibility stresses that research should be carried out according to good practice, meaning multiple accounts of social reality are normally gained through practices including prolonged engagement in the field and triangulation of data and techniques, such as respondent validation or member validation (Creswell, 2009, pp. 191-192).
4.7.2.1 Triangulation

Triangulation entails using more than one method, theory or source of data to view a concept or theory from different viewpoints (Bryman & Bell, 2007, p. 412; Neuman, 2006, pp. 149-150). “This strategy reduces the risk of chance associations and of systematic biases... and allows a better assessment of the generality of the explanations that one develops” (Maxwell, 2005, p. 112). Bisman (2010, pp. 12-13) has identified several different approaches to triangulation, including:

i) between methods triangulation (Denzin, 1978) – involves the use of more than one method in one study (also known as within-study multiple methods);

iv) within method triangulation (Denzin 1978) – such as using multiple sources of data within one method;

v) theory triangulation (Berry, Loughton, & Otley, 1991)– using multiple theoretical perspectives or frameworks to underpin a single study;

vi) researcher-subject triangulation (Cohen & Manion, 1989) – corroborating the researcher’s results, interpretations or findings with the research subject;

vii) investigator triangulation (Duffy, 1987) – using more than one investigator in a single study (also known as researcher convergence);

viii) between studies triangulation (Birnberg, Shields, & Young, 1990) – where an understanding of phenomena is built up by one or more researchers utilising different methods in different and/or successive studies of the same issue.

Combinations of a number of methods, including individual in-depth interviews, observation, and document review, were used to investigate the research question, providing between methods triangulation through the use of multiple methods. Multiple data sources, particularly in reference to the review of documents of different provenances related to each NFP, supported the researcher’s approach to within-method triangulation.

Theory triangulation featured in the current study by virtue of the utilisation and application of several theoretical perspectives, including stakeholder theory, multiple accountability conceptualisations, and the use of a theological lens.
Researcher-subject triangulation, also known as member checking or respondent validation, “whereby researchers provide subjects with an account of their findings for assessment” (Bryman, 1989, p. 137), is dealt with more fully in sub-section 4.7.2.2.

There was only one researcher primarily involved in the project (and hence no direct opportunity for investigator triangulation), which could have led to the introduction of researcher bias. However, such bias was minimised through post-analysis validation (that is, researcher-subject triangulation) by the NFP managers (member checking), and by experienced researchers in accounting (peer debriefing). During the course of the research, preliminary modelling, results and findings were also subject to peer review processes through the exposure of the work via journal publications and conference presentations (see Appendix A).

As each case study undertaken in this research was discrete, the results and findings of each case study contributed to a form of between studies triangulation.

4.7.2.2 Member checking

Member checking or respondent validation involves taking the researcher's data back to some or all of the original participants involved in the case study and asking them whether the researcher's interpretations of the information provided by them “rings true” (Merriam, 2002, p. 26). This is an important way of ensuring participants’ views have not been misinterpreted, as well as critical in identifying biases of, and misunderstandings by the investigator (Maxwell, 2005, p. 111). Member checking in the case studies was undertaken with a number of interviewees.

4.7.3 Transferability

Qualitative findings are embedded in the contextual uniqueness and significance of the organisation being studied and its social environment (Bryman & Bell, 2007, p. 413). Whether or not the findings can be transferred to another setting is an empirical issue (Lincoln & Guba, 1985, p. 316) and dependent upon a ‘thick description’. There needs to be sufficiently rich accounts of the details of the interactions within the organisation that provide others with enough information to make judgements about transferability of findings of the specific case to other milieux. The current chapter explains the research approach, describing the data collection and analysis process in detail, including the development of overarching themes in an iterative manner through the use of
appropriated coding techniques and reflexive thinking. Each main case is described and individually analysed (see Chapters 5 to 7), as well as a complete chapter (8) devoted to cross-case analysis. The final themes are supported by the smaller case organisations as well. All of which, collectively, provide the requisite rich accounts to enable other researchers to assess the transferability of the research findings.

4.7.3.1 Rich thick description

Rich thick descriptions were derived from the in-depth interviews, and during the analysis phase these descriptions were built up through the use of memos and notes included in the NVivo computerised database developed for the research project. Whilst only faith-based social-service NFPs were analysed in each case, the richness and depth of the descriptions provide sapience that illuminates and adds to accountability and stakeholder theory, and which may be transferable in certain situations.

4.7.4 Dependability

Guba and Lincoln (1989) propose the idea of dependability in qualitative research as having similar import to the notion of reliability within the context of quantitative research. Dependability relies on an auditing approach, ensuring complete records are kept of all phases of the research process, including decisions related to data collection and data analysis, so that a research chain encompassing a complete record of all phases of the research project is able to be followed and is capable of review by expert peers. All details of the research were kept in a CAQDAS database, including decisions made relating to coding, narrowing of classifications, and other data collection and analysis decisions.

4.7.4.1 Peer debriefing

Peer debriefing involves requesting an academic colleague to scan some of the raw data and assess whether the interpretations and findings are plausible based on that data (Merriam, 2002, p. 26). This procedure provides greater assurance that the account will resonate with people other than merely the primary investigator (Creswell, 2009, p. 192). An academic peer reviewed several of the coding examples, providing a level of assurance that the findings based on this coding are tenable.
4.7.5 **Confirmability**

Confirmability is concerned with demonstrating that the researcher has acted in good faith, not allowing personal values or biases, or theoretical inclinations, to sway or manipulate the research or findings. However, as with all interpretive, qualitative research, complete objectivity is impossible and is counter to epistemological understandings of interpretivism where there is an “acknowledgement that research is value-laden, not value-neutral, and that both those being researched and the researcher make value judgements” (Highfield & Bisman, 2012, p.5). Nevertheless, the maintenance of detailed research records, as well as the strategies employed to enhance rigour, demonstrate that personal biases were kept to a minimum.

4.7.5.1 **Clarify bias**

Self-reflection by the researcher provides consideration and discussion of how the research findings are shaped by the researcher’s background, such as gender, culture, and socioeconomic status (Creswell, 2009, p. 192). The researcher’s background was fully disclosed to research participants, and how that background affected the research in terms of bias and value judgements is addressed in Section 4.2.1.

4.7.5.2 **Present negative or discrepant information**

Usually in qualitative research there will be discrepant data and different perspectives that run counter to the themes developed from the majority of data (Creswell, 2009, p. 192; Maxwell, 2005, p. 112). Referencing this contrary information when discussing a theme adds to the credibility of the account. Negative cases and discrepant information were investigated to determine if there were reasons why individual cases and perceptions were different, and these rationales were woven into the discussion of the theme, where applicable, or otherwise disclosed as an exception.
4.8 Chapter summary

This chapter has outlined the design, methodology and methods of the research presented in this thesis. The research paradigm underlying the study aligns with the interpretive tradition, employing qualitative methods, particularly the case study approach. The research methods adopted were individual in-depth interviews, observation, and document review of accountability reports. Thematic content analysis was used to group and sort perceptions of accountability held by managers of faith-based social-service NFPs against categories derived from the examination of the existing accountability literature. The results were then applied to further inform and present a modified model of NFP accountability. Analysis of annual reports and other documents was used as a basis for making comparisons, and identifying contrasts, with the “Summary of NFP Accountability Reports” (Figure 2-3) that was generated from the review of literature. Finally, criteria for evaluating qualitative research and the strategies adopted in this research project for meeting these criteria were presented.

The following three chapters present a case by case analysis of each of the three main NFP organisations studied.
5 RESULTS – CASE A ANALYSIS

5.1 Description of Case Organisation A

Organisation A is a large Christian organisation headquartered in Sydney, and offering a broad range of social services, including housing, across the whole of New South Wales (NSW). The organisation has revenue of approximately $350 million, of which 60% is derived from government sources, 15% from corporate donors, 10% from individual donors, and a further 10% from fees generated from clients. There are approximately 4,000 employees in this NFP.

![Revenue sources]

Organisation A’s mission is motivated by a love for God and priority is given to serving the needy.

“I think people become more aware that we are, to use an old expression, we are ‘Christianity with our sleeves rolled up’. I think that's important" (CFO).

The structure of this organisation is very hierarchical, with all social services being provided by members of the church itself in a top down structure, with centralised reporting and control. All income and expenditure categories are determined centrally, and all funds are deposited in a centralised bank account. In this way it is different from the typical NFP illustrated in Figure 3-1(Stakeholder model of faith-based social-service NFPs), as there is no separate social service arm. The religious institution and the social
service arm are one and the same, and it is a key tenet of the philosophy of the church to assist others in need, particularly the poor and marginalised. All members of the church are required to agree with the church’s statement of faith, and all paid staff are also members of the church. Some volunteers from outside the church are utilised, but are not involved in the management or decision-making of the organisation to any significant extent.

Another distinctive structural feature of Organisation A was the clear demarcation between the ‘finance’ section, and the ‘program’ section in Head Office. All the finance and legal aspects, as well as the majority of matters relating to procedural accountability, were referred and reported by the finance section to external stakeholders, whereas matters related to consequential accountability, such as client outcomes in terms of efficiency and effectiveness, were referred to the program section who reported on these matters to external stakeholders.

“The reporting accounting-wise is what we have achieved and the way in which we have operated financially for that period [prepared by Accounting Section]. The Program Section do the actual program achievements. They have the KPI’s on that and whether you have met that. So you have two different sets of reports” (1CFO).

There was a recognition that this distinction can create tensions and one of the mandates provided to the CFO was to ensure the two sections work together more closely - “...one of the charters that I have been given for the next 12 months is to make the relationship between program and finance completely seamless. That’s important.” (1CFO).

5.2 Accountability perceptions

To gain a quick overview of manager perceptions, interviewees were requested to nominate the three main parties they thought the NFP was accountable to, and the two main items for which the NFP was accountable. Results are summarised below in Table 5-1.
Government is seen as a key stakeholder by all four managers, predominantly because government provides the major source of funding (over 60%) for the organisation, and also due to the regulatory requirements and policy objectives from government to which Organisation A needs to adhere.

It is interesting that ‘God’ is seen as being a key stakeholder by two of the four staff interviewed. For 1CFO and 1SPMa, even though they did not nominate God as one of the three key stakeholders, it is predominantly an issue of terminology, as other evidence from their interviews highlights God and Christian principles are an overriding concern for them personally.

Donors were mentioned twice, as was the public. In terms of donors, it is important to be accountable for the use of their funds. Furthermore, as the organisation’s reputation is jealously guarded by management, it is important to be accountable to donors and the public to guard its reputation of being efficient with funds, but also in producing beneficial outcomes for clients.

There is a strong sense of being accountable to clients, and advocating on their behalf. Whilst only one manager mentioned being accountable to clients directly, two managers specifically listed being accountable for client treatment and client outcomes, and it was implicit in the more generic accountability for ‘outcomes’ with the other two managers.
Accountability for finances was also strong across the organisation, as can be seen by all four managers mentioning accountability for this aspect.

Other perceptions of accountability that did not appear in Table 5.1 above, but came through strongly in other aspects of the interviews, were moral accountability and peer accountability.

Moral accountability was, in general, perceived to be very broad by the managers. It was far broader than religious obligations, for example, although religious values and ethics were extremely important as the social-service arm was also the church body. Moral accountability was used in the context of treating clients well, but also in ensuring that all conditions of funding were met in terms of financial accountability and processes.

“I think the main thing that we are accountable for is to operate in an ethical manner. We are dealing with people, we are dealing with people in crisis. I think our sense of value, our sense of ethics is very important” (1LPM).

An interesting accountability type that is rarely mentioned in the literature is that of peer accountability. Whilst it may contain elements of personal accountability or professional accountability due to managers being accountable to other staff in the organisation, peer accountability is a separate category due to the fact that “people met and kept each other accountable” (1LPM). It is therefore a two-way accountability relationship containing elements of mutual obligation.

5.3 Key accountabilities

The key accountabilities for Organisation A fall neatly into the two categories of procedural accountability and consequential accountability, as depicted in Figure 2-2 (NFP Model of Accountability). As mentioned previously, there were in fact two separate sections in Head office dealing with these two areas - the Finance Section dealt with matters of procedural accountability and the Program Section dealt with matters of consequential accountability.

5.3.1 Procedural accountability

Procedural accountability was important and represented a substantial time and cost impost for staff in Organisation A, with a particularly strong emphasis on financial accountability.
“I’m clear about what financial is. I mean that’s the bane of my life, just the number of people that want to look at what you’re doing with your finances. And I think [Organisation A] is pretty, for some reason, seems to be almost anal about that” (1SPMa).

Although the managers thought the financial accountability processes were ‘almost anal’ and ‘tedious’, they also recognised that being seen to be above reproach was important to the organisation, and that maintenance of the organisation’s reputation was first and foremost.

However, there was no consensus as to whether procedural accountability had become easier over time. Certain managers noted that newer electronic systems (both internal to Organisation A and external databases from government funders) had made input and compliance easier. Others indicated it was still difficult, particularly where there was complexity of services offered by the program, as well as difficulty in measuring improved outcomes for clients with complex needs.

Another reason for the emphasis on financial accountability in Organisation A was the general acceptance of the notion of good stewardship of its funds. Whilst the notion of stewardship was important in ensuring financial accountability to funders, stewardship also implied an acceptance of being accountable to God for “the way in which he has provided for us” (1CFO). This Wesleyan notion of stewardship includes being not only accountable for finances, but also an accountability for a person’s work and abilities, since “… as a Christian we are asked to be good stewards with our time and our talents and I don’t have a problem with that” (1CFO).

In a social service organisation that deals with vulnerable clients such as drug affected youth, mentally impaired clients, and aged persons, legal accountability is vitally important to protect clients as well as staff and volunteers.

“Yes we've got to, we are providing a service here to a group of people who are traditionally fairly aggressive and so we've got to be careful how we go and that's for the staff as well, we've got to be careful how we look after our staff. We've got to provide proper facilities for them, rules, guidelines for them so that they don't get hurt and that sort of thing” (1SPMb).

Organisation A took legal accountability very seriously. It is not uncommon for their records to be subpoenaed by the courts, and changing legislative requirements, such as
occupational health and safety, mean they have to be extremely vigilant in terms of legal processes.

“And legal accountability, I mean that’s another one that, I mean we had a phone call today telling us that some of our records are being subpoenaed by a trial, so you’ve always got to be aware of that sort of stuff, too. I mean, we’ve just gone through a big thing with our staff about the way they were writing client reports. Occupational health and safety is another thing, isn’t it, it’s a minefield at the moment” (1SPMb).

Process accountability was also a major type of accountability within Organisation A. The hierarchical structure of the organisation, together with numerous policies and procedures emanating from “head office”, was commented upon by all the Program managers.

“We have accountabilities to [Organisation A], they provide minutes and policies and procedures about how we operate financially, how we are to manage our finances. Things like go down to the level like how many days you hold cash on the premises before you bank it, how you operate your petty cash, I mean there’s a book like this [manager indicated a large book]…keep going?” (1LPM)

Internal audit was a key factor in ensuring process accountability for Organisation A, “to make sure it operates as per the rules and regulations” (1CFO).

“So we’re definitely accountable to [Organisation A] and we’re subject to audit every year, internal audit. So, they give us quite a bit of bashing around for that, to be quite honest, we have had, that’s quite a, always a difficult, stressful time” (1LPM).

5.3.2 Consequential accountability

Consequential accountability, as depicted in Figure 2-2 (NFP Model of Accountability), has two distinct categories, effectiveness and efficiency. There is no doubt in Organisation A that managers’ perceptions about the importance of efficiency and effectiveness have been influenced by the adoption of NPM by government over recent decades. There has been a stress on value for money by government in terms of efficient delivery of services and measurement of ‘outcomes’.

Nevertheless, due to the distinct mission of Organisation A, directed at the poor and marginalised, managers’ perceptions of effectiveness relate primarily to assisting clients, meeting their physical, emotional and spiritual needs, and also treating them fairly.
“We are accountable for some moral situations here in that we need to be seen to assist people and to do the best that we can for them and not to discriminate” (1CFO).

In a broader sense, managers perceive that effectiveness equates to social justice for the disadvantaged.

There were concerns that political considerations by government and resultant governmental policy frameworks hinder the effectiveness with which Organisation A can assist clients.

“We believe personally that many of the people they [federal government] are trying to push off welfare are not yet ready to fully be able to function in the workplace, and that’s been to the detriment of the individual. The reality is, that’s the framework you’ve got to work in, so we’ve had to adapt and we’ve had to try and use program initiatives that try and be within the bounds of that compassionate and bring an [Organisation A] flavour to it” (1SMPa).

On the other hand, managers realise that effectiveness of both service delivery and administration can be improved if Organisation A follows government principles to work together with other service providers.

“Yes, they are much more outcome driven rather than what they used to be and I think one of the other things is that they want organisations like [Organisation A] to instead of establishing silos of service around the place of saying look, you do all of these individual things well, it would be really nice if you could get it together, bring all of these administrative things under the one umbrella and do it, and get a greater service delivery ... we need to do something to work more co-operatively” (1SMPb).

The adoption of NPM principles came with a push for efficiency in the delivery of services, that is, greater outcomes with the same or reduced level of government contribution. This has meant working closely with other providers, specialising where necessary, and at times assisting smaller providers. Overall, Organisation A managers see this push for efficiency positively, and consistent with wise stewardship.

“I suppose as a tax I believe that there has to be measures in place to ensure that public monies are being used appropriately and I believe also that we need to measure the programs, we need to evaluate them because the resources are limited and there is such a need, I suppose, or the competition is reasonably great and I think we need to ensure that we are getting value for money” (1LPM).
“I think it is probably the objective of what the funding bodies wanted, to stop some of this, you know, money which was meant for client benefit being spent on administrative. I mean the administrative costs must have been horrendous, I think that it has largely stopped now” (1SPMb).

The following sections 5.4 to 5.7 detail the various stakeholder groups and how these managers perceive these groups need to be communicated with, as well as the unique attributes of their relationships with these stakeholders.

5.4 Funders and regulators

5.4.1 Government funders and regulators

As noted in Section 5.2 above, managers perceive government to be a key stakeholder, and one which is held in high regard. There is a complexity in relationships as Organisation A deals with numerous government agencies, predominantly at the state and federal level, but also local government. The managers in Organisation A usually do not discriminate between government funders and regulators as funding, policy and regulation often comes from the one agency. Although there are moves in certain agencies to improve the agency’s corporate governance by setting up an independent regulator (for example, NSW community housing), Organisation A’s objectives are not dissimilar to those of government - the key difference being that the Christian message and passion is foremost in Organisation A.

“So you realise that our objectives are very, very similar, we do it a slightly different way in that we also have a Christian message, a Christian passion to go with that. There is a slight difference. But overall things are very similar” (1CFO).

As depicted in Figure 2-2 (NFP Model of Accountability), there was strong discussion and negotiation around explicit shared expectations between Organisation A and government stakeholders. There was input from both sides and it appears a truly negotiated process.

Nonetheless, the NFP’s organisational objectives and mission clearly took priority over the social objectives of government. Organisation A certainly wishes to work with government, but its focus is on the poor and marginalised, delivered on the premise of Christ’s love.

“I don't view it anything other than a business deal. I'm tendering to provide a service to the government and I've got to read what their objectives are, what they're trying to achieve and the manner to which they want to do it. The levels of
funding that they are prepared to provide and all the rest of it. To me it is a question of "Do I want to do this" and "Do I want to do what the government is here stating in their objectives, does that fit in with [Organisation A] objectives and mission?" (1SPMb).

There was also a difference in perspective when viewing objectives. Government looked at the overall social objective, whereas Organisation A tended to look at need from a community perspective. Whilst the organisation covers a huge area, it has staff on the ground at the local level that can provide feedback as to what is required at the local level.

“There has to be a difference because the government looks at the overall, we look at what is in our own community, in each particular location” (1CFO).

Criticisms of the NPM philosophy in terms of tendering and imbalance in the power relationships between government and service providers seemed to be confirmed somewhat with the Government being aware that they were not fully funding projects to an appropriate level to maintain services and to cover all administration costs. “I do see an issue as I said before, they ask for a lot of stuff, they give you money only for a certain part of it” (1CFO). Nevertheless, Organisation A is large and does have significant political clout, so it could be surmised that smaller organisations would have an even harder time negotiating with government. When government funders decide not to fully fund projects, Organisation A will often decide to subsidise the balance with their own funds.

“I think they do at times because it costs money to provide these things and sometimes the government say you need to do this, this and this and you say yes, right. And then, yes that's fine, you've got to provide the money for the rest” (1CFO).

One example is that government programs do not cater well for an individual with complex needs, and therefore Organisation A brings funds from various programs together, as well as providing funding from its own sources to meet these complex needs, which disparate government agencies have trouble trying to consolidate. Sometimes it may be an ancillary or religious type of service, such as chaplaincy, which is outside government funding guidelines, but Organisation A nevertheless views as appropriate and important.

The reputation of Organisation A was considered vital by managers, and in general they had a strong working relationship with the state and federal agencies in a range of
program areas, which they were hesitant to jeopardise. Organisation A is big enough to have a direct line to senior government staff, and could exert influence if it wished. Nonetheless, the organisation was somewhat conservative in its approach to government, but will take action when necessary, particularly if it considers clients’ interests are being compromised. For example, refusing to accept contracts for welfare to work programs under the Howard government, and joining forces with other providers to protest against inadequate funds being provided for aged care accommodation.

However, some in the organisation, particularly the local program manager who is further from the centre of the organisation, felt the organisation could wield more power with its reputation and financial muscle. “I don't think we use the services and the amount of support that we provide to the government to our advantage. We are meek and mild” (1LPM).

The bureaucratic nature of government, including a strong upwards instrumental accountability as identified in the literature, was apparent within many of the relations between the managers of Organisation A and government staff.

“I have one issue at the moment we are working on. It has gone from the local area to the regional area and from the regional area to the territorial area for them, and then from there up to Head Office, from the manager, assistant manager to the manager and then to ... so it's goes all the way up and comes all the way back down again” (1CFO).

In this vein, there is a sense of the government being overly concerned with rules and definitions, rather than really trying to obtain an overall sense of effectiveness. The following quote exemplifies a perception that a lot of time is wasted in reframing wording and vocabulary to suit the new guidelines of a particular department.

“Yes they are detailed and I went through a series six months ago which we went down to the levels per centre accounting for the program and explaining how we use that because the wording, they had changed their wording and we had stuck with ours. We had to sit down with them and to write down to what the percentage was used, how much was used for the benefit of client etc., so we did that, educational expenses as well, teaching the clients how to use computers, how to write resumes, this type of stuff so we went right down to that level” (1CFO).
There was at times frustration with a lack of knowledge of the pertinent social issues and knowledge by government staff because of high turnover and lack of interaction with social problems at the coalface. “We generally get our own local workers [government employees], but I think that there are times when those above should come and see what we are doing. I mean you can’t really make a policy decision if you don’t really understand what you are talking about” (1CFO). Despite this lack of understanding in some program areas, it was apparent in others that there was a genuine attempt to engage with managers of Organisation A, even at high levels within the relevant government department. “There is no way, 15 years ago, that a manager of a service somewhere might have got access to someone like him, but that has changed, much more accessible” (1SPMb).

Despite improvements in some individual programs, the silo mentality of different government departments and programs was still perceived to be a problem by the case organisation managers. “Government seems to be developing things in silo, rather than all these different Government departments saying well, what can we learn from each other?” (1SPMb). This problem has meant inconsistencies in requirements for accountability reports and increased red tape.

In terms of accountability to government, one manager (1SPMa) reported that what the government wants is the returning of appropriate paperwork NFPs, and not having adverse media. One issue with this risk-averse nature of government is that they are unwilling to try new, innovative ideas to improve outcomes and effectiveness, which unfortunately has the most impact on those in society with the greatest need. “My concern is, again, is that the people that miss out the most are those who are the most disadvantaged, and who have the most complex needs” (1SPMa).

5.4.2 Corporations

One of the reasons that funding is sought from corporations is because they are able to fill the gap where government funding is inadequate or where innovative programs can be trialled so as to improve the outcomes and effectiveness of government programs. “So, I’m always looking for corporate funding to do some of those things that we know will make a difference” (1SPMa). However, one of the issues with this situation is that the time of managers is taken up with fundraising from corporates in various ways,
rather than using that time and expertise on the ground in providing social services to clients in need.

Programs that had reasonably large support from corporates came with the concomitant expectation of reporting on both procedural and consequential accountability, largely to dovetail in with the private sector companies’ own corporate social responsibility reports.

“Even the private organisations that are funding us, are requiring us to report to them, both financially and also on our program activity. So they’re actually almost replicating government” (1SPMa).

5.4.3 Philanthropic foundations

Philanthropic foundations are a minor source of funding for Organisation A, but are also expecting increased accountability reporting from Organisation A.

“Usually, in the past, I've found foundations tend to just give you the money, and you give them a page, a quarter of a page report at the end of the year, and they're okay. But I’ve found now, more and more, there is a higher level of accountability required” (1SPMa).

5.4.4 Individual donors

Individual donors are a significant source of funds for Organisation A, particularly through their annual doorknock appeal. It is interesting that the managers of Organisation A generally do not make a distinction between individual donors and the general community, in the belief that if they retain their reputation and provide information to the community, then individual donations will follow.

“But if you’re going to run, if you’re going to get support from the public, then you’ve got to let them know what you’re doing, and you’ve got to let them know what the needs are, and you’ve got to let them know what you’re achieving” (1SPMb).

5.5 Client and community stakeholders

5.5.1 Clients

There was a strong emphasis in Organisation A on assisting clients, advocating for them, and finding meaningful ways of being accountable to them. This included providing them with the opportunity to exercise the sanctions described in Figure 2-2
(NFP Model of Accountability) of *voice*, and providing means of *exit* from a service if the client wished.

“Yes, but our main ambition is to help those that need help and that's the [Organisation A’s] mission statement. You'll find that we really do focus on those who are marginalised and those who are in need. There are those who cannot afford to pay for what we do. We do try and look after those” (1CFO).

There are difficulties in providing appropriate accountability to clients, particularly when they are vulnerable or have limited mental faculties. Some managers described this accountability as including a respectful and caring service with fair treatment. “Yes, well to clients we do that by the way in which we act, by the way we treat them, the services which we provide” (1CFO). Although overtly Christian, there is a clear recognition by the managers that they are serving all members of society and cannot discriminate on the basis of religion. “So if we have a Christian, if we have a Muslim, a Hindu, whatever, atheists, whatever, we cannot discriminate on their religion or personal beliefs” (1CFO).

Another aspect of accountability is ensuring that there are policies and procedures developed in relation to clients, so that clients (and family where necessary), as well as staff and volunteers, fully understand their rights and responsibilities.

“Clients, understand what their rights are, what our responsibilities are, and that goes right from our employment or our volunteer agreements, right through to how we treat our welfare clients or the ones in crisis or the ones in the shop” (LPM1).

Simply being a Christian organisation means for Organisation A that there are certain expectations held by clients around the level of service and the way it is delivered to them and for which clients hold the organisation accountable.

“I suppose accountability comes from others within the church but also from your clients. The clients are very quick to let you know if what you are doing is not Christian based or isn't what is expected of a Christian” (LPM1).

5.5.2 *Community*

As noted in Section 5.4.4 above, there is an acknowledgement that the community is also a funder, due to the broad range of people who contribute to Organisation A, especially the significant number of individual donors. Therefore, there is an
expectation at the local level that funds will be used locally to benefit the local community.

“So the community has an expectation that when they provide the money to us that we are going to provide the services that the organisation represent to the community” (LPM1).

As Organisation A responded to community need, it provided accountability to the community through the organisational website and various publications including the annual report. However, an accountability mechanism tailored specifically to the local community was the use of tours and visits by the local community to see how the service was actually delivered to clients.

“[Organisation A] also organise groups of people to do tours at several different centres a couple times of the year so we are on the tour group they come here and have a look through the place, we talk to them about it, different individuals, it sounds a bit unusual but sometimes we get individuals, we get neighbours around here who come in and want to know what is going on, they want to see what is happening” (1SPMb).

5.5.3 Service delivery partners

Organisation A has always had a common interest and affinity and co-operation with other service delivery partners of Christian heritage “…the Catholics and the Wesleys, and the Anglicans are all on the same boat” (1CFO), but there has been an increased imperative to work with other service delivery partners of the Christian faith as a result of government demands for greater efficiency.

“I think what has happened with the major charity groups like Mission Australia, Vinnies, the Salvos, Wesley Mission and others, we’ve really had to consolidate some of our services and have multiple services coming out of the one super structure instead of all these little services” (1SPMb).

Organisation A is reluctant to take political action by itself, let alone with other service delivery partners. However, when the managers believe action is imperative, taking action with other service delivery partners can result in a significant influence on government.

“Then there was this demand [from government] that if you take this money we want accommodation provided this way. The buildings didn’t suit. The government were reluctant to talk about major funds. Those four major charities got together, had their independent meetings and then went to the government
and said actually we are not going to take your funding because we can't run the services that you want, you had better get someone else to do it. ... It was a bit of a stalemate for a couple of years and then the government got involved again and a few other things happened” (1SPMb).

The end result was that the federal government provided significant capital funds for constructing new buildings and refurbishing old ones for all four faith-based NFPs (1SPMb).

5.6 Internal Stakeholders
As employees in Organisation A are full members of the church, there is strong accountability to others in terms of Christian principles, and also a sense of keeping each accountable through peer accountability. The structure of the organisation also means there is neither a Board with powers of oversight, nor a separate religious institution providing spiritual oversight, and so the internal accountabilities are different to most other faith-based social service NFPs. Volunteers are usually retained at the local level, on the ground. So the main accountability to them is to ensure they have the correct resources and information to be able to provide a service to clients.

5.7 Political Stakeholders
The main interface between Organisation A and the public on a political level is, firstly, by ensuring the reputation of the organisation is kept intact, and secondly, acting as an advocate for the poor and marginalised. If government policy is hurting the poor and marginalised Organisation A will act to assist them, but usually this is quite rare. Some managers believe that the organisation should engage with the political system in terms of government and the public in a greater way, so as to benefit their clients more directly. Another arm of the organisation in New Zealand is seen as being more effective in the political process, whereas the Australian arm is more conservative.

“If I can use an example in New Zealand; [Organisation A] actually has a unit that works in the political system so they are able to influence or certainly provide advice” (LPM1).

All the same, pressure will be brought to bear when the organisation feels strongly about an issue, for example, gambling.

“... but the other way is, when you really feel strongly on an issue, like gambling and the impact of Government policy allowing more gambling. Then
[Organisation A] might come out strongly and use the media, and I think that itself has an impact on the Government” (1SPMb).

As the organisation is large, with a significant public profile, it does have influence and an “entrée to media” (1SPMa) that is generally unavailable to smaller organisations. Through this profile there is opportunity to influence public policy, not just through making statements in the media, but also by having contacts at a ministerial level and representation on high level advisory boards (1SPMa). Notwithstanding this, there was frustration that at least some government initiated advisory groups were in effect government being ‘seen’ to be doing the right thing and, in effect, a waste of time.

“Half the time they don’t listen to you. I mean, I’ve been on so many Advisory Groups, Centrelink had a Youth Advisory Committee, how can they make Centrelink more accessible to young people? Well, we had lots of ideas. Did they take many of them up? Maybe one or two, and sometimes they ignore them completely, it just depend on the government’s thing” (1SPMa).

In terms of peak bodies, the managers of Organisation A get involved in industry based groups, primarily to assist smaller organisations and to give them a voice to government, as managers believe Organisation A is able to influence government directly.

5. 8 Reports
A summary of the major accountability reports produced for Organisation A is shown in Figure 5-2 below. When compared with Figure 2-3 Summary of NFP Accountability Reports, as developed from the literature, there are a number of similarities, but also some significant differences. One of the unique aspects for Organisation A is that there is a clear split between reporting for procedural accountability, which is undertaken by the Finance Section, versus procedural reporting for outcomes which is undertaken by the Programs section. In effect, there is another layer of management systems in the organisation which has been labelled “Program Systems” in the Management Systems column of Figure 5-2. Reports in Figure 2-3 that Organisation A did not produce have been formatted in the diagram using strikeout, and additional reports prepared by the organisation appear in red-coloured font.
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The Mission and Vision of the organisation relating to assisting the poor and marginalised is the starting point for planning the Program and Activity targets on a broad level, which also incorporates lessons learned and feedback from the internal assessment process from the previous year’s evaluation. As there are two different sections for reporting in Organisation A, after the Program and Activity targets are produced, detailed program outputs and outcomes targets are then developed by the Programs Section, whilst simultaneously the financial budgets and targets are produced by the Finance Section, obviously with some collaboration between the two sections.

On an ongoing basis the Finance Section compares the actual financial results with budgets, and the Programs Section compares actual outputs and outcomes against targets. This information is used for internal purposes, but also to disseminate information to a variety of stakeholders through various mediums including the organisational website and magazines. There is a weekly and monthly magazine for members and others who wish to receive it, plus a quarterly magazine prepared especially for donors and funders. One innovative program also featured the development of a television program about its activities and which was shown on free to air television and then made available on DVD. Organisation A is very stringent with processes and procedures and the Internal Audit section monitors this area closely. One aspect of ongoing accountability in respect of government funders, which is not strictly ‘reporting’ but is useful in discharging accountability obligations, is visits by government staff from time to time. These visits allow government to ensure the service is working effectively by first hand observation and discussions with clients.

“Other times they [government employees] will just walk in the door and they will just come and say ‘Hi Bob, we just want to have a chat to you, how are things going can we have a look around and tell me what's going on?’ So you get these random visits sometimes from the funding body which I don't think is a problem” (1SPMb).

At the end of the year, acquittal reports were prepared by the Finance section and sent to government and large corporate funders, along with the audited annual Financial Statements. The Program Section prepares outputs and outcomes reports and sends these to government and large corporate funders separately. This report prepared for government is often a performance review and contains details of achievement against KPIs, with little qualitative information. Evaluations of programs are undertaken internally by Organisation A (as opposed to an external evaluation), but are then often
reviewed by the external government funder. Program evaluation, as well as being retrospective, is also prospective in that it lays foundations for future planning and funding. A program evaluation “can show us that we have done A B C, but if D becomes an issue that requires funding” (1CFO) it is able be raised with government and a revised budget submitted.

On a periodic basis, certain programs have to be accredited by the government regulator, and this process of accreditation is an important accountability measure, particularly in terms of procedural accountability. There are certain programs where government bodies collect data directly through entry into an internet database on a daily or weekly basis. These include the Supported Accommodation Assistance Program (SAAP) and several programs where the Australian Institute of Health & Welfare (AIHW) has been given responsibility to collect and analyse data. This can mean that Organisation A does not have detailed information on outputs and outcomes until the government department collates this information and then reports it back to the organisation. One advantage of this type of reporting is that benchmarking information and comparisons with other service providers is usually reported as well.

The “Annual Report – Annual Review” (note dual named), in particular, is a report that is sent and available to a number of stakeholders. Notably, the Financial Statements are not included in the annual report. They are available on request, but it did take some effort and explanation by the researcher to finally obtain a copy of the financial statements. A Big 4 auditor was used as 1CFO perceived it achieved a sense of legitimacy, but it was also difficult to obtain a copy of the audit report. There tended to be some sensitivity around the full financial statements and why a stakeholder would need them. Indications from the Finance section were that most of the useful information was included in the Annual Report – Annual Review anyway. It did contain some summary financial information, as well as a large quantum of qualitative information, such as short case studies in respect of programs. The report also included details of fundraising efforts and a “Thank You” to major corporate donors in particular. Furthermore, the report included details of how to contact the organisation for the purpose of making donations, becoming a member, or finding times and places for worship services.

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12 The 2010 report is now titled “Annual Review” only. The Annual Report nomenclature has been dropped entirely.
13 The Annual Financial Statements were included up until 2006.
5.8.1 Reporting

There is some level of disjunction between Head Office and the lower levels of the organisation, as would be expected in a large organisation. For example, program evaluations are obviously directed at the program manager level, as some local managers are either not involved or not aware that program evaluation is taking place. The change in focus by government or organisation is not always communicated well, and sometimes local managers are notified by a change in computer input screens only.

“You know when it changes because you have normally got an extra drop down screen that you have got to have” (1LPM).

Nevertheless, local managers do get regular briefs and training about specific areas, such as welfare changes.

In terms of government reporting, bureaucracy and red tape is a major issue as different government agencies require different reports across different timeframes, and all formatted differently, despite attempted actions by government to improve reporting through measures such as the QUT standard chart of accounts (SCOA).

Standardised measures and targets are important for reporting because social service NFPs (and for-profits) “are competing for the same pot of money” (1LPM), but this needs to be reinforced with qualitative information about individualised aspects of the program, which government seems to find too hard to deal with, and which can cause inequities.

At times, the usefulness of reporting can be compromised by being seen to be doing the right thing, and trying to meet the requirements of funding.

“Being a little cynical. I often think that they [reports] are not worth the paper that they are written on. You can provide information to, to tick some of the boxes, I think that sometimes we tend to do one thing and then report slightly different, I think that this goes back to this thing maintaining funding. I have some issues personally with that because it is hard to balance my values and my integrity with that” (1LPM).

Government reporting, by itself, is perceived overall to be not that effective. Effective communication of information relies on other channels, which is where political action and stakeholders can be important.

“I think if it was the only, the only system we had was our accountability to the funding body I think it would be grossly ineffective, I think it would be
unreasonable to rely on them. But because we are [Organisation A] we've got this big machine behind us I think that we can demonstrate our accountability, we can demonstrate our programs and what we are doing and how we are doing it better. I think we are much better at it” (1SPMb). There is a perception that government indicators of effectiveness are usually based on simple quantitative KPIs, and do not necessarily work well where there are complex cases, particularly when they straddle a number of different programs or government departments. “The problem with them is they don’t take into account variations in client need that you see. ... they’re trying to put you all into this box” which doesn’t fit well into all circumstances, such as a very transient local population (1SPMa).

5.8.2 Technology

Technology is starting to be used more broadly for reporting purposes, particularly with the online collection of data, but there are opportunities for it to be used more effectively, particularly as technology progresses.

“Whereas a more planned approach, I do think the use of I.T. is untapped yet, how we could do it a little bit more integrated into what we do every day. I think that that could happen a lot smoother” (1SPMa).

“Government seems to be developing things in silo, rather than all these different Government departments saying well, what can we learn from each other” (1SPMa).

5.8.3 Upwards and downwards accountability

Managers perceive there is a strong upwards instrumental accountability to government, but downwards expressive accountability is not always prominent. Sometimes it appears government is distant and lacks understanding of what is actually occurring on the ground and “they need to come and visit and to see what we do” (1CFO). Managers perceive a need for better communication from government.

“I think that there should be a lot more dialogue, a lot more input from the people actually providing the services. I think often there is tendency for advisors and people at higher levels to be a little bit remote from the grass roots and I think there is a need for more input” (1LMP).

Often the only feedback managers receive is when something negative is happening.
“I mean, we very rarely get a visit from our Government representatives, really, very rarely. I mean, we submit the paperwork that they require, occasionally you’ll get an acknowledgement of that back through mail or email, but very rarely do you get any strong feedback on anything from Government. Unless you’re not doing what they, unless you’re not submitting what the contract requires, and then you start getting barraged with that sort of stuff, if you’re late, or things like that” (1LPM).

But there are exceptions:

“There is an acceptance by government that they need to have certain downwards accountability to service providers. A number of government agencies now arrange forums where social service providers can meet with representatives of agency to identify any issues and ‘have our say’” (1SPMb).

Whilst it appears to an exception, there are also some government staff members who are on the ball and do understand their functions well and call the managers to account if they bluff or make unreasonable assertions regarding programs and statistics.

“Yes they do and if you go and talk to them about what you want to do and if you want to use spongy figures they are very happy to drag out a piece of paper to say actually this is what your figures say and this is what we think” (1SPMb).

5.9 Chapter summary

This chapter has reviewed accountability aspects of Organisation A, including perceptions of accountability by managers, accountability requirements of key stakeholder groups, and accountability reports produced by the organisation. Chapter 6 reviews aspects of accountability relating to Organisation B.
6 RESULTS – CASE B ANALYSIS

6.1 Description of Case Organisation

Organisation B is a large Christian social services organisation headquartered in Sydney, and which offers a broad range of social services, including housing, across the whole of New South Wales. The organisation was incorporated by special statute. For the 2007/08 financial year, the organisation had revenue of approximately $104 million, the sources of which are shown in Figure 6-1, and there were approximately 7,140 employees.

![Revenue Sources Chart]

Figure 6-1 Revenue Sources – Organisation B

Organisation B’s priority, in terms of mission, is directed at the poor and marginalised in society.

“Well, our mission is very clear, and that is that we are here to service and support the poor, so that's absolutely what we're all here for, and we can't lose sight of that” (2CFO).

6.2 Structure

The organisation has a bottom-up structure. The representation of stakeholders in this organisation is illustrated in Figure 6-2. The view of internal stakeholders in
Organisation B is somewhat different to the stakeholder model developed from the literature and depicted in Figure 3.2.

This organisation differs from the other two case organisations in that Organisation B operates autonomously of the religious institution to a large degree. Although the organisation jealously guards this autonomy, it does, however, engage in communication with the religious institution and keeps that institution informed of its activities. The religious institution has a spiritual oversight role over Organisation B, but this cannot be legally enforced. The organisation is “... made up of lay people without the hierarchical church having any involvement in the governance of the organisation” (2CEO). Often discussion and debate ensues, but generally agreement is reached on doctrinal issues as indicated by 2SPMa:

“We would be very careful to maintain our autonomy though, and we’ve often had some discussions about the way we do things, some robust discussions, let’s say”.

The term “member” has a precise meaning within this organisation. To be a member, one has to subscribe to the faith of the religious institution with a written statement, and commit to the Christian doctrines and friendship throughout the global organisation,
which is a religious order providing social services to the underprivileged. The mission of the organisation includes deepening the faith of its members by living out their beliefs in a “positive and active, action-based manner by assisting people in need or crisis” (2CEO). Unlike the depiction of members being part of the religious institution as illustrated in Figure 3-2, within Organisation B the term “members” refers explicitly to the social service arm and not to the religious institution. It is important to note that members are a subset of volunteers, but not all volunteers are members as they may not have subscribed to the faith doctrines of the NFP organisation.

In each diocese the members elect one representative, known as a diocesan councillor, to the State Council of the organisation, which is the governing body fulfilling functions similar to a Board of Directors in other NFP organisations. The secretariat for the State Council and the senior executive team are based in Sydney. The members of the State Council elect a President, who has similar functions to a Chairman. The bottom-up nature of the organisation and the key role of members in the governance of the organisation are demonstrated in the following statement:

“In fact, it’s a localised governance structure, and each of those dioceses has a diocesan councillor which is elected, and the diocesan President sits on the State Council, which is the policy setting structure of the organisation at the State level.” (2CEO)

Alongside the governance structure of the diocesan councillors and the State Council are the paid employees of the organisation, including the senior management team led by the CEO. Although the structure is somewhat similar to a “typical” NFP, with the Board having governance responsibilities over the CEO and employees, it is unusual for a group of volunteers to retain this much power in an organisation as they vote-in the President.

“I think the primary thing, which most people don’t understand, is the volunteer aspect. So, not only is there a CEO making the decisions, but there’s also a President, and it’s extremely hard to comprehend that they’re on an equal playing field, or if anything the President, is, well, the President is higher”(2SPMd).

In other aspects, the volunteers need to take direction from the paid staff in terms of assistance with clients and programs, and consequently friction may arise at times between staff and volunteers (which is explored further in Section 6.7).
Much of the management control, and certainly most of the reporting, is decentralised. Each diocese directly provides reports of financial acquittal and outcomes in respect of their own programs to the relevant government agencies that provide funding. Individual dioceses are responsible for their own funds, and provide financial reports to the head office in Sydney so that a consolidated set of financial statements can be prepared (which is not made available publicly, refer to Section 6.9). There is limited oversight of the dioceses in terms of funding or accounting controls. “No, there’s no central overview except for those centrally organized and funded projects that we have here, which we submit a separate report independently on that” (2CFO).

Work considered to be of high need that also requires funding from other than government sources is categorised as ‘special work’. One manager stated:

“IT’s funded directly by the Department of Immigration, and there is nothing within [Organisation B] that says that service would continue if we didn’t get funding. Our other program is a ‘special work’, which means it will continue” (2SPMd).

6.3 Accountability perceptions

As with the protocol applied in conversations with research participants in Organisation A, interviewees in Organisation B were requested to nominate the three main parties they thought the NFP is accountable to, and the two main items for which the NFP is accountable. An overview of the accountability perceptions of these managers for Organisation B is summarised in Table 6-1.
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Acronym</th>
<th>Accountable to:</th>
<th>Accountable for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>2CEO</td>
<td>Members</td>
<td>Clients</td>
</tr>
<tr>
<td>CFO</td>
<td>2CFO</td>
<td>Government</td>
<td>Corporate Donors</td>
</tr>
<tr>
<td>Senior Program Manager</td>
<td>2SPMa</td>
<td>Government</td>
<td>Members</td>
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<td>Senior Program Manager</td>
<td>2SPMb</td>
<td>Clients</td>
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<td>Senior Program Manager</td>
<td>2SPMc</td>
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<td>Clients</td>
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<td>Senior Program Manager</td>
<td>2SPMd</td>
<td>State Council</td>
<td>Government</td>
</tr>
<tr>
<td>Local Program Manager</td>
<td>2LPM</td>
<td>Donors</td>
<td>Community</td>
</tr>
</tbody>
</table>

Table 6-1 Table of accountability to / for – Case B

Government was seen as a key stakeholder by six of the seven managers. Although a greater amount of revenue was sourced from sales, largely through the sale of second-hand clothing and furniture, government still provided a significant level of funding, had strong regulatory power, and government policy influenced how services could be provided to clients to meet their needs.

Given that the main mission of the organisation is to service and support the poor and needy, it is understandable that four managers identified clients as key stakeholders to whom they were accountable. The importance of clients as stakeholders is further expanded in Section 6.6.1 below.

Unlike the other case organisations, members in Organisation B have a special status, particularly in the governance of the organisation (as explained in Section 6.2), as well as through the organisational mission, including extending the Christian faith of the
members through assisting the needy. As a result, three managers included members as a key stakeholder, including the CEO who nominated members as ranking in first place.

Whilst the “accountable to” columns (in Table 6.1) indicated to whom the organisation was accountable, the “accountable for” columns indicated for what the organisation was accountable.

Similar to the other case organisations, financial accountability was considered a priority in terms of what Organisation B was accountable for, with it being nominated by six of the seven managers.

Following on from the nomination of clients as a key stakeholder, client service was nominated by four managers, and client respect by one, as a priority in terms of for what the organisation was accountable. The word “outcomes” was not used in respect to clients, despite it being a term considerably used in government rhetoric when promoting improved social and individual client welfare. This may reflect a different emphasis on priorities, or in terminology, between the government and organisational stakeholders. Organisational managers tend to reflect a sense of client self-respect and dignity, which touches on aspects of moral accountability.

“So, how do you manage that issue of dignity and self-worth, and at the same time, guide and steer somebody down a path that provides them better options and better choices. And that’s very often the space that our people end up in. I’m not sure whether moral accountability actually covers that or not” (2CEO).

Even the CFO responsible for financial reporting indicated that the principal accountability of the organisation was more to do with quality of care, representing that “the challenge for us is about how do we make sure that the decisions being made by our volunteers and members are wise ones in supporting a household in crisis” (2CFO), rather than financial reporting to funding bodies which ranked “probably a fair way down the list, for us, I think” (2CFO).

Although nominated by only one manager, the identification of public education was unusual and not readily apparent in the literature as being something for which an NFP should be accountable. The manager argued that it was part of the organisation’s responsibility to educate the public about the plight of their clients and their dire circumstances, as a first step to, hopefully, create lasting change. This is directly related to advocacy and providing information to the public as a political stakeholder. This direct model is different to the derived model of faith-based social service NFPs
illustrated in Figure 3-1, that shows information flowing firstly to influencer groups, such as peak bodies and lobby groups, and then indirectly to the public.

The accountability view offered in this research is focused on the perspectives of managers and the accountability obligations of the organisation as a whole. It is noted that managers in Organisation B have a sufficient understanding of accountability to be aware that perspectives of accountability will differ depending upon the person’s position and level.

“Obviously for those people that are members, who are also volunteers working in those local branches of the organisation, their primary accountability from their point of view is to the people who ask for assistance. So they would take the view that their focus has always got to be driven by what are the needs of this specific family or person that’s sitting in front of me, and what are the resources that are within my realm and my control that I can apply to their circumstance?” (2CFO).

Additionally, within the ranks of managers themselves there were differing perspectives on accountability depending upon their level in the organisational hierarchy. The local program manager in Organisation B tended to perceive accountability as reporting, and had difficulty perceiving accountability as being anything broader.

“Budget counselling, ... I don’t like the word accountability when I’m talking about that. With a client, I mean that would be, that’s not what you’re accountable for” (2LPM).

As identified in the literature (Gray et al., 2006; Nevile, 2010, p. 543), there were observations from the managers in the organisation that accountability for NFPs was generally much more complex than in respect to for-profit organisations. The CEO explained some of the reasons for this complexity:

“Now that complexity in my view emerges out of the fact that in volunteer organisations, as soon as you start to talk about a mission that involves assisting the poor, there’s going to be an argument about who’s poor and who’s not. Extend that to then, what’s the appropriate strategies for helping somebody who’s poor, again, you’ve got a thousand different views on what’s needed in order to make a difference for that person, let alone try to deal with how do you then measure whether you’re winning or losing” (2CEO).

However, there are many other factors at play which increase complexity, such as multiple stakeholders with varying information needs, multiple funding sources, and multiple regulators, as examples.
Although most managers did observe the complexity of accountability relationships leading to a broad view of accountability, at least two managers perceived the term “accountability” in a narrow way as being primarily related to finance or financial reporting. They may have been responding to the interviewer in this way because they knew the interviewer was an accountant. Deeper meanings and perceptions of accountability were teased out through further open-ended questions where possible.

6.4 Key accountabilities

The classification of key accountabilities into those of procedural and consequential, as outlined in the NFP Model of accountability presented in Figure 2-2, appears to be very suitable for classification of accountabilities in Organisation B. As noted in the model, the three types of procedural accountability are; financial, process, and legal accountability.

6.4.1 Procedural accountability

Despite financial accountability being ranked below that of client respect and welfare in Organisation B (see Section 6.3 above), this type of accountability is still considered very important by managers in the organisation as significant funding is received from government and, to a lesser extent, from corporate stakeholders.

“Accountability for using the money correctly, is I think really important, and it’s something that when you have a Government grant, is very easy to do. So it’s not so much a question that you ponder, as to whether or not you should, with the Government grant every cent needs to be registered” (2SPMd).

Financial accountability was considered to be bureaucratic, painful, and at times frustrating from an individual manager viewpoint:

“It’s a bad thing for me on a day-to-day basis, because I tear my hair out trying to get anything done. Because there is so many people involved, I can’t even make a decision about whether to purchase a fridge for someone, without going through my Advisory Committee” (2SPMd).

Nevertheless, managers still acknowledged the importance of financial accountability from the organisation’s perspective, “however, it is a good thing, I think, for large volunteer organisations” (2SPMd).

Process accountability is there to support other types of accountability and to ensure the organisation continues to function. Managers have conceded that the organisational
processes were unwieldy at times and, where possible, moves have been made to streamline those processes.

“... before I started in my Department, the bureaucracy was out of control. A piece of paper went to three different people at the Advisory Committee level, three different people internally, it was ridiculous. That has been streamlined” (2SPMd).

Legal accountability and legal compliance were seen to be important in protecting clients, but also staff and volunteers, where:

“there are other compliance issues around duty of care to our clients, and to our members and to our volunteers who at times can put themselves at risk in carrying out their volunteer work ” (2CEO).

Legal compliance was at the base level and considered negatively in that it comprised a set of rules which has to be complied with, such that “... if you look at the workplace safety issues, for example, criminal sanctions are a fairly compelling reason to pay attention to what the legislation has to say, particularly for managers” (2CFO). On the other hand, the set of rules often formed the basis of a useful risk minimisation strategy, protecting the organisation and a number of stakeholders.

“There are other compliance issues around duty of care to our clients, and to our members and to our volunteers who at times can put themselves at risk in carrying out their volunteer work. And I guess the other part of that as well, is that there’s risk for members in providing assistance, risk in getting it wrong and the damage that they might do to a client, rather than actually doing them some good, they may in fact do more damage” (2CEO).

Several managers, including the CFO, raised Occupational Health and Safety (OH&S) legislation as being of prime importance due to the type of work that many of the staff members in the organisation were employed to undertake.

“Whereas clearly for our employees who might be providing professional case management or other social work type services to, say, a homeless person, in the context of crisis accommodation, the accountabilities are driven as much by the Occupational Health and Safety act, in terms of maintaining a safe workplace, because clearly if you have a person whom you are meeting with who is, may have behavioural problems, may have a drug addictions, or rather substance abuse addictions, maybe multiple diagnoses both with chronic mental health problems and substance abuse, any of our workers that are in that sort of interview conversation situation, may be at much greater risk than our conference
member who is simply knocking on the door of someone who needs a food voucher” (2CFO).

6.4.2 Consequential accountability

The two types of consequential accountability identified in the NFP Model of Accountability are effectiveness and efficiency, with consequential accountability often being associated with outcomes, particularly since the adoption of NPM principles by Australian governments.

One of the drivers for efficiency in Organisation B was the recognition by managers that there are limited resources available for social service NFPs, particularly from government sources, and “we need to support the fact that the resources are being managed properly” (2CFO). Nevertheless, the managers were also aware that government can, at times, request that services be provided at less than a fair cost in the name of efficiency:

“... they expected us to run a crisis service for the last thirty years, and suddenly they wanted us to do more work for the same dollar factor, and it's not going to work” (2SPMc).

The CEO believed that social service organisations need to reach a critical mass in order to be efficient (and also effective).

“Every organisation has a critical mass which it can really then start to make a difference within the community. To reach that critical mass has therefore, there’s a mandate for growth. We’ve got to grow to a certain size in order to be able to do what needs to be done and to have the resources to put in place the supports we need, the infrastructure we need and so on” (2CEO).

This perspective accords with the view of a number of government departments, including the Department of Community Services (DOCS), which “prefer to work with larger organisations rather than a whole range of smaller ones” (2SPMc). While the managers of the organisation could see the value of scale in larger organisations, including the scale of Organisation B, they also noted the strengths of smaller community-based organisations being “in a strong position to respond to their local community need and work with that need” (2SPMc).

In terms of effectiveness, managers did use the term outcomes on numerous occasions. For example, “I think the bottom line in all of this has got to be around client outcomes”
(2CFO). However, in line with the mission of the organisation, effectiveness and outcomes were considered to be far broader than merely relating to the provision of a service, being extending to a concern for “lifting up the dignity of the person that we assist, and sustaining that, rather than diminishing it” (2CFO). Thus, while managers perceived they were accountable for a quality service, “... it’s the quality of service and our reputation that we uphold, to deliver the best possible quality of service to all of those in need” (2CFO), this service counted for little unless it was a service that increased the wellbeing of clients, “... you know, the quality, we’re here not to just give money, or food, or whatever, but it’s the wellbeing of the person” (2CFO).

Similar to Organisation A, some of the managers in Organisation B were of the opinion that government funding and reporting mechanisms were deficient in addressing the complexity of needs with which their clients had to deal.

“So, it’s come through about the value they want for each funding dollar, rather than meeting the complexity and range of needs that the clients present with. So, they might give you say five thousand dollars for early intervention to work with one client, but it’s only for a prescribed amount of time. Whereas, the client might need twelve months work, they might fund you for three months, sort of thing” (2SPMc).

2SPMc believed that certain providers “cherry picked” the most profitable clients, only offering services to clients that could be performed quickly and at low cost. This left the clients with more complex needs to other service providers that were willing to take them on, such as Organisation B. Often government only funds to the level of simple cases and so in order to provide a quality service to those clients that do have complex needs, and to make a significant difference to client well-being, the organisation provided additional funding from other sources termed “special works” funding.

“And they have a caseworker during the day that [Organisation B] funds, but you know, I think so often they [government] see those guys as too hard because of the range of complexity, but they’re only too hard to fit into that three month crisis model, they’re not too hard if you’re willing to let them stay as long as they determine they need to stay for. So, I think we need more of that kind of stuff to really help them” (2SPMc).

Some additional funding is sourced from individual donations, but the bulk of this funding is primarily derived from social enterprises run by the organisation, including “Op shops” distributed across the state. As a consequence, generating profit from the
social enterprises was necessary in order for the organisation to provide what managers perceived as quality services to clients and thus business skills were an important attribute for managers working in the social enterprise areas.

“Well, I mean we’re a business, aren’t we, really at the end of the day we’re here to generate income to help the poor, and while other organisations might be there to generate income to feed the lifestyle, we do it for different reasons. But we need to get the same result” (2LPM).

Notwithstanding that there were perceived deficiencies with funding from government and reporting to government in respect to clients with complex needs, the government is driving improved efficiency and effectiveness through its requirements for performance reporting. These reports not only measured effectiveness in a retrospective sense, but they also improved effectiveness prospectively because the government departments expected continuous improvement (as indicated by one interviewee in the context of providing disability services):

“This is third party, the criteria are set, it's the same for all services, it's directly aligned to the disability service standards, and it's about continuous improvement. And you know, I'm never going to get, they're always going to have something in that new findings, always. And in some senses, people that do good, there is a greater expectation at the next audit that you'll jump a little bit higher” (2SPMb).

Having discussed the key accountabilities for the organisation as perceived by management, the following sections focus on the key stakeholders of the organisation and their accountability requirements, commencing with funders and regulators.

6.5 Funders and regulators

6.5.1 Government funders and regulators

One of the strengths of Organisation B perceived as important by managers was that the organisation was not overly dependent upon government for resources. Other organisations in the social service sector “have a much greater dependency on Government funding for their operations, and to some extent their agenda is driven by the agenda of Government in terms of what it sees as being priorities in that welfare space” (2CEO). Such organisations can be subject to ‘mission drift’ (Nevile, 2010; O'Dwyer & Unerman, 2008, p. 821), where an organisation gradually moves away from its stated objectives and mission as it chases funding from government and other
sources tied to requirements that are not necessarily aligned to the mission of the organisation. Conversely, Organisation B seeks funding aligned with its mission of serving the needs of the poor.

“[Organisation B] operates not from the point of view of what opportunities emerge out of Government funding to provide programs and services, but rather, what should be the priorities for [Organisation B] in terms of its mission and unmet need in the community amongst our target client group” (2CEO).

Not being dependent on government funding avoided the risk of being captured by government. “Does the end justify the means? If the means happen to be getting into bed with government and aligning yourself totally with their priorities, I’m not sure” (2CEO). This independence allowed the organisation to choose, to a large extent, the areas in which it partnered with government. The organisation refused to participate in government activities where there was a perception that the activities were inappropriate or compromised the organisation’s principles:

“[Organisation B] at a national level, was very clear about the welfare to work type programs, for example, which it saw as being, as compromising its ability to do what it thought would be most appropriate. It would be also true to say that the same thing would apply with the job network programs and contracts, also being let by the Federal Government, which [Organisation B] again didn’t participate in” (2CEO).

Refusing to participate was an unusual step and occurred when the organisation believed it had no other options. The literature indicates that it is usually government funders who hold more power in the relationship and enforce sanctions through withdrawal of funds. In the foregoing example, Organisation B was arguably able to impose sanctions on government by withdrawing its services and taking the moral high ground. However, in normal circumstances, Organisation B negotiated around explicit shared expectations with government, as depicted by the interrelations between Government and an NFP in Figure 2-2.

“Both of the programs that I am talking about are very much negotiated, and that provided an interesting issue for some of our people at the coalface when you’re running a service that’s been running a certain way for a long time, and then you’re being asked to actually negotiate what you’re going to provide” (2SPMa).

Competitive tendering on a short term basis, an NPM practice adopted by many Australian government agencies, can create problems for service providers. For
example, if the coordinator of a program leaves and the incumbent organisation does not apply for the tender in the following year, or if the tender is lost and there is a lack of cooperation in changeover to the new service provider, there could be a loss of knowledge regarding the best way of running the service and also a lack of understanding of client needs.

“So, in our sector, sharing knowledge, because of competitive tendering, it’s just gone. There is very little knowledge share, and there is very little, there is not an acknowledgement by the Government that people need a longer time to settle in. It’s a very, it can take years, and that support, that’s not necessarily put in place” (2SPMd).

The organisation will fund programs termed ‘special works’ where they see a high priority need. The funding is not “an open cheque book” (2SPMc), but provides extra funding from other sources where government sources are limited.

“I think [Organisation B] is in the unique situation where they can, they don’t need to, apply for Government funding for all their services. ... there is an identified need for other asylum seeker services that aren’t funded by the Government, and that’s where organisations like [Organisation B] will pick up that gap” (2SPMd).

Overall, the managers perceived that the reporting mechanisms for government were quite good, although somewhat time consuming and bureaucratic. “There’s a lot more bureaucracy and… it’s a lot of paper, there’s no getting away from it, yes, a lot of paper” (2SPMb). The perception was that the more recent reports required by government, with a greater focus on outcomes, were a definite improvement on previous reporting information required by government where the Commonwealth “wouldn’t have had a clue about how many people it was providing a service for” (2SPMb). Government attached a high priority to the organisation meeting KPIs. Quantitative statistics and quantitative thresholds often resulted in black and white decisions, when the real issues were often very grey.

“I’ve definitely found from my past experience with Government reports... they were very specific about the delivery of the KPIs, and if you didn’t, then you had to answer, and you put at risk future funding, and even some ability to claw back money that has been granted. They were very specific, and it was very much KPI driven. You did, or you didn’t” (2CFO).
In order to overcome the issue of overreliance on quantitative data, as well as the power imbalance between the organisation and its clients, one manager’s suggestion for improved accountability and reporting was:

I actually think it misses a part, I think that we currently do in some of our services, like have focus groups or groups with clients once they’ve left our service to see you know, their feedback and how they’re travelling at that point. And, I think everyone should actually be compelled to do that so that we’re getting feedback from clients when we’re not in a position of power over them, and to have someone independent and neutral to run those groups so we can work with their feedback, which isn’t going to directly impact on them. I think that that should be more of a feature than some of the stuff that they get us to do” (2SPMc).

Some managers indicated that government staff were quite out of touch with the realities of interacting with clients at a base level, “I think sometimes when it’s imposed from above, it comes from people that are unaware and unfamiliar of the stresses of working in a homeless facility day to day” (2SPMc), resulting in unrealistic and bureaucratic reporting requirements. Another frequently mentioned problem was the high turnover of government staff, causing issues in terms of differing expectations and lack of follow up on reporting and concerns raised by the managers. “So, your concerns are never followed through. I don’t think they have a good way of collating our information into their information, so they can hand it over, and I think that’s where the gap is” (2SPMd).

Feedback by government departments as perceived by managers ranged from being quite good to very poor. For some departments: “Nothing gets through and no communication gets through and the input that we have disappears into a great black hole with nothing coming out of it. So it seems that some departments are able to do it quite well, and there are other departments that are just like a black hole” (2CEO).

In the past, managers of the organisation had not been fully aware of all government priorities in relation to the social services they were employed to manage. Incongruously, improving the internal systems enabled the managers of the organisation to be more cognisant of government aims and priorities.

“So, the awareness of the social agenda of Governments is something that [Organisation B] is now much more acutely aware of than it was even five years ago. And that’s really a consequence of being able to know. Until it had visibility
of what it was doing, of what its people were doing, what services it was offering, and its financial position, it couldn’t do that” (2CFO).

6.5.2 Corporations

The main role for corporations in partnering with the organisation, according to the managers, was in terms of “their corporate social responsibility” (2CEO). There were indications that partnering with social service organisations may improve the corporation’s standing with the public and other stakeholders. From the viewpoint of the organisation, one of the aims of the managers was to provide a “stronger educative role and learning” (2CEO) to staff employed by the corporations and involved in partnership, in terms of their understanding the issues related to providing services to the poor and marginalised.

The level of engagement with the organisation’s mission ranged from some corporations simply providing funds, to others becoming actively involved in client service. For those merely providing funding, “they just want to be assured that their funding is going to the right thing, but they don’t want to have a close involvement in it” (2SPMc). In this case, the accountability information provided can be quite general, “like a public presentation such as a speech at a dinner, or something like that to thank them for it” (2SPMC), but not detailed reporting.

Other corporate supporters of Organisation B not only provided funding, but several encouraged their employees to volunteer at the organisation and become actively involved with providing useful services to clients. One example of a corporation working with the domestic violence service was a green IT service business which:

“sponsor a homework and tutoring program for the children at the Centre. And they provide the computers and their staff come and do voluntary time to take the kids through their homework and through literacy issues and stuff like that because the firm wanted to have a strong educative component by their staff. So, they had all the probity checks and training for their staff to come on board and do it” (2SPMc).

One of the results of the corporation having its staff actively involved in the volunteering effort of the NFP organisation was that the staff had a firsthand look at how the organisation was running and whether the computers they provided were being utilised effectively. This direct observation provided a level of accountability that would
be difficult to achieve through formal accountability reports. In effect, this represents what may be termed ‘experiential accountability’.

Although the close working relationship with the funders and firsthand observation meant that the organisation did not have to provide detailed bureaucratic reporting for certain corporations, there were other instances where processes and reporting were very detailed. An example included free telephone vouchers from Telstra where the organisation might receive some 20,000 vouchers and “we have to make sure that every single one of those is used within the designated time and who we’ve given them to and why, and blah, blah, blah” (2LPM).

As well as the organisation utilising funding and labour support from corporations, there is an advocacy effort to create awareness of the plight of the needy. One example is the CFO sleep-out where CFOs spend the night sleeping rough on the street in order to gain some understanding of the difficulties homeless people contend with, whilst at the same time raising funds for the homeless. “Spend the night, the corporate world, to go out and spend the night on a bit of cardboard in a you know, Luna Park, or wherever” (2CFO).

In order to build credibility, legitimacy and “to provide a realistic mode of accountability” (2SPMa) to corporate stakeholders, the organisation has chosen to adopt private sector business practices and principles, such as the adoption of IFRS accounting standards with which they are not legally required to comply. Such adoption of “accepted practice within the corporate world” (2SPMa) is an attempt “to develop the business side of our organisation to be a more accountable aspect of the organisation” (2SPMa).

6.5.3 Individual donors

The term used within the organisation for individual donors was ‘benefactors’ and there was a concerted effort to try and be accountable to them through several publications providing details of how the funds donated were spent. Donors to the organisation include not only financial donors, but also donors of clothing and tangible goods to the ‘Op shops’ which are a major source of revenue for Organisation B. At the local manager level there was a strong sense of accountability towards individual donors as indicated by the following statement:

“I guess accountability to our customers would be, because a lot of our customers are also the donators of clothing and so forth, accountability usually
comes by way of verbal, through questions and so forth. But you know, where did my clothes go that I donated last week? Oh, they've gone to [Town A]. We get questions such as that” (2LPM).

There is also another type of individual donor that fits between benefactors and members and who is termed a ‘supporter.’ Supporters are:

“made up of primarily people who see that activity taking place, that interaction between the members and people in need, don't have any commitment to the faith element of why our members do it, but nevertheless think that it’s important, and align their view of the world well with what we're doing, so they're willing to do that profound counter-cultural thing of giving away their money, to help us to do it, and/or their time or talents to help us do it” (2CEO).

There were limited amounts received from philanthropic foundations by the organisation and so such foundations were not considered as major stakeholders.

6. 6 Client and community stakeholders

6.6.1 Clients

One of the issues that came through strongly with nearly all of the managers was that being accountable to clients was two-fold. First, client accountability was about ‘outcomes’ or providing an efficient and effective service. Importantly, it was also about respect for clients as individuals, and maintaining their self-worth and dignity as they were usually at a low point and vulnerable at the time they required social services from the NFP organisation.

“We have a strong regard and commitment to the dignity of the people who come to our services” (2SPMc).

“I think in terms of client services, we're accountable to provide everyone a safe service where they are treated with respect and dignity, and I think it's easy to say it but it's not always easy to deliver it with the range of complex needs that people come through our doors with. But I feel pretty strongly around that” (2SPMc).

“So, how do you manage that issue of dignity and self-worth, and at the same time, guide and steer somebody down a path that provides them better options and better choices” (2CEO).

The local program manager used the mantra that accountability to clients “is to help them give a hand up, not a hand out” (2LPM). In providing them with assistance, it was
also imperative, due to the circumstances in which the clients and staff were working, that a safe and protective environment be provided for clients (as well as staff).

“We've got accountability for care, for protection, making sure that they are provided with things that they perhaps are in need, or are in need for. But I think that care and protection are, as well as valuing them as people are important, no questioning” (2CFO).

Within the organisation, internal stakeholders interacted with the clients in various ways best suited to their own particular role. There were paid professional managers, such as psychologists, who interacted using their professional skills. Volunteers worked where they were required, often at Op Shops sorting and selling clothes, picking up and delivering furniture, and performing a range of other tasks. At the local program manager level, accountability to clients meant understanding their needs from a very practical perspective.

“With a client, ... you’re accountable for helping them and servicing their needs, and making sure that in three month’s time they understand that they can’t come back with their electricity bill again because you know, they’ve been to budget counselling now and we can only help so much, it can’t go on forever” (2LPM).

Members played a unique role in the organisation because of their commitment to developing their faith through interaction with the clients and understanding of their needs. This assisted members to be better able to appreciate client needs and to advocate on behalf of clients.

“[Organisation B] because of the nature of the work it does, with our members particularly, going into the homes of people they assist, they arguably taste and smell and see and touch those people’s lives in a way that somebody sitting in a welfare office having somebody come in, don’t. And so, the members are well placed to make the case for people who are in need” (2CFO).

The managers in the organisation found that if a client’s needs were complex or long term, then often government requirements ruled out funding for such needs. In these circumstances, funds for these ‘special works’ were made available from other sources within the organisation. One example was that benefits were made available for asylum seekers, but after a period of time those benefits were reduced. From the organisational perspective, “if they are poor and in need and cannot afford to feed their family, then they are still very much requiring assistance” (2SPMd). In this situation the organisation funded the whole salary of the senior project manager running the refugee assistance
program, because of the importance of the manager to the clients. In another program, the manager knew that long term involvement with clients made a huge difference to their lives. “Our main positioning is that we would love to be in a position to offer that two year follow-up outreach to every client across the board” (2SPMc). Funds were made available, where possible, but could not stretch to cover every circumstance.

6.6.2 Community

The managers of the organisation perceive that there are two main ways in which accountability to the community, as a stakeholder, is important. The first is through the organisation understanding what services the community desires to see delivered. The second is related, but slightly different, in that the organisation needs to advocate and educate the community regarding the special needs of their clients who also form part of the community. One manager reflected on this in terms of homeless clients:

“I think just to get them to think about it. You know, because I think there’s many exploitations of homeless people, because they’re marginalised and vulnerable. And I think they get exploited, so it’s better for the, you know, the public eye and the public purse to be reasonably fixed on those assisting them” (2SPMc).

6.6.3 Service delivery partners

The organisation generally worked well with other service delivery partners, particularly those who were faith-based, but as noted in Section 6.5.1 above competitive tendering has caused problems in relationships between social service organisations, particularly in respect to sharing of information.

However, the managers noted that service delivery partners can be organisations other than NFPs or private providers. Government departments also deliver frontline services, and the organisation often had problems in delivering services in co-operation with government.

“We are a service that is supposed to provide the avenue for migrants and refugees to access Government services themselves. So, regularly, we might have a policing issue, and we then need to hand it over to the police. Or we might have a DOCS issue, and we might need to hand it over to DOCS. And often Government Departments fall short in that, because they, I guess, they’re facing the same issues we are. They’re under-funded, they’re under-resourced, so, if we’re doing it, they don’t necessarily take up their side of the bargain. So we’re
forever hounding Government Departments, the police and DOCS are just two examples to say, this is your issue” (2SPMd).

6.7 Internal Stakeholders

The functions of the internal stakeholders of the organisation were described in Section 6.2, with a diagram illustrating the internal stakeholders and their relationships shown in Figure 6-2. As noted, ‘members’ have special status within the governance of the organisation. The special status of members is exemplified by accountability being driven firstly by the mission, and secondly by the priorities of members.

“So again, that whole issue of accountability is always in my view, and in the view of the State Council, going to be determined by the mission and by the priorities as seen by the members of the organisation” (2CEO).

In terms of the internal stakeholders, volunteers significantly outnumbered paid staff. For example, in one diocese there are over 800 volunteers and six paid staff (2LPM). However, in certain programs where there is a requirement for professional skills and judgement, volunteers may not be used at all, with the exception of members acting on the Committee of Management for the program (2SPMb). Therefore, the accountability requirements and reporting may be very different from program to program, simply because of the way the programs are structured and delivered.

As volunteers usually do not have the professional expertise and experience of the paid staff, it is important that they receive support to ensure they do their jobs properly and are kept safe if they are placed with clients who may present a danger to themselves or others.

“So, that's a very high level of accountability to support the volunteers, in some cases, our volunteers are quite young, so it's very important to give them that extra degree of supervision” (2SPMd).

In the programs where there are many volunteers and few paid staff, there was at times tension from volunteers as to why staff deserved payment when they themselves were volunteering their own time.

“Everyday someone will say, oh, but you get paid, how come you get paid?” (2LPM)

Even though the religious institution was not officially affiliated with the organisation, and had limitations in terms of influencing the organisation and vice versa, managers
believe that the public associated the two together, even though they were separate entities. “But, you know, there’s always people that want you to be answerable because what are the [Religious Institution B] doing now” (2LPM).

### 6.8 Political Stakeholders

The political stakeholders identified in the Stakeholder Model of Faith-based Social Service NFPs (Figure 3-1) include the public and influencer groups, such as peak bodies and lobby groups.

The managers of the organisation wished to influence the public through advocating for the needs of clients, which can prove more effective if the public is also educated about the plight of the poor and their special needs. One of the reasons for doing this is so the public puts pressure and influence on the government to ensure it is aware of, and assists with meeting the needs of the poor. Nevertheless, interaction and influence between the government and the public also works in the opposite way. The government will also want to influence public perceptions in order to ensure that its political agenda and results are known by the public.

“Obviously the Government's drive now to attack homelessness, as a political agenda for them, and want to see that they actually have a reduction or provide that to the community” (2CFO).

Whilst public pressure on government can be positive for the clients of the organisation, managers have perceived that there are also negatives, particularly when government is overly sensitive to areas that the public is likely to react to, and driven by media, such as “hijacking of the child protection issues and DOCS cases” (2SPMc) and ignoring other clients in crisis. “Dealing more substantially with people at risk of homelessness, it would scoop up a lot of the child protection issues. Not all of them, but it would scoop up a lot” (2SPMc).

At the local manager level, there was a perception that more could be done to lift the public profile of Organisation B, particularly when other social service NFPs receive credit and “seem to be in the media a lot about how wonderful they are, whereas we seem to be the quiet achiever” (2LPM).

Peak bodies were considered a useful lobbying mechanism, but as well as providing an avenue to influence government, they allowed “a level of analytical filtering, for the organisation, but also provides that safe space to be able to have robust discussions
around strategic direction” (2SPMa). In that way, views of other service providers could be sought to ensure there was a consensus between service partners, rather than a single organisation approaching government.

Whilst most of the managers supported the operation of peak bodies and their usefulness, the CEO’s perspective seemed to be a much more direct approach to lobbying due to the size of the organisation and its ability to approach government directly.

“[Organisation B’s] peak body has a specific purpose and we really don’t get involved with any other peak bodies to any great extent, because we’re large, we have the critical mass to be a voice that has sufficient credibility to make the case independent of other smaller agencies” (2CEO).

Managers believed another way to influence government policy was through submission to senate and parliamentary enquiries and this was a strategy which they actively pursued. In addition to directly informing government, the submissions could also be leveraged to influence the public by reporting through the media and directly to stakeholders.

6.9 Reports

The reports produced for Organisation B used to satisfy stakeholder obligations in terms of both consequential and procedural accountability, at the time of, or recently after undertaking the interviews, were for the 2007/08 financial year and are overviewed in Figure 7.2 below. Differences between the reports produced for this organisation and the original Summary of NFP accountability reports derived from the literature (which was depicted in Figure 2-3) are illustrated in Figure 6-3. Reports that Organisation B did not produce have been formatted in the diagram using strikeout, and additional reports prepared by the organisation appear in red-coloured font. Immediately after the production of the annual report for 2007/08 there were some changes made to the reporting process, including a full set of audited financial statements produced in 2008/09 and in following years; a happening alluded to by some of the managers in their comments about reporting (discussed below).
<table>
<thead>
<tr>
<th>Time Element</th>
<th>Management Systems</th>
<th>Procedural Accountability</th>
<th>Consequential Accountability</th>
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<tr>
<td><strong>Prospective</strong></td>
<td>• Strategic Direction&lt;br&gt;• Management Direction&lt;br&gt;• Financial Information Control Systems</td>
<td></td>
<td>MISSION &amp; VISION&lt;br&gt;No Program &amp; Activity Targets&lt;br&gt;Strategic planning only&lt;br&gt;Outputs &amp; outcomes</td>
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<td>(Where are we going?)</td>
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<td><strong>Ongoing</strong></td>
<td>• Financial Information Control Systems&lt;br&gt;• Monitoring &amp; reporting systems&lt;br&gt;• Internal evaluation &amp; audit systems</td>
<td>For some programs actual results compared to budgets&lt;br&gt;Internal Evaluation and Internal audit</td>
<td>Actual outputs &amp; outcomes compared to targets&lt;br&gt;Limited reports by diocese &amp; program - Newsletters - Website</td>
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<tr>
<td>(How are we doing?)</td>
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<tr>
<td><strong>Retrospective</strong></td>
<td>• Financial Information Control Systems&lt;br&gt;• External evaluation &amp; audit systems</td>
<td>Acquittal reports to funders at diocesan level&lt;br&gt;End of year financial statements - Only totals for assets and liabilities shown</td>
<td>One page summary of activities for each diocese&lt;br&gt;External audit of financial statements&lt;br&gt;External evaluation/audit on EOY performance</td>
</tr>
<tr>
<td>(How did we do?)</td>
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Figure 6-3 Organisation B - Summary of NFP Accountability Reports

Commencing at the top of Figure 6-3 and moving downwards, the summary of reports and reporting processes reveals that the mission and vision of the organisation appear to
have been left relatively unchanged for a considerable period and refer to living the Gospel message and serving the poor and needy. At the beginning of each year a strategic planning meeting is held and all managers and coordinators from across the state participate to decide where to engage in extra follow up and outreach. Although each diocese is largely left to plan its own services, where there is commonality across client groups and services these may be targeted for a co-operative approach, and possibly special works funding. Thus, in terms of management direction, there is some strategic planning, but no program or activity targets are set at the state level.

Each diocese is responsible for setting its own budgets and these vary in terms of detail and how they are prepared. There are programs that are run centrally by State Council, and these appear to have more structured budgets and plans, firstly as they are close to the CEO and other members of the executive who are pushing for a more professional approach, secondly as they are run by full time professional managers, and thirdly there are greater reporting requirements in terms of reporting back to the funding bodies due to the complex nature of the programs.

On an ongoing basis, in terms of financial accountability there are some comparisons made between budgeted and actual figures, but again this varied considerably between dioceses, with more comprehensive reporting for programs operated at the State Council level. For Centralised programs, every month a full set of financial statements, plus a written report containing qualitative data, were produced. Some KPIs were set, but there was an understanding that these would be further developed with input from the CFO. Despite the limited financial reports that were produced, there had been an attempt to improve financial reporting by the implementation of a reporting system.

“[Organisation B] in NSW is made up of some thousand separate operational entities, and up until four years ago each of those entities produced their own financial reports, to varying degrees of quality and standard, which we attempted to make some sense of by amalgamating them, but they wouldn't have stood up to any external scrutiny. So one of the priorities for the organisation in the last four years has been to put in place good reporting systems, for financials, for people to have better visibility of what are the resources at the disposal of the Society” (2CEO).

The improved visibility referred to by the CEO was limited to the CEO, senior management, and State Council, as the extent of financial reporting beyond these internal stakeholders was extremely limited.
In terms of process accountability, there is no internal audit undertaken by the organisation (2CFO), which seems unusual given the opportunity for fraud, particularly within the Op Shops.

For social services provided by the case organisation, some of the funding agencies required either a Quality Assurance (QA) audit or an audit ensuring the organisation’s processes complied with accreditation requirements. The latter form of audit was generally focused on procedural accountability items, of processes, and to a certain extent on legal obligations in terms of OH&S and other relevant legislation such as child protection. These audits sometimes took place every year, but many only occurred only every several years. Likewise, some funding agencies required an internal evaluation be undertaken, but there was a lack of diligence and clear specification of requirements in respect to these evaluations.

“They say that they like, you are meant to evaluate yourself every two to three years and stuff like that, but I mean that could be from a one day evaluation planning day with the staff team being facilitated, to doing something a bit more comprehensive and stronger around it” (2SPMc).

It was rare for an external evaluation to be undertaken.

In terms of reporting for consequential accountability on an ongoing basis, little is done by the organisation in making comparisons of actual outputs and outcomes with targets, and only limited reports of ongoing activity are reported on the website and through the State newsletter produced on a quarterly basis. On the other hand, there was extensive reporting of basic statistical information, including the number of clients helped, the client’s income source, and the type of assistance provided.

One of the distinguishing features of Organisation B’s annual report is that the language and contents reflect that it “was very much aimed at a volunteer base, not at a business” (2CEO). It was a report designed to be understandable and meaningful to a very broad group of people in a “pretty basic and straightforward way” (2CEO). Although not required for legal purposes, it was prepared for “straight accountability” (2SPMa) and to communicate organisational priorities to all stakeholders of the organisation, including the members and other volunteers.

“How do you get them singing off the same hymn sheet, get them seeing the same priorities? Well, one of the ways you can do that is through documents like the annual report, which is saying look, here’s what happened last year, that you
were involved with, and thanks, isn't that great. It's both appropriate that you acknowledge and thank people and give them a feel of what's happening, but it's also a good way of getting them to understand organisation priorities" (2CEO).

The Annual report is an 87 page document, more than half of which comprises a directory providing addresses, telephone numbers and other contact details of Diocesan centres and of other programs run by the state organisation. There is a one page summary for each of the eleven dioceses covered by the state, as well as for each of the programs run centrally by State Council. Each of these summary pages contains a statistical overview, photographs of clients and service provision to clients, together with a short sentence describing each activity undertaken by the diocese/program.

The financial information presented in the Annual Report is restricted to an abbreviated Income and Expenditure Statement, plus an Abbreviated Balanced Sheet comprised of 14 figures in total and taking up one-third of a page. Although this is the only information publicly presented, there are financial statements prepared in accordance with Australian Accounting Standards and an audit is undertaken:

“particularly to provide a realistic mode of accountability to major corporate and other private benefactors, I think, rather than anything else. I think it's been accepted practice within the corporate world, and we're trying to develop the business side of our organisation to be a more accountable aspect of the organisation” (2SPMa).

Thus, only major funders are able to view the extended version of the financial statements, and other major stakeholders cannot see this important accountability information. Despite there being no internal audit function, program managers at the lower level still saw the external audit as an imposition.

“Oh, yes. I know they're very strict on our auditing and so forth, I've never seen anything like it. I mean, we get audited at the Diocesan level, every couple of months. It's unbelievable. You think, oh my God, the auditor's here again” (2LPM).

There was some recognition by the newly installed CFO that accountability reporting could be improved in certain areas such as strategy, planning, KPIs, and monitoring, and there were plans to move to a more professional approach in terms of reporting while acknowledging the restrictions of “dealing with a volunteer organisation” (2CFO).
Nevertheless, the CEO thought the case studies and personal stories collected by the organisation were extremely valuable in terms of public advocacy and lobbying for change, given that some other organisations disclose a more expansive range of statistics and quantitative reporting measures, Organisation B was well placed in the context of providing qualitative information because “we have those face-to-face personal conversations with people that we service” (2CEO).

6.9.1 Reporting

The previous section has dealt with the reporting documents themselves, whereas the current section deals with some of the more general issues around reporting for the organisation.

Although there are a number of reports produced for internal and external stakeholders as described above, the reporting for the organisation is primarily driven by government. These government reporting requirements are centred on financial acquittal, quantitative statistics, and KPIs. Nevertheless, managers in the organisation perceived that descriptive information is necessary to provide a full picture of the services being offered by the organisation, especially for new programs, and so qualitative information, including case studies, is often added to the proscribed information demanded “to give Government the flavour of what’s being done, rather than just the stats” (2SPMa).

Managers felt that government reporting is, at times, overly bureaucratic and onerous, particularly when there are small amounts of money involved, and thus there was a perceived need for the reporting requirements to be commensurate with the amount of money received (2SPMd). In other programs, the reporting requirements were said to be effective, but the regulatory reporting was too often and could have been changed from quarterly to at least six monthly (or probably longer) without any adverse effect (2SPMd).

Similar to other organisations, Organisation B sometimes had difficulty in ensuring the managers or other staff compiling the accountability reports had the requisite skill sets and there was an issue of training people to ensure they could properly undertake reporting. Such training was far broader than understanding the technical details of statistics, financials and other reporting requirements, with a need for people at the
coalface “to understand the strategic direction of what’s happening with the services... around skills in analysis, skills in strategic thinking and strategic planning” (2SPMa).

In order to ensure quality of reporting, for some programs reports were “vetted at a number of levels” before being sent to the government funder (2SPMa), but this was obviously not a standard procedure because each diocese often completed their own funding reports and submitted them directly to government without any approval from higher levels within the organisation. There is little feedback to the organisation in terms of government responding to information and reports that have been collected, compiled and reported.

Despite the problems that were evident from a reporting point of view, investments were made in previous years to improve systems to allow for better reporting to both internal stakeholders and government. The adoption of this and other technologies is explained further in Section 6.9.2 below.

6.9.2 Technology

Technology has had an impact on reporting in the organisation in two main ways. The first was the commissioning and implementation of an internal information system to collect detail concerning both financial information and also a number of statistics related to client service, such as number of assisted persons visited, income source of clients, and types of assistance provided. Each diocese has its own subsystem which can be managed at a diocesan level, but the system is linked back to Head Office, so “they can look at it at any time” (2LPM).

Despite the rollout of the computer system, there was some resistance from the volunteers to using it because many of the volunteers were older people and not computer literate. Rather than train them in computer skills, the original manual system was retained and additional effort was required to maintain and transfer information between the two systems. For example, when a client visited a welfare centre, the details “would be written on a card and that is filed into the filing system ... then that’s transposed into our computer system, by us, our administration staff” (2LPM).

The second means by which technology affected the organisation was through the implementation of online data collection by government funding agencies. Online data collection is becoming more common, and embraces quite large datasets, such as the
Supported Accommodation Assistance Program (SAAP) National Data Collection (NDC). The collection of the information in the dataset has been contracted to the Australian Institute of Health and Welfare (AIHW) in Canberra, which is a Commonwealth agency specialising in information related to health and welfare. Use of the system is compulsory, but it has not replaced existing systems in use within the organisation as it can be difficult to extract information, and some managers considered it just another layer of reporting as “we still need our paper” (2SPMb). There were several instances of the NDC online system crashing and causing major problems. Therefore, the organisation was prudent in ensuring that most of the services had a paper backup (2SPMc).

From the perspective of the organisation, it was very difficult to obtain information for internal management decision-making. The government funding agency could directly access the organisation’s data (2SPMb), but conversely the organisation either could not or had major problems in extracting information about its own services. In terms of the NDC, one of the processes was that AIHW would collate and check all the information relating to the full year, and then provide that information back to the organisation. The information was then required to be used for preparing the final reports to be made available to the government funder. There were two problems with the AIHW reports, with the first being that they were often late, “They were due out last November to help us do our reports, and most services have just started to receive them now. So they’re, you know, way behind” (2SPMc), and secondly they usually contained inaccuracies. There is also tension between levels of government in respect to data collection which impact on Organisation B. State government funding agencies such as the Department of Community Services (DOCS) were also frustrated with AIHW and “are not completely happy that they are the best provider for that data” (2SPMc), but have limited ability to improve the data collection, or change providers, due to Commonwealth-State agreements. With these problems, it meant that the final reports to government funding agencies were not able to meet deadlines which had to be renegotiated.

Other online data collection systems were also perceived to be problematic and inflexible by managers. A sense of frustration can be garnered from the following quote by a manager working with the Department of Immigration online collection:
“If it’s working, which is unusual, it’s put into the Department of Immigration’s website, and there is no flexibility with time, and there is no flexibility with word count. The word counts are prescribed, you can’t write something longer or shorter, you can’t put in your own explanations, it’s very prescriptive the way you fill in those reports” (2SPMd).

Despite the problems identified by the managers there was also recognition it was a sensible path to go down, and even though the agencies were struggling to get the systems to work one hundred percent efficiently, it was perceived as a necessary step on the road to providing better data which was considered an “admirable” objective (2CEO).

6.9.3 Upwards and downwards accountability

This section relates to the notion that reporting to government has traditionally been seen as an exercise in upward accountability, and there have been calls in the literature for government to change to a downwards expressive form of accountability.

In terms of any accountability from the government downwards to the organisation, most of the managers would agree with statement: “Well, in my personal experience .... I would not see much evidence of that” (2SPMa). There was a perception that the organisation “spends too much time on financial accountability to the Government” (2SPMd). There was very little in terms of feedback provided from the government to the organisation, with the managers required to provide a lot of data and information but “then they don’t tell me anything afterwards” (2LPM).

Despite the perception that accountability was upwards, in general managers thought that government agencies should be more proactive in terms of downward accountability, and that not only should there be a downwards accountability back to the organisation, but 2SPMc argued it should extend even further, in a structured way to the client.

The managers were extremely critical of government agencies when these agencies espoused rhetoric when making changes or requesting information, but failed to match that with reality when dealing on the ground with the organisation. One example from a manager is:

“their [government] rhetoric is that they want more efficient, more effective, more everything like that, more value for their dollar. But they always hit hiccups within
that cycle, because sometimes they've got a number of unfilled positions that prevent it from happening, and sometimes they you know, things like the NDC not giving you your data to do your reports, is a real fly in the ointment of how they want us to prove we're more effective and efficient and when your data's not given to you on time and when the reports are flawed, it's very hard to meet that. So, it's alright for them to be really gung-ho about demanding things, but when the logistics of how you do that aren't stable and strong, no one is going to get those KPIs met" (2SPMc).

Downwards accountability depended significantly on individual staff within the government funding agency, and what feedback they were willing to give. There are few guidelines for the agency in terms of feedback to the funded NFPs, and the feedback varies from staff member to staff member. However, on an overall basis it does seem that there is greater feedback in the country areas from government staff, “because it’s a smaller community and stuff, and in the city it’s not as often” (2SPMc).

6. 10 Chapter summary

This chapter has provided a review of the accountability perceptions of managers, stakeholder accountability requirements, and reporting undertaken by Organisation B. A case analysis of Organisation C, the third and final of the main NFPs studies, appears in the next chapter.
7 RESULTS –CASE C ANALYSIS

7.1 Description of Case Organisation

Organisation C is a medium-sized Christian organisation headquartered in Canberra, and which offers a broad range of social services (including housing) across the Australian Capital Territory and a significant geographic region within New South Wales.

The religious institution to which Organisation C is affiliated was established by a special statute of parliament. Organisation C exists by virtue of an ordinance under canon law of the religious institution, and is not under any legislative or other legal imperative to prepare financial statements. The organisational structure is similar to the stakeholder model developed from the literature and depicted in Figure 3.2, where the social service arm is a separate legal entity, and the religious institution has oversight of the organisation (in both a spiritual and legal sense). The case organisation is governed by a Board of Directors, comprised of both ordained and lay persons, who are responsible and provide reports to the religious institution. There is a senior management team within the organisation led by the CEO, who oversees both the paid staff and volunteers who provide services to clients. These clients are principally comprised of the poor and marginalised. The organisation divides its services into four discrete geographic regions in order to respond to client needs on a regional and local basis.

Organisation C provides services such as aged care, child care, youth services, and emergency accommodation. Some of the organisation’s funding is provided by the religious institution itself, together with funding from individuals who are members of the congregation of the religious institution. Further funding is provided by the government for Organisation C to undertake programs specified under service delivery agreements or grant deeds.

For the 2007/08 financial year, the organisation had revenue of approximately $37 million, the sources of which are shown in Figure 7-1. There were approximately 650 employees as at June 2008.
Although the organisation is significantly smaller than Organisations A and B in terms of geographic area, revenue and employee numbers, Organisation C is nevertheless considered bureaucratic from the viewpoint of those local program managers who are furthest away from the centre of decision-making.

“So we have all this hierarchy in place, and we also have an infrastructure cost, or an infrastructure team of payroll, of finance, of people and culture, of a range of different things, where those people can be supported” (3LPMa).

### 7.2 Accountability perceptions

The interviewees were requested to nominate the three main parties they thought the NFP is accountable to, and the two main items for which the NFP is accountable. The accountability overview of manager perceptions for Organisation C is summarised in Table 7-1.
Government funders were seen to be the primary stakeholder by all four managers, since government provides the bulk of funds for the organisation. These government funds were derived primarily for social services provided by the organisation and paid for by the government.

Given that the main mission of the organisation is to service and support the poor and needy, it is understandable that all managers identified clients as key stakeholders to whom they were accountable. The importance of clients as stakeholders is further expanded in Section 7.5.1 below.

Whilst the “accountable to” columns indicated to whom the organisation was accountable, the “accountable for” columns indicated for what the organisation was accountable.

Following on from the nomination of clients as a key stakeholder, client service, outcomes or need were nominated by all four managers as priorities in terms of for what the organisation was accountable. This included ensuring fair and equitable treatment in that “we provide every opportunity so that everybody’s included, like people don’t get excluded” (3SPM).

Finances were nominated by three managers indicating the importance of financial accountability. The mention of morals and spirituality reflect the philosophy of the NFP organisation and the affiliated religious institution being based on Christ’s message:
“It is based on that, certainly when I look at the philosophies and the ethics, it’s often quoted in the words of Christ, so yes, there is a strong element, on this particular organisation being based on a Christian message” (3LPMb).

The Christian philosophy is played out in a practical sense by “offering assistance to those in need just as Jesus did when he was here on earth” (3CFO).

### 7.3 Key accountabilities

The classification of key accountabilities into those of procedural and consequential, as outlined in the NFP Model of Accountability presented in Figure 2-2 appears to be very suitable for application to Organisation C. The three types of procedural accountability identified in the model being financial, process, and legal accountability.

#### 7.3.1 Procedural accountability

Even though financial accountability ranked similarly with client outcomes and service in the organisation (see Section 7.2), there were few negative comments pertaining to financial accountability by any of the managers and it did not appear that financial accountability processes were considered onerous.

“Those financial reports go to the Board, making sure whether we’re fitting within our proposed budget, and that’s about it internally, I suppose” (3SPM).

This was despite “a greater push, not unwarranted” (3CFO) by the government in requesting additional financial accountability information more recently.

In terms of legal accountability, OH&S was seen to be a major legal risk by managers in the organisation, primarily due to social services being provided to vulnerable clients, including childcare services, aged care accommodation, and mental health services, among others. These legal risks related to both clients and the providers of services, including paid staff and volunteers. Much of the accountability obligations surrounding OH&S related to incident reporting at the base level, “So anything that happens gets reported on our incident form which covers all and sundry” (3SPM). These reports flow up the organisational chain and are filtered to highlight the main issues and problems for reporting to the Board and to outside bodies if the incidents are of a sufficiently serious nature.

Legal obligations also extend to informing clients of their rights, which is achieved through written notices, and also providing clients with an information package when
they first make contact with the organisation. The information package includes outlines of the rights and responsibilities of clients, expectations of organisational staff, and avenues via which complaints and grievances can be directed, such as having the option of “seeking out myself for example, who is a little bit more removed from the direct service delivery” (3SPM) or, alternatively, contact with an independent body.

Process accountability supports other procedural and consequential accountability types and ensures the organisation continues to function appropriately. In general, the managers indicated that the processes of the organisation were efficient, and there were few negative comments regarding these processes, apart from the cost of the bureaucratic infrastructure (see Section 7.1). All the same, there was a view, emanating primarily from those staff with private sector experience, that the organisation “can learn a great deal from corporate for-profit organisations, probably on the business level” (3LPMb). The CFO, in particular, was interested in driving improved processes transferred from corporate for-profit organisations.

“I think there’s a huge element of business practice that can be put into not-for-profit organisations that work well. That’s my personal soap box story!” (3CFO).

It is also noteworthy that organisational processes do not reside in a moral vacuum, but decision making processes, in particular, are tested “against all of our policies and our procedures, to actually reflect back to, does this fit with our mission? So we don’t, for example, tender to pubs or clubs, for money” (3SPM).

7.3.2 Consequential accountability

The two types of consequential accountability identified in the NFP Model of Accountability are effectiveness and efficiency.

There were few direct measures of efficiency employed by the organisation in terms of output delivered per unit of input. There were reports that capture inputs, predominantly costs, and reports that capture certain outputs, but the two were usually not directly compared.

There was an emphasis on effectiveness, particularly reporting of whether or not objectives had been achieved and which was primarily driven by government requirements. This reporting included “benchmarks that were expected to be met” (3LPMb). The managers see reporting to government as “extraordinarily time
consuming” (3SPM) and that it has changed over time from very low level to very high reporting requirements through a “massive swing ... that takes time and money” (3SPM).

As to measures of effectiveness in terms of organisational outcomes, the managers were not focused narrowly on just delivering outputs, but as members of a faith based social service NFP they perceived that services should be delivered with empathy - “so yes, more heart” (3LPMa). This difference was particularly noted by a manager who previously worked with a for-profit organisation.

The following sections 7.4 to 7.7 detail the various stakeholder groups and how these managers perceive these groups need to be communicated with, as well as the unique attributes of their relationships with these stakeholders.

7.4 Funders and regulators

7.4.1 Government funders and regulators

Government funders and regulators are a key stakeholder for Organisation C. As noted in Table 6-1, all four managers nominated government funders as the main stakeholder to whom they are accountable. Government provides 60% of the funding for the organisation and also determines many of the reporting requirements, regulations and compliance obligations to which the organisation must adhere.

One of the principal aspects of accountability in terms of funders and regulators, as depicted in Figure 2-2, is the negotiation of explicit shared expectations between the NFP and the funder, and also the management of the implicit expectations of the funder, often unstated, but still needing to be met. Several of the managers indicated frustration when negotiating with government around shared expectations. Whilst such negotiation resulted in written clauses supporting input by the organisation about expected goals and outcomes, and there was some verbal rhetoric which backed this up, to a large extent it was essentially “tokenistic negotiation” (3SPM). The implicit expectations were that the NFP must meet the requirements set by the funder, and any “negotiated expectations” would generally not be taken into account when reporting.

“Most of the time they're [expectations] set. There’s always a clause, there’s often a clause that they're negotiated, but I’ve yet to see that actually really be truly a negotiation process. Sometimes it can be, but it's more often set. I mean, sometimes when you go into a tender you know. Like that's set up front, that's
stated up front. This is what it is, if you don't want to do, if you don't think you can reach these KPIs, basically don't tender, you know. It's put nicer than that, but that's yeah, what they're saying” (3SPM).

So, in effect, when governments develop the contracts and the funding regime for the organisation, they also set the expectations and the KPIs. Once these are in writing, government “expect them to be adhered to” (3LPMb), making it difficult, but not impossible, to make changes in respect to these agreements. Managers perceived that the government generally prefers to have KPIs that are straightforward and can be easily measured, and yet such KPIs are seen as generally unsuitable when there is complexity around delivery of social services to clients with a multiplicity of needs. Managers report that government representatives refuse to have discussions or to alter expectations as a result of this complexity.

“I think there's at least an obligation there to have those discussions, and have somebody there that you can work with and not just you know, be told that you need to do this and there's actually no support here or guidance around that, because it's not always black and white with these sorts of service deliveries, it's often grey” (3SPM).

While government’s setting of expectations in terms of outputs and KPIs may be rigidly applied, managers of the organisation noticed more flexibility around how these expectations could be achieved in comparison to the expectations of government in the past. Whereas previously the government bureaucracy would have said “this is how we want you to do it, and we will ensure that you do that, and we will govern how you do that” (3LPMb), there is now more decision-making allowed at the organisation level to determine the best means of meeting client needs. The funds are now being given to the organisation with fewer strings attached, so that the government is now saying, in effect, “... spend it and let me have a look at it after twelve months” (3LPMb).

This increased flexibility in spending at the organisation level has implications for internal and external reporting and, in particular, for reports for budgeting purposes (covered in more detail in Section 7.8.1). As the organisation itself can now plan the best way of delivering services to meet client needs, there is an increased requirement for financial expertise to undertake budgeting exercises within the organisation. Further, there is no longer the financial certainty of government providing funding for the services delivered to clients, as was the case when government also stipulated how those services would be run. The private sector has traditionally operated in an uncertain
financial environment and therefore has greater expertise in budgeting and financial planning. The government also has a budget appropriation process and requires financial accountability in respect of grants and tenders and, in Australia, has increasingly adopted private sector processes of financial accountability concomitant with its enthusiastic adoption of the principles of NPM. Organisation C has had to adjust to the increased need for budgeting reports and increased expectations from government and other stakeholders, and one means for achieving this has been to recruit managers from the private sector who have experience in implementing and using these types of systems.

Despite improving their budgeting and financial expertise, there were concerns by the managers that the methods of distributing government funding meant that, at times, they were placed in a no-win situation. As an example, one manager had a situation that seemed to be unique to the child care area, where she was required to make forecasts in advance, which were quite burdensome and could also significantly affect ongoing funding.

“But the requirements that we have to disperse our funding, we have to predict six months in advance, what our enrolments will be for the next financial year. So we have to predict how many Aboriginal and Torres Strait Islander children we may have, we have to predict how many children we may have that don’t speak English as their first language, we have to predict how many children we may have that have additional needs, who require support, six months in advance, to the next financial year to receive our funding” (3LPMa).

The organisation was underfunded if the enrolment numbers predicted were too low, but penalised if the predicted enrolment numbers were too high.

Likewise, there is a perception by managers that government does not cover the full cost of provision of some services, including aged care and some children’s services. Consequently, the organisation needs to source funds from “our non-Government funding that will cover the shortfall in those programs” (3CFO). The organisation is reluctant to withdraw from services where there will be a reduction in quality of life for clients, and so deliberately chooses to fund services where government is not prepared to meet the full cost. At times, the regulatory and funding arms of government seem to be in conflict, in that many of the costs of Organisation C’s child-care services are driven by requirements imposed by government regulation and accreditation processes,
but the funding arm is intent on lowering funding for service delivery to meet government budget restrictions:

“We’re bound by a legal set of regulations that say you have to have this many trained people, this amount of staff per child etc., so we’re bound by that as to whom we need to employ, to offer high quality, and the funding we receive doesn’t even cover the salary costs” (3SPMb).

There is, however, an exception to the above principle for one group of clients for Organisation C where the government funder does not skimp on funding the service. This service concerns high need children who have been emotionally and/or physically abused. “They have extraordinary high needs where they require specialist care ... so they receive psychological, orthopaedic, paediatrician and psychiatric treatment on a regular basis” (3LPMb).

In contrast with certain difficulties in negotiating shared expectations and dealing with funding by government, the managers of the organisation were generally positive regarding the way in which verification and explanatory accounts were dealt with by government. In general, the managers were positive on the point that government representatives “do pay attention to what we give them, and do offer some feedback and even some points of comparison with other services” (3CFO). This was reflected in the provision of benchmarking information against other service providers in terms of averages or best practice. The managers noted strong working relationships with government representatives at a local level, particularly in rural areas, such as “we have a very good relationship with the Department here in Orange [NSW]” (3LPMb).

7.4.2 Corporations

Corporate donors are a minor source of funds for the organisation, and the managers talked about such donors very little. Notwithstanding this, there was an acknowledgment that NFPs “can learn a great deal from corporate for-profit organisations” (3LPMb), as there is a level of professionalism, business acumen and expeditious reporting often evident in for-profit corporations, which is being increasingly required from NFPs by government and other stakeholders.
7.4.3 Individual donors

Individual donors also play a minor role in contributing to the organisation’s income, with the majority of these individual donors being members of the affiliated churches in the diocese. There are opportunities to make donations online through the organisation’s website, but this is yet to be taken up to any significant extent by donors. Organisation C also runs an appeal once a year, but the organisation lacks the brand identity to generate recognition by the public, unlike the other two major case organisations studied. There is, therefore, competition with many other NFPs in the region seeking to raise funds.

7.5 Client and community stakeholders

7.5.1 Clients

After government funders, managers stated that clients were the next most important stakeholder to whom they were accountable, and “client outcomes” were a priority area in terms of for what the organisation was accountable (Refer Section 7.2). Managers prided themselves on providing a quality service, and indicated that clients were their main priority, unlike some other service delivery providers who may have other underlying motivations, including the generation of financial returns.

“I think some motivations aren’t about the children whereas [Organisation C] and the services that we offer are about the children and the quality of what we offer. We pride ourselves on that ...” (3LPMa).

The managers emphasised that the organisational mission was about relating to clients and the broader community and, in particular, providing a holistic service to clients.

“... it [the Mission Statement] does talk about empowering people, it does talk about working with the communities, it does talk about that a duty of care is our children, and the holistic approach that we have to it. And we really do do that, in this particular organisation” (3LPMb).

Many clients tend to experience a disjunct in services from various government programs offered by a number of providers. The organisation is aware of this problem and tries to provide a holistic service to clients, not necessarily by doing everything themselves, but through linking clients to other appropriate services and service providers. For example, “... if a parent, for whatever reason, required some flexible delivery of respite options for themselves with the children, we could then link them up
with our flex plus service which does that, so we already are doing that in a range of ways” (3LPMa).

Like the other case study organisations, Organisation C’s managers understood they were accountable for providing a quality service and fair and equitable treatment to clients (Refer Section 7. 2). However, the only options for clients to hold the NFP organisation accountable where it is not meeting their needs (as shown in Figure 2.2) is for the client to either exit the service or voice their concerns. Both options can be problematic, and it is not always possible for high needs clients to undertake either option. However, in order to give clients a voice and to obtain feedback, the organisation conducts surveys in a number of forms and also has a strong complaints mechanism that “... shows our accountability, and highlights any trends and things that we’re not doing” (3SPM).

7.5.2 Community

The managers of the organisation indicated they were keen to work with and involve the community with the services they were offering, particularly geographic communities in the suburb or town of the physical location from which their services were being offered. At the base level, this engagement aims to ensure the community is aware of the services the organisation provides and so the organisation undertakes substantial “community based relations experiences” (3LPMa). An example of such an activity is hosting stalls at the local show, allowing the organisation to take general enquiries and distribute information into the broader community outside of the normal clientele who consume its services. In effect, it is announcing “[Organisation C] is here and this is what we do” (3LPMa), giving the community a broader understanding of what it does and how the organisation can assist people. This strategy also enables the organisation to identify and direct services to those in the community who need assistance, while simultaneously garnering support at a local level if a service is threatened with funding withdrawal or other action that may jeopardise the viability of the service.

A second way in which the organisation directly involves the local community is through open days where the public are invited to visit the organisation's premises and experience how the services are delivered to clients. This fosters awareness of the services as well as acting as an important procedural and consequential accountability mechanism providing feedback to the community about how well the organisation is
providing services. Although this action does not constitute “reporting” to the community from a formal definitional perspective (see the leftmost column in Figure 2.2), it nevertheless represents a mechanism whereby accountability can be discharged.

The managers also commented that government funders are now stressing the importance of the organisation incorporating the views of the community when it makes decisions regarding service delivery.

“Yes, I know in part that they [government funders] now expect, demand, would like to see a greater community involvement in that money. So, when an organisation like ours makes a decision on how that money is to be spent, where in the past we may have been considered solo in that decision, I don’t think it is anymore. It’s actually looked at how we can involve the community in the work that we are doing” (3LPMb).

7.5.3 Service delivery partners

In delivering services that the community expects, and that clients need, no one organisation can do everything and so it is important to work with other service delivery partners to “use the best resources within the community” and “to be accountable to actually provide what we are funded to provide” (3SPM). As an example, other service delivery partners rely on Organisation C to provide accommodation for respite services, and if this accommodation is not available at the appropriate time, this “has an impact on the whole of community, because we’re all intertwined in some way, shape or form” (3SPM).

As the organisation is one of the largest in the area, the managers are now taking a lead role in organising and working with other service delivery partners to provide appropriate services to clients.

“In the past, where perhaps we may have been acting as a solo, we now address other NGOs in the area, other church-driven organisations, other indigenous organisations, and I think what we’re doing a lot more now is pulling them in, and working, sitting on committees, looking at advice, accepting advice, sharing around what knowledge we do have” (3LPMb).

Fostering such partnerships and alliances has arisen, in part, because it improves services to clients, but is also driven by government policy that came into play several years ago and which requires different providers to work together to provide an efficient service (3LPMb).
Open Days have worked well for the organisation in engaging with the community, and so the organisation has further developed the concept and now has “Open Days” in which service delivery partners are invited to participate and to share in a process of two way feedback. It is about “what we do, and how can we work with each other, so that’s about building partnerships and yeah, just working out how we can utilise the resources” (3SPM).

7.6 Internal Stakeholders

The structure of the organisation is outlined in Section 7.1 and demonstrates that the stakeholders within the legal entity of the social service arm itself (that is the Board, CEO, staff, and volunteers) are typical stakeholders as identified in the literature and as illustrated in Figure 3-1. The accountability mechanisms utilised are similar to those operating in other organisations. However, in terms of other internal stakeholders, primarily members and the religious institution, the relationships and accountability mechanisms have more depth than is illustrated in Figure 3-1.

The religious institution provides spiritual oversight and a certain level of funding for the organisation, which is typical for this type of organisation and is recognised in the literature as being the norm. Even so, the organisation has an interaction with individual members of the religious institution made possible only through strong relationships with parishes at the local level. If any Open Days or other events are held within a local parish, the members of the parish are invited to be a part of the activities. Developing and strengthening the relationships with parishes across different regional areas “makes our service more transparent to the community and more available to a larger group of people” (3LPMa).

7.7 Political Stakeholders

In terms of the lobbying of political stakeholders, the organisation is a member of certain peak bodies and lobby groups, but does not actively use these bodies as a platform for seeking change. The main methods by which the organisation garners support is by: firstly, working directly with other service delivery partners to promote common purposes and ideals; secondly, working directly with the local community through holding open days and events; and thirdly, indirectly through working with members of the local parishes to increase awareness of the services offered at the local community level, who then may raise issues with political stakeholders.
7.8 Reports

The organisation produces reports to satisfy stakeholder obligations in terms of both consequential and procedural accountability. Those produced at the time of, or recently after undertaking the interviews, were for the 2007/08 financial year and are overviewed in Figure 7-2 below. Differences between the reports produced for this organisation and the original Summary of NFP accountability reports derived from the literature (which was depicted in Fig 1-3) are illustrated in Figure 7-2. Reports that Organisation C did not produce have been formatted in the diagram using strikeout and additional reports that are prepared by the organisation appear in red-coloured font.
<table>
<thead>
<tr>
<th>Time Element</th>
<th>Management Systems</th>
<th>Procedural Accountability</th>
<th>Consequential Accountability</th>
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<tr>
<td><strong>Prospective</strong></td>
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<td></td>
<td>MISSION &amp; VISION</td>
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<tr>
<td>(Where are we going?)</td>
<td>• Management Direction</td>
<td></td>
<td>Program &amp; Activity Targets</td>
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<td></td>
<td>• Financial Control Systems <em>(Attaché &amp; Excel)</em></td>
<td>Actual results compared to budgets</td>
<td>- Outputs &amp; outcomes</td>
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<td>Actual outputs &amp; outcomes</td>
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<td>Limited Internal Evaluation and Internal audit Accreditation</td>
<td>- Newsletters - Website</td>
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<td>Acquittal reports to funders</td>
<td>Academic research</td>
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<tr>
<td><strong>Ongoing</strong></td>
<td>• Financial Control Systems</td>
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<td>Summary of programs in each region</td>
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<tr>
<td>(How are we doing?)</td>
<td>• Monitoring &amp; reporting systems</td>
<td>- Summary Income Statement &amp; Bal Sheet</td>
<td>- Newsletters - Website</td>
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<td>• Internal evaluation &amp; accreditation</td>
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<td>External evaluation/ audit on EOV performance</td>
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<td><strong>Retrospective</strong></td>
<td>• Financial Control Systems <em>(Attaché &amp; Excel)</em></td>
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<td>(How did we do?)</td>
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Figure 7-2 Organisation C – Summary of Accountability Reports
Starting at the top of Figure 7-2 and moving downwards through the reports, the strategic direction in terms of Mission and Vision is set by the Board and is focused on serving the needs of the poor and marginalised. Each year, the activity targets and planned outputs and outcomes from each program are discussed and determined at an organisational level, as well for each of the four regional areas that have been established to improve service delivery. Input is garnered from a broad cross-section of internal stakeholders and from service delivery partners. “We provide them our strategic plans, and we actually get them involved in developing our strategic plan, and our regional plans” (3SPM). From these Program and Activity Targets, detailed financial budgets are produced. There are 57 programs and an individual budgeted balance sheet and income and expenditure forecast is produced for each.

Moving downwards to the “Ongoing” Time Element row, the financial results are compared to budgets for each program. The broader financial statements are prepared using the Attaché accounting package. However, significant time is expended in preparing detailed comparisons to budget for each individual program using Microsoft Excel “because our systems aren’t quite as sophisticated as I’d like them to be” (3CFO). The program managers collate information for these budget comparisons in respect of financial accountability, which are sent to the CFO and the Accounts Department for compilation. A completely separate process exists for the efficiency and effectiveness reports produced in respect of consequential accountability, in which the CFO is not involved, and which are compiled by 3SPM. “Then we also do our financial reports which are quite different [to output and outcomes reporting] ... [and] those reports go to the Board, making sure whether we’re fitting within our proposed budget” (3SPM).

The “Actual outputs and outcomes compared to targets” report is produced by each program manager, who passes the report onto the CEO, and finally a summarised report is produced for the Board. The timing and content of these reports are driven to a large extent by the requirements of the government funders, as well as the issues and sensitivities around the type of service being delivered, for example, reporting for children recovering from abuse occurs more frequently. For many of the programs, a simple measure of outputs, such as children attending childcare, is all that is required. For other programs, such as the high needs program for children, detailed information is gathered for the reports and includes measures of social skills, educational needs, and
emotional needs as rated by psychologists and caseworkers (3LPMb). This report is required for internal management purposes, as well as for the government funders on a monthly basis. Additionally, case reviews are undertaken.

“We do have a case review every three months, that we’re obligated to do, in which the Department also participates. And a case review means that the child, and all the stakeholders in relation to that child, are invited to attend, that’s a face to face meeting including the children. It’s a progress report over the last three months, of what the child has done. So, they get that report as well. The Department itself has what is called a high needs panel, which meet every fortnight. They also receive our reports, our monthly reports, as well as any additional reports. The high needs panel are a panel that decide which children are eligible for a service such as ours” (3LPMb).

As well as monthly reports and case reviews, the government funders also receive an incident report if anything happens with the children “that requires hospitalization, the police to be involved, etc.” of which government is immediately advised (3LPMb).

In order to demonstrate consequential accountability on an ongoing basis to clients and community stakeholders, service delivery partners and members of parishes in the religious institution, the organisational website and newsletters are used frequently by the organisation to provide such accountability information. The organisational website has an area that details all services the organisation provides and there is a ‘News and Events’ section that is updated on a regular basis, explaining special events the organisation is hosting or involved with and what the organisation has achieved in the recent past. There is a quarterly newsletter produced for donors, volunteers, interested community members and members of local parishes which includes events and “stories” in relation to services, mentioning where donations were used or where volunteers worked. Noteworthy news regarding special achievements or changes to service delivery is also delivered to the Bishop who communicates this to local parishes throughout the diocese using normal diocesan channels. Relevant information about services and structured feedback thereon was also regularly given to service delivery partners, although “I wouldn’t call it formal so much” (3SPM).

Despite a turnover of $37 million dollars, 60% of which is received from government funding sources, there is no formal internal audit function in the organisation, although the evaluations that are undertaken by the organisation are primarily internal and driven by the funding body. “A lot of our funding bodies require evaluative processes as part
of ‘are we meeting needs’, so we do a lot of survey based data collection which then gets put together by our READ [Research and Advocacy] team” (3LPMa). The READ team co-ordinates the surveys and internal evaluations for the organisation and has expertise in fulfilling these functions. In addition to the internal evaluations driven by funding obligations, the organisation also partners with university academics from the social welfare field to investigate emerging issues such as those concerned with ageing, and supporting families affected by parental drug use.14 This academic research relates particularly to consequential accountability (rather than procedural accountability) for the organisation’s efficiency and effectiveness in delivering services.

In contrast, accreditation relates especially to procedural accountability and process accountability. Many of the services offered by the organisations must be accredited with relevant periods of accreditation ranging from 1 to 5 years (3CFO). There is limited ability to highlight the quality of services through case studies and other qualitative information. “The accreditation type processes also allow and permit I guess, for you to showcase a little bit of that quality type stuff. But most of its quantitative these days … it’s very measurable stuff” (3SPM).

In terms of the Retrospective time element in Figure 6-1, acquittal reports to funders are important, being the most numerous reports prepared to meet procedural accountability requirements. Consistent with the two other case organisations, the managers of Organisation C reported that the information they were required to provide varied by program, with little consistency between the information requested by different government funding providers. “I say this because I’ve got so many programs, I’ve got like fifteen programs, so each one of those looks a little bit different” (3SPM). Managers also noted a definite shift in report content requirements from qualitative to quantitative information over time.

“… they used to be very qualitative reports. I’ve been with the organisation for seven years now, and I’ve seen a real shift and move to more of a quantitative report … now most of them have a bit of a section on the end, or somewhere, within that reporting process, where you can give some of that qualitative stuff, information back” (3SPM).

14 Annual Report 2007-08.
While there is still opportunity to provide qualitative information, it appears limited in length, with quantitative measures preferred since they allow for easier comparison and ranking of service delivery providers by government.

The Annual Report of the organisation is an important accountability mechanism as a hard copy is made available to a broad range of stakeholders including clients, visitors, funding bodies, leaders of the religious institution, and service delivery partners (3CFO). An electronic pdf copy is freely available from the organisational website. The Annual Report contains a Chair’s report, a CEO’s report, and some detail about the structure and size of the organisation, but the majority of its content relates to describing the services offered and the service delivery achievements of the previous year. Most of the report is descriptive in nature, outlining each service, although there are some statistics providing a summary of client numbers by service activity. There are also two pages devoted to telling the stories of five individuals, giving an understanding of how their lives were transformed through the services provided by the organisation. Within the Annual Report there is a summary Income Statement and Balance Sheet, with an attachment showing the main providers of funds to the organisation, which were primarily state and federal government departments. There is a statement within the Annual Report advising that a full set of audited financial statements is available upon request. The financial statements were audited by a second tier accounting firm and the full financial statements and audit report were sent to government funders, banks, the religious institution and clients from the residential aged care facilities who requested a copy.

7.8.1 Reporting

The previous section has dealt with the reporting documents themselves, whereas the current section deals with some of the more general issues surrounding reporting for the organisation.

In terms of overall reporting for the organisation, one of the distinguishing features was that there was a strong demarcation between the financial reporting undertaken by the CFO and the financial team, and the outputs and outcomes reporting undertaken by a completely separate team led by the senior program managers. As stated by the CFO, “I don’t get to see that side of it [outcomes reporting], I know that it’s done only because I’ve heard people talk about ‘Oh, I’ve got to get that accountability statement back to
the Department’, but because it’s non-financial information, I have no interaction with that” (3CFO).

With the financial reports, particularly the acquittal reports, government funders imposed accounting treatments that were inconsistent with Australian Accounting Standards and quite bizarre in nature at times.

“If we were to purchase a car it had to be expensed within the year, so we changed our accounting treatment for that particular program, simply because they said you can’t own an asset, you can’t have ownership of anything when, as at balance date. So we purchased three cars … but we weren’t able to show that as an asset, it had to be an expense. So expensing sixty thousand dollars worth of motor vehicles seemed unusual to me! … They were still fine with the fact that we’d purchased them outright, and we expensed that." (3CFO).

Similarly, with some of the accreditation and other reports produced by the program managers, they were required in different formats for different funders, resulting in ‘horrendous’ duplication of effort and extra work (3SPM).

Minor changes in programs by government leaders can cause significant changes in reporting, even though the underlying program changes little: “Well, it probably won’t change the service delivery much, but I’m sure it will change the reporting and things like that, yes” (3SPM).

Despite the red tape and bureaucracy imposed by government, in general the managers considered reporting to be important in being accountable to stakeholders and in showing the organisation to be “a good steward of the resources that have been given to you” (3CFO).

7.8.2 Technology

Technology and information systems in use by the organisation are “not very sophisticated” (3CFO), with an emphasis on using funds for client services and trying to keep administration costs as low as possible. The main technological innovations applied were in entering data into online databases, a requirement that was imposed by government funders in order to obtain more complete and timely information. “Our SAAP programs, our homeless programs, they do smart data collection … the gambling one also has, and that’s through the responsible gambling fund, and they have their own database that we also add to” (3SPM).
7.8.3 Upwards and downwards accountability

The accountability expectations of government are one of an upward instrumental accountability as depicted in Figure 2.2. However, as the managers indicated, there needs to be more downwards accountability to the organisation, particularly in ensuring an appropriate level of funding to deliver the services that government expects.

“I think there needs to be from their point of view, some evidence and knowledge around that’s a viable option, like that is affordable, it is possible to be done, that they’re accountable to us to be not expecting us to manage something out of nothing” (3CFO).

7. 9 Chapter summary

This chapter has provided a review of the accountability perceptions of managers, stakeholder accountability requirements, and reporting undertaken by Organisation C. Together with the preceding two chapters, the current chapter completes the individual analysis of each of the three main case organisations. The next chapter provides a cross-case analysis of the three organisations, highlighting significant common themes and similarities and numerous of the significant differences between these organisations.
8 CROSS CASE ANALYSIS AND RESEARCH FINDINGS

8.1 Introduction

The cross case analysis presented in this chapter summarises the key issues resulting from the analysis of individual cases appearing in chapters 5, 6 and 7, producing the key research findings. Insights from the data collected from individuals and smaller organisations (see Table 4-2) were used to corroborate the findings from the three main case organisations and these are also integrated into the current chapter. The research sub-questions are answered in turn throughout the chapter, with the key findings relating to each question then explicitly stated.

8.2 Stakeholders

Research Sub Question 1: Who do managers of faith-based social service NFPs perceive to be the stakeholders to whom they owe accountability and how and why are different stakeholders accorded particular accountability priority?

The research confirms earlier studies that the managers perceive NFP organisations to have a multitude of stakeholders with competing accountability interests. The stakeholder groupings depicted in Figure 3-1, the original Stakeholder Model of Faith-based Social Service NFPs is a realistic reflection of the groupings of stakeholders, however the meanings attached to certain stakeholders, including ‘members’ and ‘Board’, are very different from that envisaged under the original model. Government is seen as the key stakeholder, being the major funder and regulator of social service NFPs, as revealed by earlier studies (Anheier, Toepler, & Sokolowski, 1997; Cribb, 2006b). Clients rank a close second, whilst several managers indicated a personal accountability to God.

8.2.1 Stakeholders to whom managers perceive they owe accountability

The research presented in this thesis suggests that the original “Stakeholder Model of Faith-based Social Service NFPs (Figure 3-1), as developed from the literature, requires modification to better reflect the realities of faith-based social service NFPs in Australia. A revised model, based on insights from the current research, is shown at Figure 8-1.
Figure 8-1 Revised Stakeholder Model of faith-based social service NFPs
Under the “Internal Stakeholders” grouping in the original model, members were affiliated with the religious institution and provided funds to the institution. However, the research revealed that ‘Members’ are viewed very differently in the three main case organisations. For Organisation A, the religious institution and the social service arm are the same entity. The paid staff are all members of the religious institution, and all other members are committed to assisting the clients of the social service arm. In Organisation B, ‘member’ has a precise meaning, restricted to those who subscribe to the faith of the religious institution and the doctrines of the NFP organisation which is a religious order. Membership of the social service arm is not membership of the religious institution itself. In Organisation C, membership is of the religious institution, as is depicted in the original model. The interviews with the individuals in smaller organisations confirmed the lack of uniformity around the definition of ‘member’, with one such organisation referring to members as representatives of the NSW Ecumenical Council, a body formalising fellowship of a number of protestant churches (7SPMc).

In a similar vein, another social service NFP was faith-based, but supported by a number of different denominations (4CFO). Thus, member in the revised model takes on a significantly broader meaning, and membership can be either of the religious institution, or the social service arm, or both (membership being indicated by the dashed arrows). The notion of membership appears to become less important the further down the hierarchy one is employed. For instance, the CEO (2CEO) of Organisation B refers to the mission of the organisation as being “to deepen the Catholic faith of its members”, whereas a local program member (2LPM) indicates that “You’re not treated any different, there’s no real difference” when discussing the distinction between members and other volunteers.

In some respects volunteers are utilised by the three case organisations in the traditional sense of assisting and taking direction from paid staff, as envisaged by the original stakeholder model in Figure 3-2. However, in other respects the term ‘volunteer’ encompasses a much broader meaning. For example, in Organisation B volunteers may wield considerable power within the organisational structure. Those volunteers who choose to be members elect a diocesan councillor from the local diocese, and that councillor, in turn, sits on the State Council and participates in the election of the President of the NFP organisation. Thus, the CEO of the organisation effectively reports to a group of volunteers. In both Organisations A and B some volunteers interact with
clients, in a similar fashion to that of the organisation’s paid employees. Other volunteers within these organisations assist in ‘Op Shop’ duties under direction of employees, with little say or voice in the running of day to day operations. Accordingly, the label volunteer has a variety of meanings within faith-based social service organisations. In a similar vein, staff can take on a variety of meanings depending upon the organisation. Activities undertaken by staff are often the same, or similar, as volunteer activities, making the label staff not all that useful. For this reason, staff and volunteers have been grouped together in the revised model presented in Figure. More meaningful labels for this group, in terms of accountability, were to distinguish them into client facing and background support. Client facing support means any staff or volunteer who has direct contact with clients. Background support means any staff or volunteer providing services with the social service arm, but without direct contact with clients. There are different accountability obligations in relation to these two groups due to a number of factors, including the OH&S issues relevant to client facing support, as well as the heavy focus on client outcomes in faith-based social service NFPs. The reporting implications of the different accountability obligations of the two groups are detailed in Table 8-9.

There is also another important distinction to be made within the staff and volunteers group, and that is between faith-subscribers and non-faith-subscribers. Faith-subscribers are staff and volunteers who individually subscribe to the faith tenets of the religious institution (and may also be members of the religious institution). There are a number of accountability reports in the case organisations targeted at faith subscribers, who are represented in the revised model by the dashed arrow between the staff and volunteers group, and the religious institution, as the arrow represents a similar relationship to membership.

The governance structures of the case organisations vary significantly. The State Council structure of Organisation B reflects the fact that the organisation is not governed by a conventional board of directors or management committee, but by representatives of the members. Organisation A has a command and control type structure, with an individual responsible for the organisation, reporting upwards to the head of the global organisation. On the other hand, Organisation C is governed by a traditional board. The governance structures of faith-based NFPs are not restricted to Boards, and therefore the term Board in the original model, has been replaced by
Governance, under the Social Service Arm heading in Figure 8-1. These differences in governance structures were also reflected in the interviews with individuals from smaller organisations, with one organisation directly coming under the authority of the religious institution through an ordained minister (6LPMb), whilst others are directed by a traditional board (4CFO and 7SPMa). Although religious institutions can, and often do, provide funds to the social service arm, this is not always the case, and so the funding arrow between the two has been removed in the revised model, with the remaining arrow referring solely to spiritual oversight.

In terms of funding more broadly, the stakeholders in the “Funders and Regulators” grouping in the original model seems appropriate, but philanthropic foundations are currently only a minor source of funds for the case organisations and therefore have been shaded grey in the revised model. Indications are that such foundations have potential to become major sources of funding for social service organisations in Australia in the future. Although for now, Government is the major funding source and the main regulator for the case organisations, and consequently is considered to be the major stakeholder by the managers of the case organisations, including the smaller ones.

With regard to the “Political Stakeholders” grouping, the main emphasis is on understanding how the organisations operate politically in attempting to influence the public and the government through direct lobbying, advocacy, and the provision of information. The managers of these case organisations wish to influence government, predominantly in the domain of advocating a response to client need. As the main case organisations are quite large and can wield a certain amount of power, the primary method of advocacy is by directly approaching and conversing with government representatives and, to illustrate this relationship, the black solid lines from the social service arm to government in the revised model (Figure 8-1) indicate this direct approach. Each of the three main case organisations has representatives on peak bodies such as the Australian Council of Social Service (ACOSS) and Homelessness NSW. The chief role that peak bodies play is to facilitate support of, and information sharing with, smaller service delivery partners who do not have the same level of resources. To a lesser extent, the peak bodies also allow the service delivery partners to share their views on policy issues, with the aim of achieving consensus where possible. It is to be expected that the smaller organisations would be more reliant on peak bodies. Despite acknowledging membership of peak bodies, interviewees from the smaller organisations
did not describe their relationship with peak bodies in detail and further research is required to ascertain the role of peak bodies in respect to smaller faith-based social service NFPs. With regard to the public, managers see a need to educate and inform the public about the plight of the poor and to advocate for their needs. The aim was to provide better understandings and there did not appear to be any attempt by the case organisations to induce the public to then lobby government stakeholders for policy changes as was illustrated in the original model.

8.2.2 Accountability priority given to stakeholders

The perceptions of the managers in each of the main case organisations as to whom they perceived the organisation was accountable, and in what priority, are summarised in Table.

<table>
<thead>
<tr>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government seen as main stakeholder</td>
<td>Government seen as main stakeholder</td>
<td>Government seen as main stakeholder by all managers</td>
<td>Government is overwhelmingly considered the priority stakeholder due to government providing significant funds to all three case organisations.</td>
</tr>
<tr>
<td>Client outcomes and advocacy perceived as a key accountability</td>
<td>Providing a service to Clients is a key focus of the organisation</td>
<td>Clients listed as a key stakeholder by all managers</td>
<td>Clients are important as case organisations focus on the poor and marginalised as their core mission.</td>
</tr>
<tr>
<td>God and Christian principles an overriding concern</td>
<td>Members are an important stakeholder</td>
<td>A range of other stakeholders were listed by various managers</td>
<td>After government and clients, stakeholder importance is perceived differently in each of the case organisations.</td>
</tr>
</tbody>
</table>

Table 8-1 Perceptions of priority stakeholders

Government is overwhelmingly considered the priority stakeholder for all three case organisations and this is unsurprising since government provides the bulk of funds for Organisations A and C, and a significant quantum of funding for Organisation B. The government is also the regulator for the social service areas in which the faith-based NFPs operate and, consequently, was perceived as driving the accountability reporting requirements of the organisations through both generalised regulation and through the
detailed specifications of organisational funding agreements. The smaller case organisations were even more reliant on government as a source of funds.

Clients are also regarded as a stakeholder having key status as the core mission for all the case organisations, including the smaller ones, is targeted toward the poor and marginalised, and thus service to clients is the principal reason why the organisations exist. This raises a crucial issue in respect to financial reporting for NFPs, as to whether the IASB conceptual framework adequately encompasses appropriate “users” (a point which is explicited in Chapter 9). The statement by the CEO of Organisation B (2CEO) that “First and foremost members, without any doubt, are our primary stakeholder” indicates the difficulty in trying to shoe-horn all NFPs into an homogeneous grouping. This is particularly the case in terms of defining key accountability stakeholders and users of annual reports, as members would definitely not be considered the prime stakeholder in the other two major case organisations.

For NFPs, there are a multitude of stakeholders to whom accountability is owed, and conflict and trade-offs in trying to be accountable to all. Consequently, it is important that stakeholders are ranked in terms of priority. Nevertheless, even with the top two stakeholders of government and clients, there is much conflict in terms of the accountability information provided. Government demands upward instrumental accountability, whereas clients rely on downwards expressive accountability. How these conflicts are resolved is explained in the remainder of the chapter. An important determinant of accountability information is managers’ perceptions of accountability in the first place.

8.3 Accountability perceptions

Research Sub Question 2: What do managers of faith-based social service NFPs perceive the organisations are accountable for and how are these perceptions developed and informed?

Despite a diversity of views from managers as to the meaning of the term ‘accountability’, there was a degree of consensus in that the organisations are perceived to be accountable for finances and client outcomes, with the latter particularly informed by moral underpinnings. These perceptions are inspired and developed by the reporting demands of government, organisational missions, and notions of faith and morals.
8.3.1 Managers' perceptions of organisational accountability

Managers’ perceptions of what they are accountable for hinge on interpretations of the term ‘accountability’ and there was a striking diversity of views. While financial accountability was strongly perceived as an important accountability (and considered a base requirement), there were a number of different concepts expressed. Initial responses by managers focused, in the main, very much on an instrumental view of accountability, especially encompassing financial mechanisms. Although the different conceptions of accountability held by the managers are not contradictory, they did seem to emphasise the varying objectives and focus of each organisation and, in certain cases, of the individuals concerned.

The perceptions of the managers as to what the organisation was accountable for in each of the main case NFPs are summarised in Table.

<table>
<thead>
<tr>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finances and Client outcomes/treatment overwhelmingly seen as the key accountabilities.</td>
<td>Finances perceived as the key accountability, followed closely by Client outcomes.</td>
<td>Client services perceived as the key accountability, followed closely by Finances.</td>
<td>The two major accountabilities are financial accountability, primarily in respect to government funders, and a broad notion of client outcomes encompassing client respect and dignity.</td>
</tr>
<tr>
<td>Managers understand the importance of being accountable for public funds, but believe financial systems are very tedious.</td>
<td>Managers understand the need for financial accountability, but financial systems are considered tedious.</td>
<td>Financial accountability reporting falls to the CFO.</td>
<td>Managers are sympathetic to the need for financial accountability. Program managers in Organisations A &amp; B consider financial accountability to be overly burdensome. In Organisation C much of the financial accountability work is within the purview of the CFO.</td>
</tr>
<tr>
<td>A broad notion of moral accountability including a concern for Christian principles.</td>
<td>Moral accountability considered important, particularly in respect to clients.</td>
<td>Morals and spirituality explicitly listed as an accountability by one manager and evident as an important accountability based on other interviews.</td>
<td>Moral accountability was considered important by managers.</td>
</tr>
</tbody>
</table>

Table 8-2 Accountability perceptions
In terms of for what the organisations are accountable, accountability for finances and accountability for client outcomes predominate, indicating the importance of both procedural and consequential accountability.

Accountability for finances is perceived primarily in terms of government funders and regulators, consistent with the chief stakeholders to whom the NFP managers perceive they are accountable. Despite managers in each of the case organisations understanding the need for financial accountability, as they are aware that the organisation must act as a wise steward of public funds entrusted to it, there is dissatisfaction with the bureaucratic nature of the financial controls, especially in Organisations A and B. For example, “sometimes I feel like you've got to get the same cent approved several times before they turn every cent over twice before you spend it” (1SPMb). With Organisation C there was less concern shown by program managers in terms of a financial accountability burden, as much of the financial accountability work fell to the CFO. Understandably, the CFOs in all of the organisations believed financial accountability was important.

Managers perceived that organisations had a further important accountability in terms of client outcomes. This view was very broad, encompassing fair and equitable treatment and meeting all the needs of clients in a holistic manner, while treating clients with dignity and respect. Accountability for client outcomes is discussed further in Section 8.5.2 below.

8.3.2 Development of managers’ perceptions of accountability

Managers' perceptions of accountability are developed and informed through various means. One avenue is through the reports demanded by influential stakeholders, in particular government. Government’s insistence and emphasis on acquittal reporting influenced managers to place a high priority on financial accountability. In contrast, words used in recent government inquiries (Productivity Commission, 2010; Senate Standing Committee on Economics, 2009), such as transparency, did not figure prominently in the perceptions of managers. As these inquiries are the basis for many of the recent changes in the NFP sector, including the establishment of the Australian Charities and Not-for-profits Commission (ACNC) and revised reporting requirements, there may be a disjuncture in managers’ perceptions of accountability and those of the regulators.
A strong influence on managers’ perceptions of accountability was the stated mission of the organisation. All of the case organisations operate to provide services to the poor and marginalised, and this leads directly to the focus by managers on accountability for client outcomes.

**Research Sub Question 8: How do faith and morals influence perceptions of accountability in a faith-based organisation?**

Spiritual faith and morals, at both an individual level and also as espoused at the organisational level, further informed managers’ perceptions of accountability. Faith and morals influence these perceptions through managers following the example of Christ and focusing on serving the needy. Additionally, many managers embrace a Wesleyan notion of stewardship, perceiving a personal accountability in respect of their time and talents, in addition to being accountable for finances.

Apart from being stated explicitly, it was evident from the interviews that managers perceived their organisations are morally accountable to clients, government and the community for the services delivered to clients. Moral accountability assumes differing emphases depending upon the views of the individual manager and the faith doctrines of the relevant organisation, but tends to encompass Christian values such as service to others and looking after the most vulnerable in society. As one manager put it: “We are here to offer assistance in whatever way we can, to all of those in need ... I think those core values are reflecting the Christian tradition, and the assistance to those in need is something that’s incredibly important to us” (3CFO). Many managers focus on adherence to the principles outlined in scripture and following the example of Christ in serving others. Faith should show itself in action, such that “we are offering assistance to those in need just as Jesus did when he was here on Earth” (3CFO), and the NFP concerned should be seen as “Christianity with our sleeves rolled up” (1CFO). Accordingly, a program manager (3LPMb) spoke of “more heart” in a Christian organisation, as compared to for-profit entities.

While non-faith-based NFPs refer to achieving organisational objectives, several managers referred to their organisation being on a mission “from God” (1CFO, 2CEO). “Well, I think we see God as somebody who we’re accountable to as well, so that means that in terms of the morals, the values, the way we work, it effects everything, we have what we call vision and values policy, we have also distinctives of a mission
policy, and these are very much faith related” (6LPMb). This conception of a higher purpose elevates the status of organisational work in the minds of managers. Thus, there could be a temptation for managers to perceive that as they are accountable “to God”, then the sacred nature of their work requires little necessity to report to other humans. Nevertheless, the managers overwhelmingly indicated a notion of stewardship that required being accountable not only for money and financial resources, but also on an individual basis for their time and talents. “God gives us resources and we have to manage them the best way we can” (6CFO).

8.4 Discharging key accountabilities

Given these accountability perceptions of managers, there are various reasons as to why particular forms and methods of reporting are used to discharge accountability obligations to stakeholders. As illustrated in Figure 8-1, faith-based social service NFPs have a multitude of stakeholders, and there are a number of reports and accountability mechanisms used by the organisations to discharge the key procedural and consequential accountabilities.

The primary accountability reports and mechanisms to discharge accountability obligations, as revealed in this research, are summarised in Figure 2-3. Initially, a summary of accountability reports and mechanisms expected to be used to discharge accountability obligations was drawn from the literature and presented in Figure 3.1. The variety of reports and mechanisms actually used by each organisation were then modelled in successive case analysis chapters in Figures 5-2, 6-3 and 7-2. These models were then reviewed for significant themes and overlaps, with the main similarities and ‘typical’ reports produced by the case organisations simplified into one model, as revealed in Figure 8-2.
Figure 8-2 Summary of NFP Accountability Reports for faith-based social service NFPs

<table>
<thead>
<tr>
<th>Time Element</th>
<th>Management Systems</th>
<th>Procedural Accountability</th>
<th>Consequential Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prospective</strong></td>
<td></td>
<td></td>
<td>MISSION &amp; VISION</td>
</tr>
<tr>
<td>(Where are we</td>
<td>Strategic Direction</td>
<td></td>
<td>Strategic planning</td>
</tr>
<tr>
<td>going?)</td>
<td>Management</td>
<td></td>
<td>Program goals</td>
</tr>
<tr>
<td></td>
<td>Direction</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial</td>
<td>Budgets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Program Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ongoing</strong></td>
<td>Financial Control Systems</td>
<td>Actual results compared to Budgets</td>
<td>Online data input</td>
</tr>
<tr>
<td>(How are we</td>
<td>Program systems</td>
<td>Limited Internal audit</td>
<td>Internal Management</td>
</tr>
<tr>
<td>doing?)</td>
<td>Internal audit</td>
<td></td>
<td>Actual outputs &amp; outcomes compared to goals.Reports of individual client welfare</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OH&amp;S reports</td>
<td>Other stakeholder reports</td>
</tr>
<tr>
<td></td>
<td>Legal</td>
<td></td>
<td>Experiential accountability</td>
</tr>
<tr>
<td><strong>Retrospective</strong></td>
<td>Financial Control Systems</td>
<td>Acquittal reports and audited financial statements to funders</td>
<td>Outputs &amp; outcomes reports to funders</td>
</tr>
<tr>
<td>(How did we</td>
<td>External audit</td>
<td>External audit of financial statements</td>
<td>Varying content</td>
</tr>
<tr>
<td>do?)</td>
<td>systems</td>
<td></td>
<td>Outputs of services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Statistical information</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>'Stories' &amp; cases</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Donor acknowledgement</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Contact details</td>
</tr>
<tr>
<td>Annual Report</td>
<td>Basic financial data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>evaluation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>systems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory</td>
<td>Accreditation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External systems</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 8-2 Summary of NFP Accountability Reports for faith-based social service NFPs
The key accountabilities owed by faith-based social service organisations can be classified into the two major categories of procedural and consequential accountability. The third column of Figure 8-2 details the reports and accountability mechanisms principally used to discharge procedural accountability, whereas the fourth column relates primarily to consequential accountability. In the main, and particularly for Organisations A and C, many of the procedural accountability reports are produced by a finance team comprised predominantly of staff who have finance skills and training. In contrast, the consequential accountability reports relating to efficiency and effectiveness are often produced by a separate team consisting of staff with social service skills and experience, and which have been named ‘Programs Team’ for convenience. (Note, these teams are not in place for the smaller case organisations studied, and which struggle for resources and often rely on external support for assistance with financial and other reports). The second column of Figure 8-2, labelled ‘Management Systems’, indicates which internal information system is utilised to generate the majority of data used in each report. The reports and accountability mechanisms are ordered by time element starting with ‘Prospective’, at the top of Figure 8-2, and then working downwards through ‘Ongoing’ and ‘Retrospective’ dimensions.

8.4.1 Procedural Accountability

Research Sub Question 3: What is the nature of the reports and accountability mechanisms used to discharge procedural accountability in the faith-based social service NFPs? Why are these reports and mechanisms used and how adequate are they?

The main reports used to discharge procedural accountability are illustrated in Figure and summarised in Table 8-3. These reports are upward and instrumental in nature, with the majority having a financial focus, the sophistication of which is largely dependent upon the financial control systems used in the organisation. In terms of accountability mechanisms used to discharge procedural accountability, all organisations have strong processes for meeting accreditation and OH&S obligations, but processes for internal audit vary significantly. Organisation A has a strong internal audit process, while Organisations B and C have no internal audit function at all. The overriding reason why financial reports and accreditation accountability mechanisms are used is because of the

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15 This is the term used by Organisation A.
requirements of government funding bodies and arrangements pushing social service organisations in a particular direction of instrumental accountability. While these reports and mechanisms are adequate in terms of giving an account to government about how funds were expended, and also processes around OH&S, they have limitations. The financial control systems of Organisations B and C limit their ability to implement effective financial control. For external stakeholders, aside from government, financial information is limited to basic data in the Annual Report and the lack of an internal audit function in two case organisations presents opportunities for fraud or financial errors.
<table>
<thead>
<tr>
<th>PROCEDURAL ACCOUNTABILITY</th>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Accountability</strong></td>
<td>Reports - Budgets - Comparisons of Budget and Actuals - Acquittal reports to funders - EOY financial statements</td>
<td>Reports - Limited Budgets - Some comparisons of Budget and Actuals - Acquittal reports to funders - EOY financial statements</td>
<td>Reports - Budgets - Comparisons of Budget and Actuals - Acquittal reports to funders - EOY financial statements</td>
<td>A variety of reports used but limited financial information is available to some stakeholders</td>
</tr>
<tr>
<td></td>
<td>No financial data in Annual Report. Audited financial statements available upon request.</td>
<td>Summary Income Statement and Balance Sheet included in Annual Report. Individual diocesan financial statements prepared and audited.</td>
<td>Summary income statement and Balance Sheet included in Annual Report. Audited financial statements available upon request.</td>
<td>None of the organisations publicly provide full financial statements on organisational website. Limited information is given in Annual Reports.</td>
</tr>
<tr>
<td><strong>Process Accountability</strong></td>
<td>Numerous policies and procedures emanating from head office and considered very bureaucratic.</td>
<td>Processes in the organisation can be unwieldy and bureaucratic, but managers acknowledge there is continuous improvement in streamlining of processes.</td>
<td>Managers see need for processes, but also sense room for improvement, including learning from corporate for-profit organisations.</td>
<td>Despite gradual improvement, managers perceive processes to be bureaucratic, and overly so in Organisation A with its centralised, hierarchical structure.</td>
</tr>
<tr>
<td></td>
<td>Strong accreditation process.</td>
<td>Strong accreditation process.</td>
<td>Strong accreditation process.</td>
<td>Accreditation is an important accountability mechanism.</td>
</tr>
<tr>
<td></td>
<td>Strong internal audit function.</td>
<td>No internal audit function.</td>
<td>No internal audit function.</td>
<td>No internal audit function in two large organisations may indicate weaknesses in controls.</td>
</tr>
<tr>
<td><strong>Legal Accountability</strong></td>
<td>Legal accountability especially important for protecting vulnerable clients, and staff and volunteers.</td>
<td>Legal accountability, including OH&amp;S, raises significant compliance issues for the organisation, but is important in protecting clients, staff and volunteers.</td>
<td>Legal accountability very important in dealing with vulnerable clients, and staff and volunteers.</td>
<td>Main focus of legal accountability in social services sector is dealing with vulnerability of clients and potential risks undertaken by staff and volunteers when dealing with such clients.</td>
</tr>
</tbody>
</table>

Table 8-3 Procedural accountability mechanisms and reports
The financial reports produced by the financial control systems of the case organisations include budgets, monthly management accounts comparing actual financial results to budgets, acquittal reports to funders, audited end of year financial statements, as well as some other very basic financial data included within the annual reports. For Organisation B, the financial control system is run at a diocesan level and so the information available to internal management and other stakeholders, from an aggregate state level viewpoint, is extremely limited. In contrast, Organisation A has a sophisticated financial control system enabling detailed financial reports by program, geographic location, and numerous other criteria. Similarly, Organisation C prepares internal monthly accounts for management, but the sophistication of the reports is limited by the basic nature of the financial control system employed. Management information is dependent upon the financial control system, which is sophisticated for Organisation A, but arguably unable to produce all the information required for effective financial control in Organisations B and C.

Government funders wield enormous power over the NFPs and can demand acquittal reports in whatever format they choose. There is a large number of acquittal reports produced by the NFPs on a quarterly, six-monthly, or annual basis. These involve considerable preparation time, partially due to the inconsistent accounting treatments and layouts required by each government funder. End of year financial statements are given to internal management, government and large corporate funders, but are only available to other stakeholders upon request. For Organisation B, the audited end of year financial statements are only prepared at the diocesan level. The emphasis on external audit in each of the organisations is incongruous with the few stakeholders who actually get to see the end product of the audit process, being the audit report and financial statements. The use of external audit, accrual accounting and conformance with AASB standards was perceived by the managers to bestow a sense of legitimacy for the benefit of both corporate and government stakeholders. The limited use made of the audited financial statements seems out of proportion to the extensive audit testing and financial controls implemented within the organisations. The majority of stakeholders receive financial accountability information via the annual return of the NFP.

Limited financial information is presented in the annual reports. A summary of revenue and expenses is the main financial data in the report of Organisation A, and an
abbreviated Income Statement and Balance Sheet are included in the annual reports of Organisations B and C. This level of reporting is inadequate for donors and other stakeholders to whom the organisations owe financial accountability. Despite written statements by Organisations A and C that financial statements were available upon request, initial enquiries to the listed contact person for Organisation A resulted in an insistence that the statements were not available. It was only after several lengthy phone calls and a delay of some 5-6 weeks for both of the organisations that the primary research investigator was able to obtain the audited financial statements. It would appear the actions of the managers in respect of financial accountability do not match their rhetoric about the importance of financial accountability, nor their views that it is one of two key accountabilities in all the case organisations when it comes to stakeholders other than government.

There are a number of mechanisms for ensuring process accountability, and two significant ones for social service NFPs include internal audit and accreditation. Internal audit was an important process accountability mechanism in Organisation A, ensuring that there was a level of independent oversight of the control processes implemented by the organisation, giving a greater level of assurance that probity and other control issues has been adequately addressed. Neither Organisation B nor C had any internal audit function during 2007/08 (the year in review), however Organisation B has since moved to rectify this deficiency. Given the size of both of these organisation and the managers’ claims to be wise stewards of public funds, it seems problematic that such a basic control was not implemented by these two organisations, especially as the organisations turnover significant cash amounts, for example in collecting donations, payment of client service fees and revenue from Op Shop sales.

A condition of the funds received from government for many of the programs run by the case organisations is that the organisations undergo accreditation. This accreditation is undertaken by government staff or authorised third parties and provides useful verification that the NFP is meeting minimum standards in the services it is offering to clients, although the accreditation and associated audit processes can be time intensive for program managers. As expressed by one manager: “They’re looking for payroll reports, they’re looking for wage rates, they’re looking for wage assessments. We’re audited to death” (2SPMb). The government funder enforces a number of audit processes related to accreditation, such as a third party quality assurance audit in respect
of disability services. This audit involves a technical expert visiting the NFP for two full
days “looking at documentation, process and essentially concentrating on service
management” (2SPMb).

The role of external audit, internal audit, and audits concerned with accreditation and
government funding appear disparate and not well interlinked. Despite there being no
internal audit function in Organisations B and C, there appears to be some frustration
expressed by managers concerning the extent of audit processes already in place. There
is opportunity to streamline processes, such as the external auditor placing some
reliance on the internal audit and accreditation processes. This would achieve greater
efficiency in the audit process. Combined with better explanations to program managers
as to the rationale for audits, this should result in less dissatisfaction on the part of
program staff.

Audits are just one example where program managers express displeasure with the
quantity and bureaucratic nature of process accountability implemented by the case
organisations. This is especially so in Organisation A, where numerous policies and
procedures emanate from Head Office and are made compulsory for all divisions in the
organisation. In the other organisations there is also a level of dissatisfaction with these
processes, however, there is acknowledgement that attempts are being made to improve
processes over time. Nevertheless, there is always room for improvement. Several
program managers (3LPMb, 2CFO) believed that NFPs could learn from professional
approaches to accountability by for-profit organisations, which could improve the
effectiveness of process accountability within the NFP. The adoption of such private
sector practices is a feature of NPM encouraged by government. The beliefs about the
benefits of transporting such practices to NFPs were generally held by managers who
had previous experience in the for-profit sector.

Legal accountability is particularly important in the social services sector, as vulnerable
clients need to be protected, and there are also safety implications for staff and
volunteers who at times may need to deal with violent and emotionally unstable clients.
There are important procedures to be followed and documentation of actions
undertaken. It appears that the managers in each of the case organisations take these
issues seriously, although sometimes lower level staff do not understand the rationale
for the procedures with which they are required to comply. Training of these staff is an
ongoing and vital aspect of meeting and improving legal accountability. The case
organisations are proactive in addressing legal accountabilities, but could improve in this area by including legal processes in an internal audit work plan, and also by integrating legal accountabilities more fully into an integrated risk framework for each organisation.

There are also legislative requirements and contractual arrangements connected with many of the programs designed to protect clients. Whilst this is a positive, there is a danger that organisations and their staff become so occupied in meeting the requirements of the legal conditions that they lose sight of the needs of clients and other stakeholders that the legal conditions are supposed to protect. A warning sign is the language used by a number of managers indicating an impersonal accountability to legislation itself. For example, “we’re accountable basically to the Retirement Village Act, and to the contractual arrangements that have been signed by the residents who are part of that retirement village” (3SPM). This conception of instrumental accountability has the potential to divert attention away from the needs of the actual stakeholder. The legislation and contractual conditions are there to protect clients, and should not be viewed as a prime accountability obligation in their own right.

Overall, in terms of procedural accountability, there is reliance on other experts both inside and outside the organisation to assist with reporting, accreditation and audit mechanisms, especially in meeting financial accountabilities. This is a necessity, as recognised by one of the research participants (1SPMa) in stating that “a good welfare manager may not be a good financial manager or good accountant, and you need to have people alongside you that can help with that”. This is of even greater importance with smaller organisations with one relying on a “Financing and Fundraising” subcommittee of the Board in providing assistance (6LPMa), and the majority of the four smaller case organisations relying on an accountant or auditor to provide assistance with year-end accounts. This view also points to a prime reason for the split of reporting responsibilities between finance teams and program teams in Organisations A and C. In spite of this, there is an over-emphasis on an upward instrumental nature of reporting, especially to government. Enhanced downward, expressive accountability reporting would allow program managers to add greater value to the reporting process.
8.4.2 Consequential accountability

Research Sub Question 4: What is the nature of reports and accountability mechanisms used to discharge consequential accountability obligations in the faith-based social service NFPs? Why are these reports and mechanisms used and how adequate are they?

The reports and accountability mechanisms applied to address consequential accountability for the three case organisations are illustrated in the right-most column of Figure 8-2 and summarised in Table 8-4. There are a variety of reports and accountability mechanisms, with the annual report considered to be a prime accountability document for all three organisations. The multiplicity of reports is an attempt to meet the needs of multiple stakeholders, with new technologies such as the internet and social media offering additional platforms for communication. Experiential accountability has not been previously reported as an accountability mechanism in the social services sector, but has proven to be an effective accountability mechanism for the case organisations when used in appropriate circumstances. The term experiential accountability is used in the sense of NFPs discharging consequential accountability, generally in relation to effectiveness, through providing a stakeholder representative with first-hand experience of service delivery. One example of experiential accountability used by Organisation B to demonstrate the effectiveness of their programs is the involvement by employees of the corporate funder in volunteering to assist with homework and tutoring of clients. Through seeing the service delivery first-hand, these employees can offer the corporate funder unique insights into how effectively corporate funds are being used to assist clients. A specific example provided by one case organisation manager was:

“They are a green I.T service business, and they sponsor a homework and tutoring program for the children at the Centre, and they provide the computers and their staff come and do voluntary time to take the kids through their homework and through literacy issues and stuff like that because the firm wanted to have a strong educative component by their staff” (2SPMc).

Organisation C promotes a first-hand experience of its services through volunteering and arranging tours and visits where the community can see the services delivered and talk to the clients. Such first-hand experience in relating to clients provides invaluable understandings of the effectiveness of service delivery and which is unable to be
garnered through reports or other means. Even the smaller NFPS have been engaging in experiential accountability:

“There’s also an invitation to come and see the work, to the donors, and that actually goes across to every donor. That brings a level of transparency and accountability. Once people get here they do ask more questions, and we just want to try and answer as honestly as we can, even about our failings and the areas in which we do struggle and things fall between the cracks” (6LPMa).

Newsletters, magazines and websites provide information tailored to specific stakeholder groups, but vary in terms of their value in discharging consequential accountability obligations. The annual reports provide some useful information to stakeholders, but inconsistencies in the style and content of these reports preclude comparisons and may hinder the making of informed decisions.

<table>
<thead>
<tr>
<th>Prospective</th>
<th>Mission &amp; Vision Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strategic Planning and setting of Program Goals</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ongoing</th>
<th>Actual outputs and outcomes compared to targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reports of individual client welfare</td>
</tr>
<tr>
<td></td>
<td>Other stakeholder reports, for example tailored newsletters, magazines and websites</td>
</tr>
<tr>
<td></td>
<td>Experiential accountability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retrospective</th>
<th>Output and outcomes reports to funders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td></td>
<td>Internal evaluation of end of year performance</td>
</tr>
<tr>
<td></td>
<td>Statistical and benchmarking reports from funders</td>
</tr>
</tbody>
</table>

Table 8-4 Consequential accountability mechanisms and reports

Mission and Vision statements are taken seriously by the NFPS and, consequently, managers perceive “our values and our mission of the organisation are very strongly linked with the way that we make choices and decisions within the organisation” (3SPM).

Notable exceptions to the overall summary presented in Table 8-4 are that while Organisation B undertakes strategic planning, it does not prepare Program and Activity targets. As a result, actual outputs and outcomes cannot be compared to targets. There are limited reports by each diocese on outputs and outcomes, and acquittal reports to funders are usually prepared at the diocesan level. This is a serious limitation and it is
difficult to see how the managers and leaders of the organisation can monitor the efficiency and effectiveness of programs without these reporting systems in place.

When comparing actual outputs and outcomes to targets, the management of Organisations A and B have reporting that measures efficiency. This tends to be lacking in Organisation C, where costs and outputs are measured, but are not directly compared in an efficiency report. This is most likely a result of the lack of sophistication of Organisation C’s reporting systems, making these comparisons difficult. Likewise, lack of resources in the smaller case organisations make it difficult for them to measure outputs and outcomes.

A summary of other stakeholder reports, comprised mainly of tailored newsletters, magazines and websites, is presented in Table 8-5. These reports provide useful communication to specific stakeholder groups, but their value in discharging consequential accountability obligations of efficiency and effectiveness is varied (as explained in further detail in Section 8.5). There is increasing use of technology in the organisations, with video documentaries being produced with assistance from young clients, extensive use of websites, and social media activities such as Facebook and blogs. The adoption of technology and web-based accountability practices in the case organisations appears to be evolving, in line with Saxton and Guo’s (2009) research in the USA, where they found NFPs use of Web-based accountability was at a base level but could be improved to further enhance engagement with stakeholders. Similarly, the smaller case organisations are also adopting new technology, which can provide a low cost alternative to produce meaningful reports for stakeholders.

<table>
<thead>
<tr>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly Magazine for members</td>
<td>Newsletters</td>
<td>Quarterly newsletter for donors, volunteers and members of local parishes</td>
<td>There was a wide range of reports and other mechanisms used, with newer technologies such as websites being adopted with the likelihood of increasing use of social media in the future.</td>
</tr>
<tr>
<td>Quarterly Magazine for donors and funders</td>
<td>Website</td>
<td>Website is regularly updated for News and Events</td>
<td></td>
</tr>
<tr>
<td>Documentary television/DVD</td>
<td>Verbal interaction and feedback to donors at local level</td>
<td>Noteworthy news promulgated through normal diocesan channels</td>
<td></td>
</tr>
<tr>
<td>Internal audit (very stringent on processes)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8-5 Tailored newsletters, magazines, websites, and other reports

The annual report is considered to be the prime accountability document for most stakeholders and, in the words of one manager: “... is a pretty basic and straightforward
way in which we annually put something out that makes sense to a very broad group of
people” (2CEO). Although there is substantial information contained within the Annual
Report (termed Annual Review by Organisation A) of each organisation, the content
within each report is markedly different. This is partially a result of the report being
targeted at different stakeholders. Table 8-6 provides a summary of the content of the
Annual Reports, as well as the target stakeholder group for each case organisation.

<table>
<thead>
<tr>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Content primarily 'stories'</td>
<td>Content primarily factual</td>
<td>Content primarily descriptive</td>
<td>Style and content of Annual Report varies significantly between the three case organisations.</td>
</tr>
<tr>
<td>-Stories focused around transformation; life, community and social transformation</td>
<td>-One page summary for each diocese and each head office program, containing descriptive facts and some statistics</td>
<td>-Five stories of individuals</td>
<td></td>
</tr>
<tr>
<td>-One page summary of client services</td>
<td>-One page of statewide statistics showing organisational statistics as well as numbers of clients assisted</td>
<td>-Description of organisational mission and values</td>
<td></td>
</tr>
<tr>
<td>-Thank you to individual donors and major corporate and government funders are named</td>
<td>-Over half of the report lists contact details of diocesan centres16</td>
<td>-Description of client services broken down by region</td>
<td></td>
</tr>
<tr>
<td>-Opportunity to donate</td>
<td>-No cases or individual stories</td>
<td>-Description of main head office divisions</td>
<td></td>
</tr>
<tr>
<td>-Very little quantitative information</td>
<td></td>
<td>-Short acknowledgement to a range of stakeholders</td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual report is made available to a wide variety of stakeholders</td>
<td>Annual report targeted at members</td>
<td>Annual report is made available to a wide variety of stakeholders</td>
<td>Organisation's B Annual Report is targeted towards members, whereas for Organisations A and C it is directed towards a broader range of stakeholders.</td>
</tr>
</tbody>
</table>

Table 8-6 Annual report

16 Each diocese lists contact details of the Diocesan office, as well as every centre where the organisation has a physical presence.
The annual reports of Organisations A and C address a variety of stakeholders and include ‘stories’. The annual report for Organisation B is targeted at members and is very factual, despite the CFO (2CFO) advising that “telling stories gets the message through a lot more than a set of numbers”. Likewise, the annual reports for the smaller organisations differ markedly in content and substance. Although setting mandatory reporting requirements for an NFP Annual Report is difficult due to the variety of organisational types, in this instance all case organisations are faith-based social service NFPs. It would be extremely helpful for users of these reports to have some consistency of information for comparative and decision-making purposes (for example in making decisions about to which organisation to donate). The Institute of Charted Accountants in Australia (2011) provides best practice guidance on the information to be included in NFP Annual Reports, and the Annual Reports of all case organisations are lacking in comparison to these guidelines. Information recommended by the Institute of Charted Accountants in Australia and not included in the annual reports include details of governance structure and processes, risk management, investments, and a number of ratios that relate to efficiency and effectiveness for charitable bodies.

Evaluations of programs are often funded by government and are ordinarily internal evaluations undertaken by organisational staff. Connolly and Hyndman (2004, p. 148) argue that if there is no verification of measures of outcomes and impacts, “then there may be a temptation to present performance in a manner which is perceived as more acceptable to the reader, for example, by exaggerating good performance, regardless of its accuracy”. Significant funds are spent undertaking an external audit of the financial statements by the three main case organisations and yet these statements and associated audit reports are not easily available to the majority of stakeholders. It may be a more prudent use of resources to have external evaluations undertaken of outputs and impacts which, arguably, provide a better demonstration of effectiveness.

Statistical reports from government funders, based on online data capture, are a useful accountability mechanism. These reports are also valuable to NFPs as they facilitate benchmarking information to be shared amongst NFP service providers. Nevertheless, overly prescriptive data input requirements, designed simply to suit the technology, can affect the quality of data. For example, "The word counts are prescribed, you can’t write something longer or shorter, you can’t put in your own explanations, it’s very prescriptive the way you fill in those reports"(2SPMd). Similarly, an inadequate system
as a result of poor systems testing wastes time and produces poor quality data, as indicated by the sarcastic tone of the following observation made by one of the interviewees - “It’s put into the website, if it’s working, which is unusual ...” (2SPMd).

The adequacy of any report or mechanism depends upon its purpose. With regard to consequential accountability, the difference in meaning around the term effectiveness has significant implications for reporting. When government refers to effectiveness there is an implied notion of achieving outcomes or outputs stated in government objectives, and which are generally broad and related to major government programs or large geographic areas. Quantitative measures and KPIs are thus appropriate in reporting to government. In contrast, managers and community perceive effectiveness in terms of individual client welfare and providing a holistic service that fully meets the needs of each client, treating them with empathy and respect. Although quantitative measures and KPIs can be useful, they can never reflect fully the effectiveness of a service - “you don’t have a KPI in terms of a family that is suffering” (2CFO).

The case organisations are in general quite adept at tailoring the reports and accountability mechanisms for the purposes of each stakeholder, as explained more fully in the next section.

8. 5 Reporting by stakeholder group

Research Sub Question 5: What reports and accountability mechanisms are targeted at each stakeholder group and how do they meet the needs of these groups?

The main stakeholder groups, as identified in Figure 8-1, are:

- Funders and Regulators,
- Internal Stakeholders,
- Clients and Community, and
- Political Stakeholders.

8.5.1 Funders and Regulators

The main reporting issues related to the Funders and Regulators group, which consists of four main stakeholder types, are detailed in Table 8-7. The reports and mechanisms are significantly different for each type of stakeholder. Government and corporations have sufficient power to prescribe the content of the reports they receive, and so, arguably, they get what they need: financial acquittals and KPIs for government; and
inputs into corporate social responsibility (CSR) reporting for corporations, along with a degree of experiential accountability. Individual donors receive information through a variety of channels, but financial information usually considered to be necessary for decision-making is lacking.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government</strong></td>
<td>Financial acquittals and quantitative KPIs demanded by Government.</td>
<td>Financial acquittals and quantitative thresholds for reports are demanded.</td>
<td>Government demands financial acquittals and quantitative KPIs that are easily measured.</td>
<td>Government primarily demands financial acquittals and quantitative KPIs.</td>
</tr>
<tr>
<td><strong>Corporations</strong></td>
<td>Extensive reporting is demanded to dovetail into corporations’ CSR reports.</td>
<td>Reports and mechanisms include acknowledgment of funds, client visits, and detailed reporting which corporations use for CSR reporting. Private sector business practices are used in reports to allow better understanding by the corporations.</td>
<td>Limited funds sourced from corporations, but managers perceive the professionalism and business acumen of their organisation can be improved by adopting practices of for-profit corporations.</td>
<td>Reporting provided to corporate funders assists them in compiling CSR reports. Adoption of for-profit business practices is perceived to be useful to improve professionalism and dialogue with corporations.</td>
</tr>
<tr>
<td><strong>Donors</strong></td>
<td>Significant source of funds from public through appeals.</td>
<td>Individual donors are termed benefactors and include donations of clothing and goods.</td>
<td>Minor role, with most donors also members of parishes within the diocese.</td>
<td>Role of individual donors varies between each case organisation.</td>
</tr>
<tr>
<td><strong>Philanthropic</strong></td>
<td>Accountability through newsletter, website information and media exposure.</td>
<td>Newsletter is prepared specifically for donors. There is also verbal accountability to individual donors at the local level.</td>
<td>Accountability through website and church announcements.</td>
<td>Accountability mechanisms vary and include newsletters and websites.</td>
</tr>
<tr>
<td><strong>Funders &amp; Regulators</strong></td>
<td>Minor source of funds, requiring higher levels of accountability over time.</td>
<td>Limited funding.</td>
<td>Very minor funding.</td>
<td>Minor source of funds, but growing.</td>
</tr>
</tbody>
</table>

Table 8-7 Reporting for Funders and Regulators
Government funders and regulators, corporations, individual donors and philanthropic foundations are the main categories of stakeholders within the ‘Funders and Regulators’ grouping as illustrated in the Revised Stakeholder Model (Figure 8-1). The primary means of discharging accountability to government stakeholders is through reporting, comprised of financial statements, financial acquittal reporting and quantitative KPIs related to broad government objectives now including ACNC reporting (Australian Charities and Not-For-Profits Taskforce, 2012; House Standing Committee on Economics - House of Representatives, 2012), as well as accreditation and evaluation of certain services. Managers in each of the organisations noted that the quality of individual relationships with government representatives is a vital factor in determining the complexity of the reporting process, as well as having an effect on the quality of information provided.

Accountability to corporate funders was varied, although most of these funders demand detailed accountability reports. Managers used private sector for-profit terminology and practices when preparing reports for corporations as they perceived this improved dialogue with, and understanding by, the corporations. Managers noted that these reports were used as an input when preparing the corporations’ CSR reports, in order to improve the corporations’ legitimacy and public image. Reports for corporate funders were time-consuming for NFP managers to prepare, but the extra funding from such donors was perceived as making a “big difference” (1SPMa) to the lives of clients, particularly where government funding was not sufficient to provide a complete and well-rounded service. Experiential accountability was used by Organisation B, with involvement by employees of the corporate funder in volunteering to assist with services delivered to clients (see Section 8.4.2).

The role of individual donors varies between each of the case organisations with several very high profile appeals soliciting donations from the public run by Organisation A, donations of clothing and goods predominant in Organisation B, and local parishioners the main individual donors in Organisation C. Whilst individual donors generally have access to the NFP’s annual return, stakeholder reports shown in Table 8-7 and mobilised for reporting to individual donors differed in each case organisation, although websites and newsletters are common across all three NFPs. Due to the extensive publicity generated by the appeals launched by Organisation A, this organisation makes use of media opportunities to explain how the funds generated are being used and how
those funds and the services they support make a difference to the lives of their clients. The managers in Organisation B often have knowledge of the benefactors who donate clothing and goods and therefore apply verbal accountability to directly inform donors about how their gifts are of assistance, including information concerning to which town or suburb their goods may have been sent. As the individual donors in Organisation C are parishioners, accountability is through church announcements or other official communication channels of the diocese. Although these reports meet the needs of individual donors in specifying how funds have been used, as noted in Section 8.4.2 the lack of financial data and inconsistencies in the style of the annual report preclude them from making well-informed decisions, such as to which social service NFP to allocate funds.

*Philanthropic foundations* are currently a minor source of funding for the case organisations, but are growing and will increase in importance in the future. Most philanthropic funders demand detailed reports on funding and outcomes as an accountability mechanism.

### 8.5.2 Clients and Community

The main reporting issues related to the Clients and Community group are detailed in Table 8-8. The primary accountability to clients, a key stakeholder type, is to treat them with dignity and respect, and therefore mechanisms including surveys and a complaints system have been established to achieve this end. In general, these mechanisms meet the needs of clients, although improvements could be made to mitigate the effects of the power imbalance between service providers and clients. Reporting is generally not perceived to be beneficial to the needs of clients, notwithstanding the reporting demands imposed by government. This point is examined further in Section 8.6. Reporting and accountability mechanisms targeted at community and service delivery partners are, in general, effective in meeting the needs of these stakeholders.
As noted in Section 8.3, besides government, clients are the other key stakeholder group to whom the organisations are accountable. The managers in the three main case organisations all noted that accountability to clients encompassed far more than merely meeting the immediate physical needs of clients. The organisations have an obligation to treat clients respectfully, maintaining their self-worth and dignity, and ensuring all clients are given unbiased and appropriate treatment. Although achieving these goals relies on the integrity and morals of organisational staff to a considerable extent, accountability mechanisms used by the case organisations in this area include:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>Accountability to clients includes a respectful and caring service with fair treatment.</td>
<td>Accountability to clients is twofold. Firstly, outcomes in terms of providing an efficient and effective service and secondly in maintaining a client's self-worth and dignity.</td>
<td>Accountability to clients is by respecting individuals, providing a holistic service to meet multiple needs, and providing fair and equitable treatment.</td>
<td>Accountability to clients is focused on maintaining a client's self-esteem and providing benevolent and equitable treatment. Achieving outcomes in terms of meeting physical needs was important, but secondary.</td>
</tr>
<tr>
<td>Community</td>
<td>- Rigorous complaints system - Surveys</td>
<td>- Rigorous complaints system - Discussions with clients re needs</td>
<td>- Rigorous complaints system - Surveys</td>
<td>Accountability to clients provided through client interaction and feedback, not via reporting.</td>
</tr>
<tr>
<td>Service Delivery Partner</td>
<td>- Newsletters and websites - Experiential participation in service delivery</td>
<td>- Newsletters - Personal discussions between managers and local community</td>
<td>- Stall at community events - Open Days</td>
<td>Organisations share information and provide first-hand experiences so that the community has an understanding of the services offered by the organisations.</td>
</tr>
<tr>
<td>Service Delivery Partner</td>
<td>There is a preference in working with others of the Christian faith. Services are co-ordinated so there is no duplication in the one area.</td>
<td>Sharing of information with other NFP service delivery partners, especially Christian organisations.</td>
<td>Work together, and share information with other service delivery partners to maximise use of resources.</td>
<td>There is a preference for working with other Christian social service NFPs, as there is similarity in mission and values of the organisations. Primarily sharing of information and coordination of service delivery.</td>
</tr>
</tbody>
</table>

Table 8-8 Reporting for Clients and Community
informing the clients and/or their carers of their rights at the commencement of service provision (Organisations A, B and C); ongoing surveys of clients and/or their carers (Organisations A, B and C); focus group interviews with clients after they have left the service (Organisations C); and a strong complaints systems involving investigators independent of the organisation (Organisation C). The ‘members’ in Organisation B also have a unique advocacy duty in comparison to the other organisations, given that part of their role is to interact with clients and develop an understanding of their needs, which can then be communicated to the appropriate services in the organisation in order for those client needs to be addressed.

Communication was difficult as clients often could not (due to their high needs), or were not, committed to engaging in a communication process. For this reason, reporting to clients was generally not considered a valid discharge of accountability. Despite not reporting to clients, the organisations reported regularly about clients, driven by reporting requirements from government and other stakeholders. Within the framework of these reporting requirements, there can be incentives to manipulate the information garnered from clients to cast the organisation in a favourable light. This is problematic given the imbalance in the power relationship between the client and the NFP at the time service is provided. As such, one manager (2SPMc) believed that client feedback should only be provided after the service has been concluded:

“I actually think we should have focus groups or groups with clients once they’ve left our service to see their feedback and how they’re travelling at that point. I think everyone should actually be compelled to do that so that we’re getting feedback from clients when we’re not in a position of power over them.”

As described in Chapter 3, the definition of community reflects the concerns of a population in a local geographic area. All case organisations engage in information exchange with communities in order to garner data regarding client needs to be met for the target demographic - poor and marginalised persons, as well as raising awareness and understanding in the community of the services that the organisation offers. The accountability mechanisms used to discharge information exchange obligations with communities varies by organisation. Organisation A distributes information describing its services through a number of means, including hardcopy newsletters and websites. It also promotes a first-hand experience of its services through volunteering and arranging tours and visits where the community can see the services delivered and talk to the
clients. Organisation B distributes information through newsletters, and members of the community often talk with the local manager/s regarding services. The philosophy of Organisation B in relation to community stretches from simply sharing information regarding services to educating the community about the special needs of the poor and marginalised who are the clients of the organisation - for example the CFO sleepout\(^\text{17}\), “... which is geared to just getting some appreciation of what people face every night of the week”. Managers within Organisation C regularly hold stalls at local shows and other community events, as well as conducting annual Open Days for a number of their services where the community is invited to learn about the service and see how it works in practice. The tailoring of reports and mechanisms to suit local communities, together with opportunities to have first-hand experience of services, indicates the NFPs are meeting the needs of community in terms of accountability.

All three of the main case organisations are open to working with other service delivery partners, and the smaller organisations generally have to work with others due to a lack of scale, although there is a preference for working with other Christian NFPs due to the confluence of mission and values. The sharing of information and consolidation of services into the organisation which has the greatest natural advantage will, in general, provide a better service to clients, as well as a more efficient one. Government has been proactive in encouraging social service organisations to work together. Several of the program managers in the three main case organisations have been involved in working with smaller organisations to assist those organisations to improve their processes and ultimately their service delivery. The willingness of service delivery partners to engage in shared service delivery indicates that the information sharing process is meeting the needs of these stakeholders. One of the smaller housing organisation's focus is on providing accommodation, with the organisation being reliant on other service delivery partners to provide a range of suitable services to meet the needs of clients residing in that accommodation (7SPMb).

8.5.3 Internal Stakeholders

The main reporting issues related to the Internal Stakeholder group are detailed in Table 8-9. For client-facing support staff, legal accountabilities, particularly OH&S, are

\(^\text{17}\) The CFO sleep out involves a number of (for-profit organisation) CFOs who are invited to sleep rough on the streets for one night, as a fund-raising and awareness exercise.
paramount. For faith-subscribers, an important accountability is to support the faith of individuals in the workplace. There are a number of reporting mechanisms for this stakeholder type. For background support staff who are not faith-subscribers, accountability reports are limited in comparison to faith-based subscribers.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client-facing support</td>
<td>OH&amp;S protection from violent and emotional clients.</td>
<td>OH&amp;S protection from violent and emotional clients.</td>
<td>OH&amp;S protection from violent and emotional clients.</td>
<td>Common accountability to support and protect client-facing support staff in terms of OH&amp;S requirements.</td>
</tr>
<tr>
<td>Faith-subscribers</td>
<td>Accountability to support faith commitments of employees who are all members of the religious institution.</td>
<td>Mission of social service arm is to deepen faith of members, hence accountability to members in this regard.</td>
<td>Accountability to support faith commitments of those employees, who are members of the religious institution.</td>
<td>Accountability to support the faith of those who are members of the religious institution.</td>
</tr>
<tr>
<td>Reporting to faith subscribers is through church announcements, weekly newsletters for members, and Annual Report.</td>
<td>The Annual Report is focused primarily on members. Faith subscribers receive monthly newsletters.</td>
<td>Accountability information provided through church announcements, website and Annual Report.</td>
<td>The Annual Report is a key accountability mechanism for faith-subscribers.</td>
<td></td>
</tr>
<tr>
<td>Limited number of volunteers under this category. Accountability information through quarterly newsletters and Annual Report.</td>
<td>Limited number of non-faith-subscribers. Information available through website and Annual Report.</td>
<td>Information provided to staff through management meetings and Annual Report. Limited use of volunteers.</td>
<td>Reporting information to non-faith-subscribers is limited in comparison to faith-subscribers.</td>
<td></td>
</tr>
</tbody>
</table>

Table 8-9 Reporting for Internal Stakeholders

The case organisations have basic accountability to their client-facing support staff (similar to all other organisations that retain staff) in terms of industrial relations, safety, management, and similar concerns which are laid down through legislation. Organisations also have certain policy documents detailing employees' rights and
responsibilities (1CFO). Additional complexity arises in the case organisations as these staff may be paid employees, volunteers, members, or combinations of these categories. Social service organisations have particular concerns in terms of OH&S issues, as staff can deal with violent and emotional clients who may suffer mental illness or the effects of substance abuse. Consequently, the case organisations are proactive in minimising risk to staff through the application of appropriate processes predominantly related to legal and procedural accountability.

There are particular moral and spiritual accountabilities owed to internal stakeholders who follow the faith doctrines of the religious institution, termed faith-subscribers in this research. As a faith-permeated organisation (Sider & Unruh, 2004), all employees of Organisation A are members of the religious institution, which is one and the same as the social service arm, and are required to explicitly commit to the faith declaration as written by the religious institution. Accordingly, there is an obligation to support the faith of these employees, including in their day to day work with clients. Organisations B and C, on the other hand, are separate legal entities from the associated religious institutions. Organisation B can be described as a faith-centred organisation (Sider & Unruh, 2004) with part of the core mission for Organisation B to build up the faith of their members, and all organisational activities are designed towards achieving this objective. Organisation C can be best described as a faith-affiliated organisation (Sider & Unruh, 2004), as staff are not required to participate in religious activities or affirm their religious faith. Nevertheless, both Organisations B and C encourage the practical demonstration of faith in their workplaces and therefore have an accountability to support and encourage the faith of faith-subscribers. Reporting to faith-subscribers can take place through the normal forms of communication within the churches concerned, such as announcements to the congregation, and newsletters. On a yearly basis, the Annual Report is perceived to be an important accountability mechanism for faith-subscribers. Two of the smaller organisations are non-denominational Christian organisations. Whilst the organisations encourage the faith of faith-subscribers, this role is made more difficult as there is no one religious institution providing oversight, and thus the faith-subscribers may have varying faith beliefs.

Background support staff who are non faith-subscribers include employees and volunteers. These stakeholders will receive some forms of information in their day to day interaction with the organisation, but compared to faith-subscribers, the
accountability reporting provided to them is limited. Organisation A provides a quarterly newsletter specifically for non faith-subscribers. There is publicly available information on the website including the Annual Report for all three main case organisations.

8.5.4 Political Stakeholders

The principal reporting issues related to the Political Stakeholder group are detailed in Table 8-10. Accountability reporting to peak bodies relates to information sharing and identifying best practice, rather than any lobbying activity. All three main case organisations perceive they can influence government policy directly, by drawing upon an organisational evidence base. Accountability reporting to the public is perceived to involve more than merely providing information and is, therefore, also aimed at advocating for the poor through education about their special needs. Reporting on financial accountability to the public is generally poor.

<table>
<thead>
<tr>
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<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak Bodies</td>
<td>Information provided to peak bodies primarily to assist smaller organisations.</td>
<td>Information is shared to achieve policy consensus between service delivery partners.</td>
<td>Information exchanged through peak body to assist in identifying best practice.</td>
<td>Information provided to peak bodies, to assist others, and to identify best practice.</td>
</tr>
<tr>
<td>Direct Influence</td>
<td>Organisation has a sophisticated database, containing much data on programs and client outcomes.</td>
<td>Submissions to government inquiries are seen as an important mechanism for influencing government.</td>
<td>A research section has been established to gather information for advocacy purposes.</td>
<td>All organisations contribute to an evidence base, albeit in different ways, that contributes to informed government policy.</td>
</tr>
<tr>
<td>Public</td>
<td>Newsletters, websites and many stories in the media.</td>
<td>Emphasis on educating the public about the plight of the poor, and advocating for their needs through a strong media presence.</td>
<td>Primarily educating the public regarding the special needs of clients.</td>
<td>Focus on informing and educating the public about the poor, and advocating for their needs through strong media profile.</td>
</tr>
</tbody>
</table>

Table 8-10 Reporting for Political Stakeholders

As the main role of *peak bodies* is to facilitate support and information sharing, reporting is usually informal and consists of written reports regarding policy and practice, as well as verbal information shared at meetings.
Direct influence is not a stakeholder per se, but has been included in Table 8-10 as it reflects how the case organisations operate politically in terms of lobbying and advocacy activity. Organisations A and B are large enough, with sufficient influence, to approach government directly in a client advocacy capacity, but Organisation C has less influence on government due to its relatively smaller size. Likewise, the smaller organisations studied in this research have little direct influence and must use political stakeholders or group together to influence government policy. In the very unusual circumstance where government policy will cause a significant decline in welfare for their clients, the Christian social service NFPs may band together in order to advocate for their clients and try and force change to policy, as has occurred in the past with the ‘welfare to work’ policy initiated by the former Howard government. Lobbying and client advocacy by each of the main case organisations is supported by an evidence base. Organisation A has a sophisticated database from which it can draw a range of statistical data and information about client outcomes. Some members believe Organisation A should utilise its branding and public awareness to push harder for changes in government policy that will assist clients, but instead “We are meek and mild” (1LPM). Organisation B has first-hand knowledge of the client experience through members and staff, and draws on these stories and cases to provide evidence to government enquiries, ultimately influencing government policy. Organisation C has established a dedicated research unit which works with academics and others to provide evidence-based research about the effect of policy on their clients.

In terms of the public, the case organisations go beyond information sharing to educating the public about the needs of their target client group. For Organisations A and B, this encompassed a strong media presence including advertisements on television. Organisation C adopts a similar philosophy, but with a more low key approach of using print media. Organisation A’s relationship with the public is somewhat different to the other organisations due to it having developed a well known and trusted ‘brand’ recognisable by most people. Considerable effort goes into promoting and sustaining the organisation’s reputation in helping those in poverty and need, and managers ensure that nothing is done that would risk damage to this reputation. As the public consists of taxpayers and the case organisations are provided with significant amounts of government funding, there should be accountability to the public in respect of these funds. As with community and client stakeholders, financial
accountability to the public is lacking. As noted in Section 8.4.1, financial statements are not provided freely and the lack of an internal audit function in Organisations B and C indicates a potential concern that funds may not be being used efficiently in pursuit of organisational and government objectives.

Working with other Christian NFPs not only directly assists with service delivery, but provides the organisations with political power if they band together in tackling issues. Nevertheless, the case organisations are reluctant to use this power and will only take political action if their clients are significantly disadvantaged by government policy.

8. 6 Nature of accountability mechanisms imposed by government

Research Sub Question 6: Does government impose upward and external instrumental accountability mechanisms or downward and internal expressive accountability mechanisms on faith-based social service NFPs?

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Complexity in dealing with various agencies and three layers of government.</td>
<td>Reporting to government is bureaucratic, time-consuming and unrealistic.</td>
<td>Reporting to government is time-consuming.</td>
<td>Perception of strong upward, instrumental accountability.</td>
</tr>
<tr>
<td>Government</td>
<td>Personal relationships with government representatives are important.</td>
<td>Government staff not appreciative of difficulties of dealing with high needs clients.</td>
<td>Strong working relationships with government representatives at the local level.</td>
<td>To a limited extent, personal relationships with government representatives can alleviate instrumental accountability.</td>
</tr>
</tbody>
</table>

Table 8-11 Nature of accountability mechanisms imposed by government

Managers perceived that the verification and explanatory reports required by government were usually bureaucratic and time-consuming and by and large “too much” (3SPM), with a mixed response from managers concerning how much and how well government provided feedback in response to these reports. Some managers reported that they received useful information, including benchmarking data and recommendations for potential areas for improvement, whereas other managers reported no feedback at all. The overall perception was that there is a strong upward instrumental
accountability, as documented in the literature (Ebrahim, 2003a; Flack & Ryan, 2005; Knutsen & Brower, 2010) and illustrated in Figure 2.2. Managers have clear perceptions that political considerations, such as no adverse media coverage, are “what keeps Government happy” (1SPMa). This overrides a downward expressive accountability to clients and communities, resulting in the exigent situation where “the people that miss out the most are those who are the most disadvantaged, and who have the most complex needs” (1SPMa). Even when government attempts to engage in downward expressive accountability, the practical outcomes are often disappointing. For example, under registration and accreditation, questions on engagement with clients are often asked. Some managers felt they were not achieving any significant value from the communication process with clients, as their clients did want to engage, or could not engage, in the communication process because of disabilities or lack of communication skills. The organisations still undertook the engagement process, either because of risks to registration, or because the managers felt it was the ‘right thing to do’ (i.e. for legitimacy purposes), or both. The research supports previous findings that government is using funding agreements as “instruments of control in the [NFP] sector” (Flack & Ryan, 2005, p. 75).

In order for there to be genuine downward and internal expressive accountability mechanisms, a level of trust between government and the NFP is required (Broadbent & Laughlin, 2003). The research findings generally indicate that managers do not perceive a solid two-way (mutual) level of trust exists between NFPs and government. An example is the ‘negotiation’ of expectations between government and the social service providers, where such expectations are, in many cases, mandated by government, with little input from the NFPs. Managers perceive these negotiations to be more like an exercise of power, with a ‘consultation’ process that each party knows to be superficial and for the purposes of appearance only. Nevertheless, there are instances of personal relationships between government representatives and managers of the faith-based social service NFPs where there is a high level of trust, and a better understanding of the problems of instrumental accountability. Within their authority, these government representatives will aim to ease the burden of the instrumental nature of reports. However, reports are generally mandated under higher level funding agreements, and so the reporting burden can only be alleviated to a minor extent.
8.7 Factors driving construction of reports

Research Sub Question 7: What factors drove the construction of the reports used by the faith-based social service NFPs?

There are a number of general issues in relation to reporting for the case organisations that have a bearing on the forms and methods used by those organisations in discharging their accountabilities. A summary of the significant general issues that impact reporting are listed in Table 8-12. Reporting is driven first and foremost by the demands of government, while the structure of the organisation, as well as the extent of resources invested in organisational information systems, are also important determinants of the forms and methods of reporting. Sophisticated systems and dedicated research teams can add significantly to organisational knowledge.

<table>
<thead>
<tr>
<th>Organisation A</th>
<th>Organisation B</th>
<th>Organisation C</th>
<th>Interpretations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government demands</strong></td>
<td>Reporting for the organisation is driven by government requirements centred on financial acquittal, quantitative statistics and KPIs.</td>
<td>Reporting for the organisation is driven by government requirements.</td>
<td></td>
</tr>
<tr>
<td>Government demands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hierarchical structure means organisation-wide systems are driven by head office.</td>
<td>Common financial control system with decentralised reporting at the diocesan level.</td>
<td>Common information systems with reporting by geographic area.</td>
<td>The structure of the organisation can determine the nature of the information system and what information is gathered.</td>
</tr>
<tr>
<td>Structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The reporting systems are sophisticated and flexible, allowing new reports to be easily generated.</td>
<td>A new reporting system has been implemented over the last 4 years with improvements still ongoing.</td>
<td>The financial system is somewhat basic, with a new system to be introduced in the near future. Research team gathers evidence as a form of data collection.</td>
<td>All organisations have either invested in, or have plans to, invest in sophisticated accounting and reporting systems.</td>
</tr>
<tr>
<td>Systems</td>
<td></td>
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</table>

Table 8-12 Drivers of reporting
The financial acquittals, quantitative statistics and value for money reporting demanded by government is the primary driver for the reporting systems used in the organisations. The majority of the reports produced by the organisations are for government agencies, and any deficiencies in reporting to government can result in serious ramifications in terms of funding.

The organisational structure, as well as the typology (see Section 3.5.7), has a bearing on the reports produced. Organisation A is very hierarchical and therefore reporting requirements are centrally imposed on staff and sections within the organisation. The dioceses in Organisation B are relatively autonomous, and hence most reports are undertaken at the diocesan level, although attempts have been made to standardise the information presented through recommendations by Head Office. Consolidated financial statements are not prepared for the organisation. Organisation C has a head office that mandates reporting requirements, but is decentralised as there are four discrete geographic regions for which reporting is undertaken.

The flexibility and sophistication of the reporting system used by each organisation has a major bearing on what reports are generated. Organisation A has a very comprehensive and sophisticated system that captures a large array of information from a number of sources. This allows for a variety of reports to be generated quickly, with a minimal amount of human input. Organisation B has implemented a new system over the last four years which has improved accountability reporting in terms of finances and outputs, although the CFO acknowledges improvements could still be made in terms of strategy, KPIs, and monitoring. The reporting system used for Organisation C is, in contrast, relatively basic. The financial package used is Attaché, with an Excel sub-ledger applied to track the Income Statement and Balance Sheet for individual programs. Output and outcomes reports are usually manually generated. Requirements for new reports, for example at the request of government, often take some time to generate and usually require a substantial input of hours by the reporting staff. Cognisant of these issues, the organisation has plans to introduce a more sophisticated and standardised reporting and systems framework in the near future. In spite of this deficiency, a

research team gathers evidence to underpin submissions and proposals for significant issues affecting clients. Each of the three main case organisations has invested heavily in systems to provide sophisticated reports to government and other
stakeholders. The smaller case organisations do not have the resources to undertake this investment in systems and, in general, argue that other accountability mechanisms, including evaluations and case studies, are sufficient to discharge accountability. In spite of this, if government believes more sophisticated outcomes and social impact reporting is required, there may be a greater push for consolidation of organisations in the social services sector, or at the very least, the sharing of back office functions including the reporting function.

In summary, for each of the organisations, reporting is driven primarily by government, but there can be much value added for other stakeholders if resources are suitably used. The sophisticated reporting systems adopted by Organisations A and B provide a raft of information for management, submissions to inquiries, and other purposes. Such information can be quickly and easily generated. Organisation C has chosen to establish a research team which gathers evidence on critical issues that affect the clients of the organisation, supporting an evidence-based approach to submissions and proposals to effect a change in policy. Smaller organisations do not have the resources to adopt sophisticated reporting at this stage.

8.8 Conclusion

This chapter has provided a summary of the similarities and differences between each of the case organisations, and presented the main findings from the research. The next chapter provides an overview of the conclusions reached as a result of the research, including the contributions of the research to knowledge, theory, practice and policy.
9 CONCLUSIONS AND IMPLICATIONS

9.1 Introduction
Perceptions of accountability can differ considerably, yet it is the perceptions of managers in faith-based social service organisations that have a significant bearing on the accountability reports produced for stakeholders. This research has explored in detail the perceptions of accountability by managers, principally in three large faith-based social NFPs, and why particular forms and methods of accountability reporting are used to report to stakeholders. The findings have been compared with data obtained from four smaller organisations in order to provide some assurance regarding the generalisability of the findings. The current chapter initially summarises how a contribution to knowledge has been made in respect of each of the sub-research questions, then illustrates the development of an emergent NFP Model of Accountability. The summary and the emergent model provide an overview of the research conducted, prior to a conclusion being offered concerning the overall research question. Finally, limitations of the research are acknowledged and useful opportunities for further research considered.

9.2 Conclusions about each research sub-question
The literature review undertaken in Chapters 2 and 3 highlighted the multi-faceted nature of the main research question investigated. As a result, a number of research sub-questions were developed in order to fully consider all aspects of the main question. Investigation of each of these research sub-questions has enabled numerous insights and contributions to knowledge to be made across a range of areas. The significant contributions to knowledge that have arisen in respect of each research sub-question are summarised in Table 9-1 below.
<table>
<thead>
<tr>
<th>Research sub-question</th>
<th>Extant literature/Original modelling</th>
<th>Findings and contributions of current research</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Who do managers of faith-based social service NFPs perceive to be the stakeholders to whom they owe accountability and how and why are different stakeholders accorded particular accountability priority?</td>
<td>NFPs have a multitude of stakeholders with competing accountability interests (Carlson, Kelley, &amp; Smith, 2010; Hammack, 1995; Weisbrod, 1986). However, government is regarded as a key stakeholder due to its regulator and funding provision roles.</td>
<td>Government and clients were perceived to be key stakeholders with a number of managers also perceiving a personal accountability to God. In general, managers accorded a lower accountability priority to a multitude of other stakeholders including individual donors, community, service delivery partners and the associated religious institution.</td>
</tr>
<tr>
<td>2. What do managers of faith-based social service NFPs perceive the organisations are accountable for and how are these perceptions developed and informed?</td>
<td>Organisations are responsible for both procedural and consequential accountability incorporating outputs and outcomes (Benjamin, 2008; Campbell, 2002). Outcomes are difficult to measure - so financial and quantitative measures of outputs predominate (Brown &amp; Troutt, 2007; Ebrahim, 2003a; Flack &amp; Ryan, 2005; McDonald, 1999).</td>
<td>Financial accountability and social outcomes were identified by managers as the two key elements NFPs are accountable for, in accord with the existing literature. Outcomes in terms of individual client welfare were emphasised by managers.</td>
</tr>
<tr>
<td>3. What is the nature of the reports and accountability mechanisms used to discharge procedural accountability in faith-based social service NFPs? Why are these reports and mechanisms used and how adequate are they?</td>
<td>Reports and mechanisms related to procedural accountability fall into three categories of financial, process, and legal accountabilities (Cutt &amp; Murray, 2000, pp. 11-12). Examples of such reports and mechanisms include budgets, internal audit, audited financial statements, and disclosure of compliance with legal responsibilities (Behn, 2001; Romzek &amp; Dubnick, 1987).</td>
<td>Legal accountability, including OH&amp;S, was afforded a high priority by managers. Despite strong perceptions of financial accountability by managers, limited financial information was provided to client and community stakeholders.</td>
</tr>
<tr>
<td>Research sub-question</td>
<td>Extant literature/Original modelling</td>
<td>Findings and contributions of current research</td>
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<tr>
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<tr>
<td>4. What is the nature of reports and accountability mechanisms used to discharge <em>consequential accountability</em> obligations in faith-based social service NFPs? Why are these reports and mechanisms used and how adequate are they?</td>
<td>Consequential accountability relates to efficiency and effectiveness. Reporting in relation thereto is often termed performance reporting (Hyndman &amp; Anderson, 1995; Kloot, 1999; Kluvers, 2003; Micheli &amp; Kennerley, 2005). Such reporting is usually focused on outputs and outcomes and, in the social services sector, emphasises measuring social impact (J. Lee &amp; Fisher, 2007; Slim, 2002; Zappalà &amp; Lyons, 2009).</td>
<td>The Annual Report is considered the prime accountability document for the majority of stakeholders. A key finding was that experiential accountability mechanisms were a major, innovative means of discharging accountability to certain stakeholders.</td>
</tr>
<tr>
<td>5. What reports and accountability mechanisms are targeted at each stakeholder group and how do they meet the needs of these groups?</td>
<td>The Funders and Regulators stakeholder group demands mandatory reports (Flack &amp; Ryan, 2005). Reporting is voluntary to the Clients and Community stakeholder group and takes the form of downward expressive accountability (Ospina et al., 2002).</td>
<td>Funders and regulators demand reports, primarily containing quantitative information. Reporting to client and communities is voluntary in nature, with a real desire for close interaction at the local level. For internal stakeholders, faith-subscribers receive significantly more information than non faith-subscribers.</td>
</tr>
<tr>
<td>6. Does government impose upward and instrumental accountability mechanisms or downward and expressive accountability mechanisms on faith-based social service NFPs?</td>
<td>Historically, government has regularly enforced upward instrumental accountability mechanisms (Flack &amp; Ryan, 2005). However, numerous commentators have called for government to embrace downward expressive forms of accountability (Awio et al., 2007; Campbell, 2002; Flack &amp; Ryan, 2005; Roberts, 1991). Ideally, a balance between the two types of accountabilities is expected (Knutsen &amp; Brower, 2010).</td>
<td>Despite numerous authors expressing normative idealism, upward and instrumental accountability were extremely strong. Therefore, twenty years or more of clarion calls to action for greater downward and expressive accountability have gone unanswered.</td>
</tr>
</tbody>
</table>
7. What factors drove the construction of the reports used by the faith-based social service NFPs?

Government has defined accountability in narrow terms (Morrison & Salipante, 2007) and drives reporting by virtue of its role as the primary funder of NFPs.

The primary driver of organisational reporting is the reporting demands of government which reflects existing literature. However, two other drivers not widely reported in the literature are the faith-based typology of the organisation and the level of investment in sophisticated accounting and reporting systems.

8. How do faith and morals influence perceptions of accountability and accountability reporting in faith-based social service NFPs?

There is a moral dimension to including or excluding information and in making accounting judgements (Francis, 1990; McKernan & Kosmala, 2007). The notion of stewardship is important for Christian organisations (Cordery, 2006; Jacobs, 2005).

Moral accountability was perceived as important by managers. However, in contrast to the existing literature was the observation that some managers perceived they were personally accountable to God. This goes well beyond what is currently emphasised in the literature.

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</tr>
<tr>
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<td>There is a moral dimension to including or excluding information and in making accounting judgements (Francis, 1990; McKernan &amp; Kosmala, 2007). The notion of stewardship is important for Christian organisations (Cordery, 2006; Jacobs, 2005).</td>
<td>Moral accountability was perceived as important by managers. However, in contrast to the existing literature was the observation that some managers perceived they were personally accountable to God. This goes well beyond what is currently emphasised in the literature.</td>
</tr>
</tbody>
</table>

Table 9-1 Contribution of current research
In terms of research sub-question (RSQ) 1, the research confirmed the prior literature that emphasises NFPs have to contend with a multitude of stakeholders with varying and competing accountability interests. This is in contrast to for-profit organisations where the priority is to shareholders. Likewise, in line with the literature (Meagher & Healy, 2003; Young, 2000), government was perceived as a key stakeholder due to it being a principal funder of the case organisations. However, this research provided a new insight for NFPs. Managers were fervent in their desire to be accountable to their key client grouping (the poor and marginalised), which was the focus of the mission and vision of these organisations. Managers who subscribed to the faith of the religious institution often also perceived a strong personal accountability to God, which is further elaborated under RSQ 8.

Financial accountability and social outcomes were identified by managers as the two key elements organisations are accountable for with respect to RSQ 2, reflecting the existing literature. Managers considered the Mission Statement for their organisations, which emphasised meeting the needs of the poor and marginalised for all of the organisations researched, as a living document which they held in high regard. Therefore, the managers’ perceptions of social outcomes were strongly oriented towards individual client welfare, rather than a broader generic view of social outcomes. This client oriented view included addressing clients with dignity and respect, and holistically meeting their physical, mental and spiritual needs, in contrast to the accountability priorities emphasised by government stakeholders. Government stakeholders generally requested information in relation to outputs and outcomes, seeking to address whether broad policy outcomes had been achieved.

In terms of RSQ 3, there is a variety of reports and accountability mechanisms used to discharge procedural accountability, falling into the three categories of financial, process, and legal accountability, as described in existing literature. In the case organisations, legal accountability, including OH&S, was afforded a high priority based on the perceptions of managers. This arose due to the unique nature of the social services sector in terms of dealing with vulnerable clients and the associated risks faced by staff and volunteers when interacting with such clients. Despite strong perceptions of financial accountability by managers, and analogous rhetoric espoused regarding its importance, limited financial information was provided to client and community stakeholders. Similarly, appropriate financial controls, such as an internal audit
mechanism, were absent in two out of the three main case organisations, resulting in a risk that the financial information may not be reliable and, consequently, compromising financial accountability.

Examples of reports and mechanisms in relation to consequential accountability referred to in the existing literature and covered under RSQ4 include Mission Statements, comparison of outputs and outcomes to targets, performance information in the Annual Reports, and external evaluations by third parties (Cutt & Murray, 2000; Meagher & Healy, 2003; Tilbury, 2006).

A key finding of the current research was that experiential accountability mechanisms were of great consequence in discharging accountability to certain stakeholders, who found these mechanisms to be valid and useful. There are very limited references to experiential accountability in the existing literature.

The Annual Report is considered the prime accountability document for the majority of stakeholders, in line with the existing literature. Nevertheless, despite the case organisations having substantial similarities in their mission and objectives, the information presented in the Annual Reports was inconsistent between organisations and not reflective of best practice ideals. This variability limited the capacity of users of reports to compare information for decision-making purposes. Government drives much of the reporting and accountability mechanisms used by the case organisations, including evaluations and organisational accreditation. Internal rather than external evaluations were the norm, resulting in possible questions raised over objectivity of the evaluations for some stakeholders.

In terms of RSQ5, the Funders and Regulators group have power to demand reports tailored to their needs and this aligns with the discourse provided in the extant literature. On the other hand, some commentators indicate that the accountability reports produced should be determined via a negotiated process between the funder and the NFP, culminating in shared expectations by the two bodies (Benjamin, 2008; Cutt et al., 1996; Herman & Renz, 1999). Reporting to client and communities is predominantly voluntary in nature; however, there is a real desire to interact closely with this grouping at the local level and which appears to be stronger in nature in comparison to the findings of previous research studies.
In total contrast to the existing literature, volunteers, staff, and board, as internal stakeholders, had inconsistent meanings across the case organisations, limiting their usefulness as descriptors of the constituents if this stakeholder grouping. The current research revealed that a more meaningful delineation was to be found by reference to the terms of ‘faith-subscribers’, who personally subscribe to the faith of the religious institution and usually receive a number of accountability reports, and ‘non faith-subscribers’, who receive limited information. Another useful distinction was found to be between ‘client facing’ staff and volunteers who interface with clients, and ‘background support’ staff and volunteers who do not. These delineations are described more fully in Section 9.3. It should be noted that the more sophisticated the reporting system used by the organisation, the greater the flexibility and ease in tailoring reports to meet the needs of each stakeholder group (Refer RSQ 7).

In terms of RSQ6, numerous commentators (Awio et al., 2007; Campbell, 2002; Flack & Ryan, 2005; Roberts, 1991) over many years have made the point that government imposed accountability mechanisms should be rebalanced in favour of increased downward and expressive accountability. This remains a pressing problem. Whilst upward and external instrumental accountability mechanisms predominate, personal relationships with government representatives improve the dimensions of expressive accountability dimensions between NFPs and government.

RSQ7 concerns the factors which drove the construction of reports. The primary driver of organisational reporting is the reporting demands of government and is consistent with the existing literature. However, two other drivers not widely reported in the literature are (1) the faith-based typology of the organisation, and (2) the level of investment in sophisticated accounting and reporting systems. Whether an organisation is faith-permeated, faith-centred, faith-affiliated, or faith-background (Sider & Unruh, 2004) determines, to a significant extent, the type and extent of information reported to internal stakeholders, particularly the religious institution, but also to other internal stakeholders. Greater investment in sophisticated accounting and reporting systems allows an organisation greater flexibility in terms of tailoring reports to address the requirements of both internal and external stakeholder groups, as well as offering significant time-savings when one-off reports are needed.

Moral accountability ranked highly in importance by managers. However, in contrast to the literature, some managers perceived they were personally accountable to God. This
incorporates both moral judgements about accounting information and a notion of stewardship, and goes well beyond what is currently emphasised in the literature. The research has provided this unique insight.

9.3 NFP model of Accountability

Having summarised accountability perceptions of case organisation managers, reviewed key accountabilities of social service NFPs, and considered accountability obligations to a variety of stakeholder groupings, the NFP Model of Accountability derived from the literature and shown at Figure 2.2, has now been tested based on the empirical evidence provided by the case organisations which were the focus of the research. An Emergent NFP Model of Accountability has been developed to reflect this evidence and is presented in Figure 9-1.

Although the empirical evidence indicates the need for some modifications to the model, overall these changes have been minimal, indicating that the current literature does, in fact, represent the accountability obligations and flows as witnessed in the case organisations. However, the need for some changes to the model emerged from the research.

The first amendment to the model is reflected in the stakeholders (centre) column, in the internal stakeholder groups as discussed in Section 8.2, and illustrated in Figure 8-1 (Revised Stakeholder Model of Faith-based Social Service NFPs). This change reflects the observation that the governance arrangements in faith-based social service NFPs are far broader than the nature and roles of governance in traditional boards, and also that staff and volunteers encompass a variety of roles not canvassed in the extant literature. The interaction between NFP managers with ‘Funders and regulators’ has been changed to reflect the evidence that, often, funders and regulators offer only “tokenistic negotiation” (3SPM) in terms of setting expectations as to accountability. Also, there are two-way communications between ‘clients and communities’ and the NFP, in that the NFP not only receives input in relation to client and community needs, but also promulgates information about services offered and educates the community regarding the plight of the poor. The description of services offered to clients now indicates that the services entail more than just meeting immediate needs. The sanctions column has been left unchanged as it adequately reflects the sanctions available to the various stakeholders. In particular, none of the participants spoke of any sanctions imposed or
capable of imposition by internal stakeholders, this may in part be a reflection of the commitment of stakeholders to the faith-based mission of the organisation.

Referring to the reporting (left) column of the model, funders and regulators demand reports regarding the key accountabilities mentioned, and so no changes were required. It should be noted that government funders are particularly interested in financial accountability and quantitative measures of efficiency and effectiveness. In a situation somewhat unique to the social services sector, there is a particular interest by the regulator responsible for OH&S, given specific risks to the safety of staff and volunteers when dealing with clients that are facing particular physical and psychological problems and addictions. In discharging accountability to clients and communities, voluntary reporting is important, but the empirical evidence suggests that observation and “experiential accountability” are often used by the case organisations to discharge accountability, particularly in demonstrating the effectiveness of their services when dealing with clients. The case study analysis also suggests a strong upward, instrumental accountability to funders and regulators and a downward expressive accountability to clients and communities, as was suggested by the literature.
Figure 9-1 Emergent NFP Model of Accountability
9.4 Summary: Faith based NFPs and accountability

The primary research question addressed in this thesis was:

*How do managers of faith-based social service NFPs perceive accountability and why are particular forms and methods of reporting used in satisfying the organisation's accountability obligations to stakeholders?*

The managers of the faith-based social service NFPs in this research perceive accountability in a broad sense, encompassing both procedural and consequential accountability, based on accountability obligations to a multitude of stakeholders. Managers who are faith-subscribers perceive a personal accountability to God, which is their over-riding concern in terms of an accountability hierarchy. This personal accountability to God results in managers developing a strong notion of stewardship in accounting for their time and talents, as has been the case historically with a number of faith-based organisations. Non faith-subscribers are sympathetic to the underlying faith tenets of the religious institution, but more importantly to them personally are strong supporters and believers in the vision and mission of their organisation focused on poor and marginalised clients. Consequently, all managers have a passionate desire to meet the needs of their target client group and perceive a stronger accountability to clients than has been found in most previous research. Indeed, some managers take this accountability in respect of clients even further, and believe they have an accountability to educate the public about the needs of this target group.

Whilst the managers are passionate in respect to their clients, they are also pragmatic when it comes to reporting. As government is the predominant funder and also the primary regulator of the social services sector, it has the power to demand mandatory reports which the managers provide. These reports are upwards and instrumental in nature and although managers would prefer to see a more downward expressive approach to accountability by government, they ensure they meet the reporting requests of government so as not to jeopardise their funding or accreditation.

There is more flexibility in respect to reporting and meeting accountability obligations to other stakeholders, particularly the client and community stakeholder group where reporting is in effect voluntary, even though managers themselves have a strong sense of accountability to this stakeholder group. A range of reports and accountability mechanisms are used to satisfy accountability obligations to these stakeholders. One type of accountability mechanism encountered in the case organisations is that of
‘experiential accountability’, which has been rarely addressed in previous studies. This is where the stakeholder directly experiences the service delivery from the faith-based social service NFP to clients, thereby allowing the stakeholder to gain a deeper appreciation and understanding of the needs being met. Examples include employees of corporate funders undertaking homework programs for children, and community tours and visits to aged centres where the community can see the services delivered and interact directly with clients (refer to Section 8.4.2).

The prime accountability document provided to most stakeholders is the Annual Report for the organisation. Despite the similarities in services offered and the clients served by the three case organisations, the information provided in their Annual Reports is inconsistent and not comparable between the organisations (see Table 8-6). Government is the primary driver of reporting in the case organisations due to its ability to demand reports. However, other differences in the forms and methods of reporting can be explained by the faith typology of the organisations, as well as the level of sophistication of their information systems.

9.5 Contributions of the Research

9.5.1 Contributions to policy and practice

The broad variety of stakeholders to whom the case organisations are accountable raises a key issue in respect to financial reporting for NFPs. That is, do accounting standards adequately encompass reporting to such a broad range of users? The IASB conceptual framework defines the objective of general purpose financial reporting as functioning “... to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity” (IASB, 2010). This restricted view of users excludes a number of key stakeholders of the case organisations, with clients being a particularly significant omission given that in the case organisations clients were considered to be the second most important stakeholder after government. It was always intended that the conceptual framework would have applicability to not-for-profit entities in the private sector at the completion of Phase G (IASB, 2010). However, in its September 2012 meeting the IASB resolved to remove the phrase ‘Applicability to other entities eg not-for-profit and government business entities’ from its conceptual framework (IASB, 2012). This could be due to the problems of retrofitting a standard developed for for-
profit organisations to other sectors, such as the issue of definition of users raised above.

In contrast, the AASB, having adopted a transaction neutral approach to standard setting, has specifically added categories of users of NFP reports to the conceptual framework, such as “recipients of goods and services (including beneficiaries, such as members of the community)” (AASB, 2009). It is beholden on the accounting standard setting bodies to consider all organisations when setting standards, and not merely to develop standards that suit the private sector majority (Newberry, 2001, 2003; van Staden & Heslop, 2009).

One of the key findings of the research is that the annual reports produced by the case organisations are not prepared on a consistent basis. This issue creates significant problems for the users of those reports in comparing organisations and in making meaningful decisions and relevant assessments of accountability. This conclusion lends support to the AASB service performance reporting project, which is attempting to provide a framework to deliver a level of consistency for reporting of performance information by NFPs. Likewise, the establishment of bodies such as SIMNA, should provide further guidance and understanding as to what is meant by positive social impact, a key aim of social service organisations.

Government agencies still demand financial information in various formats, with inconsistent definitions often in conflict with Accounting Standards. The harmonisation of the QUT Standard Chart of Accounts (SCOA) with the Standard Business Reporting (SBR) project by the Commonwealth government would facilitate consistent definitions of financial terms in the NFP sector, provided this was adopted by all government funding agencies that demand financial acquittals. This harmonisation would also more easily enable the lodging of an electronic file in respect of financial statements directly from an NFP’s financial information system, rather than form filling, as is now often the case. The proposed “passport” (Australian Charities and Not-For-Profits Taskforce, 2012) as envisaged by the ACNC, will further facilitate consistency and sharing of information through the adoption of, in ACNC terminology, the “report once, use often” concept.

There is a lack of financial accountability from the case organisations to stakeholders other than government. The research supports the notion of a public portal, as proposed
by the ACNC, which will facilitate the lodgement of, and public access to financial and performance information of publicly funded NFPs. This will facilitate accountability and transparency to a greater range of stakeholders. For example, it could allow private donors to make donation decisions by comparing outcomes, administration costs versus program costs, and other pertinent information across the service the donor is targeting.

The problem of a narrow, instrumental accountability to government remains, despite normative appeals for change over many years. Whilst the issue of accountability and reporting requirements for NFPs are firmly on the agenda with the establishment of the ACNC, it may be an ideal time for the NFP sector to strongly argue the case for downwards expressive accountability when reporting to government. There has already been some pushback from the sector concerning the onerous governance requirements proposed under the new ACNC legislation (House Standing Committee on Economics - House of Representatives, 2012) and which has now been amended by government - thus there is evidence that government has a listening ear. An aspect of the new downwards expressive accountability could be the adoption of experiential accountability. It has proven to be useful for satisfying corporate funders, donors and other stakeholders in the case organisations, and could also prove to be a useful accountability mechanism for government.

9.5.2 Contributions to Theory

This research has contributed to theory in a number of areas, including stakeholder theory, accountability, theological implications, and stewardship.

The research assisted with the understanding of stakeholder theory by:

i. elucidating the nature and accountability needs of stakeholders within the NFP context,

ii. articulating managers' perceptions of these stakeholder needs, and

iii. through detailed multiple case analysis, providing an enhanced view of the mechanisms and reports used by faith-based NFPs in attempting to meet the needs of their stakeholders. Many of these means of discharging accountability to stakeholders were found to be essentially sector specific, innovative (for example, experiential accountability mechanisms) and were not based on a one size fits all stakeholder reporting model.
The research has refined and extended the categories of stakeholders for NFP organisations, including an analysis of the social service arms of religious institutions to which limited research has been dedicated in the past. The research has also highlighted areas of distinction between faith-based NFPs and non faith-based NFPs, which has not previously been described in the literature. An important finding has been that for the internal stakeholder grouping, traditional labels referred to in the NFP literature, such as volunteers, staff, and members (Candler & Dumont, 2010), may be inconsistently applied when referring to faith-based organisations, thereby limiting their usefulness. A distinction using the labels of faith-subscriber and non-faith-subscriber may be of more import in these organisations.

In terms of accountability theory, certain managers expressed a personal accountability to God, which went well beyond the notions of moral accountability described in the existing literature. Additionally, an accountability type described as ‘experiential accountability’, whereby the stakeholder has first-hand experience of services delivered to clients, was found to be a relevant and useful accountability mechanism for a number of stakeholders. This term has had limited exposure in the prior literature on accountability.

Studies of accounting and accountability of faith-based organisations (with the possible exception of the United States) have generally been set in the religious institution itself, and not in the service arm/s of a religious institution/s. This research has extended the study of theological implications to the social service arms of religious institutions. The research confirms the situated nature of the sacred-secular divide, in that the distinction as to whether activities such as accounting and accountability mechanisms are considered sacred or secular, is linked to individual and organisational values. The research also suggests that certain managers may have moved past a Wesleyan notion of stewardship, being accountable for their time, talents and money. Instead, they have embraced a divine mandate for their organisation, with a fervent passion to improve the physical, social and spiritual wellbeing of their clients.

9.6 Limitations

Several limitations relating to the scope of the research project and the interpretive research method adopted were discussed in Chapters 1 and 3. Limitations included the issue that the interviewees may have concentrated unduly on financial accountability.
when responding to interview questions as they may have perceived this to be of greater importance to the interviewer due to his financial background.

The research concentrated on three large case organisations, underpinned by Christian religious organisations and ideologies, and which operate in the social services sector. The generalisability of findings were supported through interviews with managers from four smaller faith-based organisations in the social services sector. However, caution should still be adopted when generalising the research results to the NFP sector more generally, which contains a broad range of differing types of organisations. Similarly, the results may not be generalisable to non-faith based NFPs or to NFPs founded on the tenets of other faiths.

9.7 Implications for future research
Given that the methodology adopted for the research was a qualitative multiple case design, quantitative studies may be justified to determine if the findings are broadly generalisable. Such studies could determine whether the research findings extend beyond Christian organisations to other types and forms of NFPs. Further, additional case studies and qualitative research in both Christian and other faith-based NFPs represent a potentially fruitful area for further research, enabling determinations as to how and to what extent notions of theological and moral accountability, such as stewardship and divine mandate, apply in NFPs affiliated with other denominations and faiths.

With the impending establishment of the ACNC in Australia and the accompanying revised reporting and governance requirements for charities, including social service organisations, a disjoint between managers’ perceptions of accountability and those of the regulators could easily arise. Future research as to how and why accountability reporting has changed as a result of the introduction of the ACNC legislation would be beneficial. The views of stakeholders remain of prime importance and further empirical research to directly verify their accountability requirements is vital. The current research could aid in such future studies by providing a pre-ACNC benchmark against which comparisons can be made.

9.8 Conclusion
This research has investigated managers’ perceptions of accountability in faith-based social service organisations and, in addition, has considered why various forms and
methods of reporting are used to discharge accountability. In one respect, the research corroborates Sinclair’s (1995, p. 221) observation that:

“... accountability appears to reside in a bottomless swamp, where the more definitive we attempt to render the concept, the more murky it becomes”.

Various stakeholders, including government, demand accountability reports that are inconsistent or “murky” in nature and content. In contrast, managers in faith-based NFPs have perceptions of accountability that are strongly influenced by their social service NFPs’ mission to assist their poor and marginalised clients, grounded in the faith and morals of the religious institution. Thus, while managers’ perceptions concerning the concept of accountability and forms and methods of discharging accountabilities were largely consistent and clear, the position from the stakeholder vantage is more opaque. The research has provided descriptions of, and exploration and insights into, accountability reports and the mechanisms used by faith-based NFPs to discharge accountability obligations to their various stakeholders, elucidating both commonalities and conflicts.
REFERENCES


APPENDIX A - Author publications related to topic

REFEREED JOURNAL ARTICLES


RESEARCH GUIDE FOR CHARITIES


PODCASTS


REFEREED CONFERENCE PAPERS & PUBLISHED CONFERENCE PROCEEDINGS:

• **Crofts, K.** 2006, Are community groups financially sustainable and socially effective following withdrawal of public sector seed funding? *5th One Day Symposium on Accountability, Governance and Performance*, Brisbane, 17 February.
• **Crofts, K.** 2006, Perceptions of managers of NGOs on the use of accountability information by government funding agencies in respect to grants, *Accounting and Finance Association of Australia and New Zealand Annual Conference*, Wellington, New Zealand, 2-4 July.

OTHER CONFERENCE PAPERS AND CONFERENCE PROCEEDINGS:

• **Crofts, K.** 2010, Third Sector Performance Reporting: Critical Comparator or meaningless measurement? *Australia and New Zealand Third Sector Research 10th Biennial conference*, UTS Sydney, 15-16 November.


Crofts, K. 2007, Accountability flows through government funding agencies. Fifth Asia Pacific Interdisciplinary Research in Accounting Conference, Emerging Scholars Colloquium, Auckland, New Zealand, 6-7 July.

RESEARCH PAPER PRESENTATIONS (EXTERNAL):


Crofts, K. 2008, Accountability reporting by faith based benevolent institutions, School of Accounting Research Seminar Series, Queensland University of Technology, 24 October.

Crofts, K. 2006, The changing accountability relationship between NGOs and government funding agencies under NPM, Accounting, Banking and Finance Discipline Research Seminar Series, University of Canberra, 2 June.

APPENDIX B – Semi-structured interview protocol

Survey Questionnaire

Demographic Information

Date of Interview

Name

Qualifications

Current position

Level of management – (e.g. Reporting Manager, Program Manager, CFO)

Interviewee’s background in government grant funding

Years working with grant funding

Exposure to grant funding in current organisation – role and number of years

Organisational involvement or personal experiences over last 5 years, in the following activities:

Grant applications

Annual reports

Financial reports to government

Program evaluations

Other accountability reports to government

Other accountability reports to other stakeholders

Organisational Background

Name of organisation

Industry

How would you describe the principal mission of your organisation?

Legal form of organisation
Incorporated Association
Company limited by guarantee
Incorporated by statute
Charitable trust
Unincorporated body
Other
Number of employees
Total revenue from all sources

Proportion of revenue from following sources
Direct fees and charges
Government grants and payments
Private philanthropy or giving
Investment income
Indirect business venture (social enterprise)
Other

What different types of government funding do you receive? (eg grants, recurrent funding)
Which government agency provides the largest share of funds to your organisation?

**Accountability - General**

From your organisation’s perspective, to whom is your organisation accountable? Three main stakeholders?

In your personal opinion, to whom is your organisation accountable?

From your organisation’s perspective, what do you feel the organisation is accountable for?

In your personal opinion, what do you feel the organisation is accountable for?
How does the organisation demonstrate accountability to those people to whom it is accountable?

Are different people in the organisation accountable in different ways?

Is your organisation accountable in ways that are different from other kinds of organisations?

How is your organisation’s accountability different to other non faith based organisations?

What particular accountability obligations arise from being a faith based organisation?

**Government Funding**

Are you aware of the main social policy objectives governments are aiming to achieve when they provide funding? Are these objectives similar to those of your organisation?

Do the requirements imposed by government when providing funding create issues in achieving these objectives?

Should private sector organisations be allowed to compete with non profit organisations in funding for social services? Why or why not?

What are the main issues your organisation faces in providing services to your clients?

In what ways is your organisation able to influence government policy?

In your personal opinion, do government agencies have any accountability to your funded organisation?

**Accountability Reports**

What reports do you provide to government or other parties to demonstrate accountability? (e.g. annual report, funding acquittal reports, evaluations, web pages, advocacy documents, submissions to government, ad hoc reports)

Does your organisation prepare an annual report? Is this compulsory? If not, why does your organisation prepare them?

Are your organisation’s financial accounts audited? Is this compulsory? If not, why does your organisation submit to audit?

What type of information is provided in the accountability reports? (eg financial, quantitative KPIs, qualitative narrative, outcomes achieved).
Would you agree that:

Financial reports generally are linked to acquittal reports.

Secular, or

Stewardship

Are different reports provided depending upon the type of funding given?

Are specific accountability reports produced because you are a faith based organisation?

Is accountability reporting directly tied to your mission statement?

Would you describe accountability reporting as:

Sacred

Secular, or

Stewardship - type of activity

None of the above

Do you think there has there been an increasing emphasis on accountability for performance or efficiency in the last 10-15 years?

If so, was your organisation involved in setting performance goals, or were they set by the government funder?

Do you see value in developing standardised measures and targets in the services your organisation delivers?

Does your organisation receive feedback from government that indicates that they use the information your organisation provides in accountability reports.

Do you think, or can you recall examples of when accountability reports you provided to government had an impact on future funding decisions? (both in a direct and indirect way such as changing nature of programs funded).

In your personal opinion, how effective do you think the accountability reports are in demonstrating accountability to government and other parties?
**Accountability Types**

On the following page are listed a number of different types of accountability. Please pick out two that stand out to you and explain why.

**Accountability Types**

Democratic Accountability
Accountability for Fairness
Financial Accountability
Legal Accountability
Managerial Accountability
Moral Accountability
Multiple Accountabilities
Personal Accountability
Policy Accountability
Accountability for Performance
Political Accountability
Process Accountability
Procedural Accountability
Programme Accountability
Professional Accountability
Private Accountability
Public Accountability
Social Accountability
Accountability Systems
APPENDIX C - Hierarchical listing of codes

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<th>Accountability Types</th>
<th>Accountability for Fairness</th>
<th>Accountability for Performance</th>
<th>Accountability Systems</th>
<th>Democratic Accountability</th>
<th>Downwards accountability</th>
<th>Efficiency</th>
<th>Financial Accountability</th>
<th>Legal Accountability</th>
<th>Managerial Accountability</th>
<th>Moral Accountability</th>
<th>Multiple Accountabilities</th>
<th>Observation Experiential Accountability</th>
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## Stakeholders

### Clients & community
- Clients
- Services
- Community
- Customers
- Support Partner

### Funders & Regulators
- Corporations
- Motives
- Donors
- Government
  - Funding agreement
  - Govt and Funding
  - Govt and not Objectives
  - Govt and Objectives
  - Govt Department
  - Influence
  - Policy
  - Regulation

### Internal Stakeholders
- Employees
- Members
- Staff
- Volunteers

### Political Stakeholders
- Peak Bodies
- Public
Overall it seems as though many of the interviewees have a strong relationship with key people in government agencies. The agency staff keep the NFP managers informed of government strategy and also changes in strategy or changes in focus that are pushed down from above such as from the Minister. This is particularly so for the larger organisations where there is to a certain extent a 2 way dialogue. In longer term funding programs there seems to be less direction from above and more flexibility in how you deliver programs, but at the same time a greater requirement to obtain input from the community and clients, and a requirement to work co-operatively with other service providers. It is more the program managers that have these relationships with the departmental agencies. The finance managers prepare acquittal reports but don't have the close relationships with key figures in the government agencies.

The objectives of the government are not necessarily those of the NFP organisation, though obviously they do overlap in broad areas in trying to improve social outcomes in society. There are only so many government resources to go around so priorities have to be made which the interviewees understand and are probably more understanding than the general public about tightening of eligibility in certain areas, and ensuring funds are directed to the most needy. Nevertheless, there are disagreements surrounding policy, and the large organisations are certainly not afraid to express their feelings where they believe their clients are being unfairly treated. They will generally try and work within the government policy framework and only in extreme cases will they refuse to provide a service e.g., a number of faith-based NFPs refused to accept contracts in the welfare to work conditions of the Howard government. One interviewee treats the offer of money by the government strictly as a business deal. If it fits into the objectives of the NFP organisation then fine, others funds are rejected or not applied for.
Often the objective of the NFP is to provide a holistic service to the client, which can become a problem if the government only provides one element of a service within the program of a particular agency.

While the government objectives are known and often agreed with, a problem for the NFP managers is the lack of being fully funded to provide a service they are contracted to provide. Sometimes there needs to be cutbacks in quality of the service, or funds provided from outside government because insufficient funds are provided by government.

7/10/2008

See Also Links

1 Internals\Interviews\3LPMb

So for me, we have a very harmonious and excellent relationship with the Department

2 Internals\Interviews\3LPMa

For example, I was speaking to DOCS yesterday, and there’s a huge reform coming through where they’re pushing across, it’s a universal, it’s a universal push, across Australia to be able to access 15 hours of preschool care for all children going to school. That’s a universal push, so all those sorts of initiatives that are being created, we have that relationship with DOCS that we get that information, so they have an understanding of where we’re trying to drive, and what we’re doing.

3 Internals\Interviews\3LPMa

The bottom up being that, I think in the past there was a bureaucracy that governed where the dollar was to go, say if we received a million dollars, then Anglicare took that million dollars, and they would have said, you are to spend it on, and this is how we want you to do it, and we will ensure that you do that, and we will govern how you do that. It’s now, from what, my limited knowledge on this, and I will stress limited here, Ken, I think that now, yes, here’s your million dollars, yes, we will obviously want accountability after twelve months, but how you actually do this, being governed by certain new strategies that we want you to put in place in relation to bringing in other communities, any other NGOs working with other church groups, getting their input, and I think now they are giving it to us and saying to the ground, the people who are on the ground, spend it and let me have a look at it after twelve months

4 Internals\Interviews\2SPMb

So, I don’t see anything sinister, or untoward, about current Commonwealth policy regarding employment services. And in fact, I believe that the reforms, because there is so much accountability now, have actually improved service for people with a disability.

5 Internals\Interviews\1SPMb

I don't view it anything other than a business deal...I'm tendering to provide a service to the government and I've got to read what their objectives are, what they're trying to achieve and the manner to which they want to do it.

6 Internals\Interviews\Other
Yes, I have to say that we are under the office of the Liquor and Gaming, OLGR body, and they fund us specifically to do gambling counselling. They are very specific in the fact that they are, do not allow us to do the next step, financial counselling, at this stage, which we see as part and parcel of the gambling psyche.

Yeah, like particularly with SAPP their main objective under SAPP5 is early intervention, prevention and more outreach for homeless clients, and I guess our problem with their objectives is not that we disagree with them, it is that they expected us to run a crisis service for the last sort of thirty years, and suddenly they wanted us to do more work for the same dollar factor, and it’s not going to work.

There has to be a difference because we are working, the government looks at the overall, we look at what is in our own community, in each particular location.
APPENDIX E – Ethics approval letter

21 May 2007

Mr Ken Crofts
School of Accounting &
Computing Science
BATHURST CAMPUS

Dear Mr Crofts,

Thank you for the additional information forwarded in response to a request from the Ethics in Human Research Committee.

The Committee has now approved your proposal entitled “Accountability information flows to government funding agencies from a funded NGO”. The protocol number issued with respect to the project is 2007/115. Please be sure to quote this number when responding to any request made by the Committee.

You must notify the Committee immediately should your research differ in any way from that proposed.

You are also required to complete a Progress Report form, which can be downloaded from www.csu.edu.au/research/forms/ehtcp_annrep.doc, and return it on completion of your research or by 21/05/2008 if your research has not been completed by that date.

Please don’t hesitate to contact the Executive Officer telephone (02) 6338 4628 or email ethics@csu.edu.au if you have any enquiries about this matter.

Yours sincerely,

Julie Hicks
Executive Officer
Ethics in Human Research Committee

Cc