Accountability in the Scottish Charitable Context: managing disparate masters

Abstract

We examine the nature of accounting and accountability within a small charitable organization. Using primary-source data from face-to-face fieldwork, supported by additional responses and data from donors and regulators, we consider the tensions that can arise in seeking to meet the needs of many stakeholders. We see upwards accountability as arising from a need to report to donors, regulators, and financial authorities; and downwards accountability coming from a need to provide a service to the end-users of the service provided. It is not impossible for both upwards and downwards accountability to co-exist, but this complication means that the charity can be torn between stakeholders in discharging its responsibilities. To simplify procedures and clarify objectives, and thereby ease the process of accountability to multiple stakeholders, we propose a new Charitable Balanced Scorecard (CBSC) and show how this might be applied to our own particular case. We argue that its application to other charities can provide a focus and clarity that will enable them to more effectively meet the needs of their stakeholders, whomsoever they may be.

Introduction

The practice of accounting and accountability in a small charity in Scotland provides the starting-point for this article. There is a paucity of empirical evidence about the nature of accountability in such organizations, due primarily to the difficulties in gaining access to data (e.g. Hyndman, 1990; 1991; Irvine, 2011; Parsons, 2003; 2007; Gray et al., 2006; O’Dwyer and Unerman, 2008; Harradine, 2012). From a theoretical standpoint, while making reference to the key works on accountability in charities (e.g. Dhanani, 2009; Dhanani and Connolly, 2012; Connolly and Hyndman, 2013; Hyndman and McMahon, 2010, 2011; Gray and Laughlin, 2012; Petrovits et al., 2011), we start our analysis by reference to the work of Roberts (e.g. 1991, 2001, 2009) and his discussion of hierarchical accountability. From the perspective of a charity, whose aims and ambitions differ from for-profit organizations, the nature of their accountability may well also differ.

We illustrate, through the analysis of a small Scottish charity, how accountability functions within and around its organization, and the tensions that arise because of the need to
serve several masters. Our approach is a fieldwork-based study, using an interview within a small charity operating in Scotland. Our evidence is supported by information requested from and provided by donors, and further detail gathered from publicly-available sources such as web sites of the regulators and donors. Specifically, we cover issues of accounting and accountability within the charity and to its stakeholders, looking at relevant legislation and accounting conventions, and measures used to assess and report performance in the organization.

The paper now proceeds as follows. First, we provide some background information, giving an indication of the importance of the sector and some relevant legislation surrounding small charities. The theoretical framework of accountability is then discussed, drawing on the core literature and highlighting issues of upwards and downwards accountability. The subsequent section discusses the need for accountability in smaller charities, in particular, and explains why they might have been neglected, to some extent, in the past. We then discuss the methodology used to gather our evidence, through primary sources, and further examine the Scottish context as a setting for our research. Following this, we present our evidence on the nature of accountability in our particular case, referring both to our interview notes and to additional supporting evidence gathered from donors. Our penultimate section provides a discussion of the evidence and a recommendation for a new way of managing performance measurement within the smaller charity, a Charitable Balanced Scorecard. Finally, we provide some concluding remarks.

**Background**

There are currently nearly 24,000 charities registered in Scotland, estimated to handle over £10 billion per year (OSCR\[^1\], 2015). Furthermore, there are around 45,000 additional voluntary organizations in the country, with annual expenditure of up to about £4.95 billion, and over
5,000 social enterprises contributing traded income of £1.15 billion to the Scottish economy (SCVO, 2014). Despite the acknowledged importance of this sector, it has remained relatively neglected by accounting researchers; consequently it has received limited attention by academic journals. Studies cite a number of reasons for the neglect of smaller charities, in particular, including: exclusion based upon a lack of strict legislative controls and accounting recommendations (Connolly and Hyndman, 2004); the limitations of what can be studied, for example the inability to examine audit or access to expertise (Palmer et al., 2001); and the fact that large charities have better national profiles and are more significant economically (Hines and Jones, 1992; Connolly and Hyndman, 2000). In this research the concept of a ‘small’ charity is taken to be one with income lower than £250,000 for the last financial reporting period.²

In 1988 the Statement of Recommended Practice, SORP2 Accounting by Charities, was introduced by the Accounting Standards Committee, together with a guide for smaller charities (ASC, 1988). The 1990s then saw the introduction of new legislation for the first time in the sector in the UK in over 30 years; namely the Charities Acts of 1992 and 1993 (Palmer et al., 2001). Consequently, for the first time detailed accounting requirements were available for the sector, with obvious implications for the audit process. Indeed, the core purpose of the publication of the SORP was:

‘To help improve the quality of financial reporting by charities and to assist those who are responsible for the preparation of the charity’s annual report and accounts. The intention is that these recommendations will reduce the current diversity in accounting practices and presentation.’

(SORP2, para.12)

However, this was wholly voluntary at the time and was not considered to be a mandatory framework (Charity Commission, 2012). It was therefore found in subsequent studies to have made little impact, with users often being unaware of its very existence (cf. Connolly and Hyndman, 2001).
Lock (1998) discovered that the Charity Commission is now increasingly seen by many to take a more proactive approach to its fundamental role of providing public confidence about the integrity of such voluntary organizations. The paper states a key part of this has been the recruitment of qualified accountants, where previously there was none, to help monitor the finances of charities. The Government has increasingly exerted their influence in a range of ways including: hosting the SORP committee within government; developing audit thresholds and creating mandatory requirements where there was once voluntary disclosure (Hyndman and McMahon, 2011). The rise in third sector participation in the delivery of traditional government services has further increased the demand for transparency in their charitable activities and the improvement of the information that is disclosed for such accountability and decision-making purposes (Torres and Pina, 2003).

Theoretical Framework

The work of Roberts (e.g. 1991, 2001, 2009) is oft cited as seminal in the area of accountability. Of particular interest is Roberts’ (1991) ‘hierarchical’ accountability (cf. Foucault, 1979), where power is seen to lie with the employer, for example, and employees are judged as individuals and valued according to the employer’s ‘idealized image of what is required’ (Roberts, 1991, p.358). Since Robert’s earlier work, the debate on accountability has developed in the literature (cf. Sawandi and Thomson, 2014; Taylor et al., 2014, O’Dwyer and Boomsma, 2015). Further, it has extended to numerous alternative contexts, such as, for example, natural resource management (Tello et al., 2016), dairy farming (van Peursem et al., 2016), and social care (Bracci and Llewellyn, 2012). From our point of view, the focus on nonprofits is of particular interest. For example, Baur and Schmitz (2012) examined how increasing demands for accountability, such as those imposed by, for example, regulators, might compromise the autonomy of non-profits, by pressuring them to align their interests with
corporate partners, rather than on delivery of a service to their beneficiaries; a process they term ‘co-optation’. Small charities have different needs to larger, or for-profit, organizations and might therefore find themselves facing an alternative ‘hierarchical’ structure. An important question, therefore, which will determine their place within a hierarchy, is ‘to whom are we accountable?’ Once this is determined, then we might consider the power basis behind their relationships, by reference to their accountability to stakeholders.

The notion of place within a chain of accountability has given rise to a line of research which has extended the view of a general responsibility to various stakeholders into a consideration of both upward and downward accountability. For example, Baur and Shmitz (2012) consider the increasing scrutiny of NGOs by their upstream donors, and the growing emphasis on financial metrics, by which to assess their performance. These measures have been coordinated and routinized by regulators (cf. OSCR, in Scotland), financial reporting standards or codes of practice (cf. SORP2 Accounting by Charities), and various other watchdogs and/or regulators (cf. Dhanani and Connolly, 2015). Whilst seeking to meet the demands of these external stakeholders, it has been argued, the not-for-profit, or charity, might lose sight of the needs of its beneficiaries, to whom they are downwardly accountable. Therefore tensions can arise, whereby the charity feels torn between its responsibilities to its donors and its duty to its end users. This is exacerbated when the charity is small and does not have access to specialized financial experts; nor the time or capacity to juggle all of these necessary activities. Hardy and Ballis (2013) explored these tensions explicitly in a single case analysis of reporting practice within the context of a religious entity. Their discussion revolves around the informal reporting undertaken by the organization in question, noting in particular that ‘the informal reporting is ambiguous in terms of the primary stakeholder-agent relationship … [and] … there is an absence of clear links between the accountant … and accountee … to whom … management has stewardship responsibility (Hardy and Baliss, 2013, p.555). As more stakeholders are
identified so it becomes more difficult to establish a clear link between those to whom an entity may be either upwardly or downwardly accountable.

In a setting where multiple stakeholders are identified, Taylor et al. (2014) perform content analysis on various published reports to assess the achievement of downward accountability in a natural disaster setting. They provide a useful framework for analyzing accountability in such a context. Intriguingly, they find that downward accountability, according to stated aims and objectives, is heavily influenced by upward accountability; i.e. the need to satisfy donors’ requirements. Further, an additional conclusion was that ‘downward accountability was not compatible with the organization’s internal ethical-based motivation, because it was viewed as a wasteful diversion of resources from the disaster recovery mission’ (Taylor et al., 2014, p.650).

O’Dwyer and Boomsma (2015) continue the debate on the nature of accountability with a discussion on how to align ‘imposed’ and ‘felt’ accountability in an NGO-funder relationship. The former arises through a sense of being held responsible through formalized systems and regimes, and might be equated to ‘upward accountability’; whereas the latter implies more of a moral sense of duty to ‘make a difference’ by means of ‘downward accountability’ (cf. Williams and Adams, 2013). In particular, the paper finds that the introduction of a new government funding scheme threatened to disrupt the nature of accountability in this setting. Through the lens of a single case study, the authors show that imposed and felt accountability might be balanced and shaped to allow an NGO to flourish, whilst meeting the needs of all of its complex stakeholders.

Roberts (1991) further introduces ‘socializing’ forms of accountability by reference to Habermas’ (1971) work on ‘rational society’. Socializing accountability implies a rather closer relationship between superiors and subordinates, or employers and employees, as it require actors to have similar power, and more face-to-face interaction with others. Therefore, we
might expect charitable organizations, particularly smaller ones, to understand and use a more socializing form of accountability, given the nature of their endeavors, and their altruistic aims.

See, for example, the informal reporting practices of a church-led organization in Hardy and Baliss (2013). In attempting to determine whether a smaller charity would align itself more closely to hierarchical or socializing accountability, we need to determine the nature of the relationships between the charity itself and the parties with whom it engages; for example, does a charity deem itself to be mostly accountable to its employees, its beneficiaries, or its funders? And in discharging its accountability, what mechanisms does it employ? For example, does accounting help or hinder it in undertaking its duties and meeting its responsibilities.

The individual, or hierarchical, aspect of accountability, compared to its socializing forms, is something to which Roberts (2001) returned in a discussion of the problems with corporate governance. He introduced the paper by reference to the dominant theory in this field, agency theory (cf. Donaldson, 1990). With its acceptance of a dominant principal, and potentially ‘shirking’ agents, agency theory would appear to align closely with Robert’s hierarchical accountability. As Roberts (2001, p.1549) notes, ‘power … is a feature of all agency and with this go routine processes of accountability’. This is understandable, in the case of a traditional profit-maximizing firm; the owners/managers typically hold the bulk of the power, as they are the paymasters to whom the employees are accountable. However, in a charity, this may not be the case, especially if the organization is formed, for example, as a kind of cooperative enterprise. So we might again ask ourselves, in a small charitable organization, where does the power lie? Roberts (2001) observes that the use of accounting reports enables an individual to establish a sense of ‘self’, in that their actions are made transparent through routine monitoring and reporting, and serve as ‘a constant reminder that the security of self depends upon being able to continually meet the standards of utility that accounting advertises’ (Roberts, 2001, p.1553). This expands upon his earlier work, which
sought to understand accounting within its organizational context (cf. Roberts and Scapens, 1985).

By design, a hierarchy of accountability is rather impersonal; it relies upon financial and managerial reports, and less so on interactions between individuals. In a charity, the very nature of what is being done requires much more face-to-face contact, free from the ‘inhibitions of power’ (Roberts, 2001, p.1554). Thus, while an individual might gain an enhanced sense of ‘self’, through a hierarchical form of accountability, he or she should feel more of an ‘interdependence of self and other’, through the very nature of the working environment. Roberts does not suggest that hierarchical accountability exists independently of socializing accountability, nor indeed vice versa. Instead, he examines whether the socializing process of accountability might be employed to ‘counter and moderate’ the more forceful exuberances of individual motivations, and therefore the two might co-exist.

More recently, Roberts (2009) himself re-visited the topic, in an analysis of the inadequacies of transparency as a form of accountability, now defined (p.959) as ‘the condition of becoming a subject who might be able to give and account’. He explains that ‘the preparation and publication of Accounts can be seen as accountability for, as transparency, all that accountability require is this laying bare or making visible of ‘what is’’ (Roberts, 2009, p. 962). Accounting helps in transparency by creating real measures from financial and other budgets and targets which, in turn, provide measures of accountability. Whilst this is closely related to his earlier discussion of ‘self’, and its natural tendency towards hierarchical accountability. Roberts (2009, p.969) concludes that ‘accountability is … an exercise of care in relation to self and others’, which is more closely aligned to his conception of socializing accountability. Thus the search for an accountability ‘ideal’, should it even exist, continues. Whilst Roberts (1991) discussed the possibilities of accountability, his more recent work (Roberts, 2009) has considered its limitations. Messner (2009) too raised the question as to whether greater
accountability is necessary and/or useful. For example, the demands may become so intrusive that they breach ethical or other moral codes. Thus he proposes that there be ‘limits’ to what is deemed to be acceptable levels of accountability.

Why the need for Accountability in Smaller Charities?

Arguments have been made for greater openness surrounding the workings of charities (cf. Palmer and Randall, 2002, p.121), and for improving their accountability (cf. Petrovits et al., 2011). As a result of this, charities must be more accountable and transparent than any organization in the corporate world is required to be (cf. Bracci and Llewellyn, 2012). Gray et al. (2006) argue that this is enhanced by the difficulty in defining NGOs and certain contradictions in their existence (cf. Awio et al., 2011; Davison, 2007; O’Dwyer, 2005). They state that this is part of the reason why such organizations are ‘so vulnerable to attacks on their legitimacy and their accountability’ (Gray et al., 2006).

Although regulators exist to ensure transparency and accountability, they are challenged by the complexity of charities in both size and entity type (Cordery and Baskerville, 2007). The situation is further complicated by the ambiguous nature of the term ‘accountability’ (cf. Roberts, 1991, 2001, 2009); the importance of which obviously varies between the diversified range of organizations and relationships in the not-for-profit sector (Ebrahim, 2003). Indeed, it was The Government Accounting Standards Board (1987) who recognized that the term had a rather imprecise meaning (cf. Connolly and Hyndman, 2004). This led Ebrahim (2003, p.193) to comment that ‘it is an irony of accountability that the term itself has often evaded clear definition ... As an abstract and composite concept, the term offers a range of possible meanings’.

Attempts by numerous authors and experts to define the term have resulted in a range of definitions being available for use. In spite of this, there is surprisingly little academic
literature that specifically deals with the issues of accountability in an NGO context (Gray, Bebbington and Collison, 2006). The standard definition of accountability by the Charity Commission is as follows:

‘...accountability is a charity’s response to the legitimate information needs of its stakeholders.’

(Charity Commission, 2004, p.2)

As a consequence of such definitions, it has been argued that the notion of accountability is inextricably entwined with the notion that accounting should supply a range of information to satisfy the needs of users. Accountability is seen as not only a reactive response to influences such as regulation, but should also be a proactive function attempting to ensure public confidence in the sector (Ebrahim, 2003). The well-known ‘user-needs model’ (See for example Hyndman, 1990; 1991; Connolly and Hyndman, 2000; 2001; 2004; Hyndman and McDonnell, 2009) is commonly used as a constructive basis for a ‘conceptual framework for charity reporting’ (Connolly and Hyndman, 2004, p.127). Based upon this theory, the distribution of the annual report is considered as the main outlet of accountability to external users (Connolly and Hyndman, 2004). However, this view is not universal; as Rutherford (1983) and Taylor (1989) contest that user-need models do not explicitly explain the nature of the information that should be made available from charities (cf. Connolly and Hyndman, 2004).

Indeed, it has been found that in some circumstances even when charities produce annual accounts of a suitable standard, they are rendered useless to all but the professional or well-informed user because of the way in which they are presented (Palmer and Randall, 2002). Experts advise that this is an area where charities should replicate the actions of the private sector by making their annual reports more informative and easy to comprehend (Palmer and Randall, 2002). Therefore, it has been commonly acknowledged by a wide variety of
stakeholders such as the government, the accounting profession, resource providers and interest
groups, that poor quality accounting and reporting standards by third sector organizations have
the potential to severely undermine confidence amongst charities (Hyndman and McMahon, 2009). This is enhanced by the threat of scandals as a direct result of the lack of accounting
standards, particularly in recent years, which have seen a rise in the amount of fraud detected
in the nonprofit sector (cf. Greenlee et al., 2007). Donors are undeniably aware of potential
opportunism by volunteer charity workers which allows donated funds to be used in ways other
than for their intended purpose (Hyndman and McDonnell, 2009), for example, by the
misreporting of expenses. Consequently, it may be easier to commit fraud, possibly even
accidentally, through sloppy practice, in a charity, more so than in any other type of
organization.

An increased need for accountability in the third sector has become a regular point of
debate in the public domain; a lack of accountability has the capacity to reduce not only
charitable giving but also charitable activity (Hyndman and McMahon, 2009; 2011). Evidence
substantiating this claim originated in Parson’s (2007) empirical study, which directly
examined the ways in which financial accounting information can influence an individual’s
decision to make some sort of charitable donation. Furthermore, it was also the first study of
its kind to analyze voluntary disclosures in a non-profit environment. Although the study’s
primary research techniques, in the form of field-based research and a laboratory experiment,
had limitations in regards to sample sizes and response rates, it made a significant contribution
to existing research. Parsons (2007) found that financial accounting information can explicitly
affect donation decisions and also that disclosures, both financial and non-financial, may shape
a donor’s opinion of a third sector organization. Hence, accountability in the form of financial
statement information is clearly needed as:
‘Accountants in not-for-profit entities should understand whether and how accounting reports influence charitable giving by the donor community, just as corporate accountants understand how the investment community uses their financial reports.’

(Parsons, 2007, p.180)

Fundamentally, it should also be recognized that third sector organizations must ‘practice what they preach’. Voluntary organizations ‘... support noble causes such as fair trade, human rights, equality and consideration for the environment and are also generally identified by the virtues of honesty, integrity, justice, respect and fairness.’ (Dhanani and Connolly, 2012, p.1144). Surely then an organization that promotes such characteristics should have them embedded in their own ethos. Otherwise, it can appear contradictory, leaving charities open to criticism and bad publicity. Consequently, ‘accountability should form an inherent feature of these organizations’ (Dhanani and Connolly, 2012, p.1144).

Leading on from this is the potential conflict that arises between the need for accountability and the voluntary organization’s ethos or mission statement. O’Dwyer and Unerman (2008) tried to establish how and why accountability is used in varying forms and found that although organizations often recognize the need for accountability, implementation can be a very different issue, as they have to constantly balance the issue of accountability to stakeholders with the chance of being counterproductive in their campaigns. On the other hand, it must be considered that often a charity’s apparent lack of accountability is not the result of carelessness or lack of accounting expertise. This was uncovered by Sinclair et al. (2010) when studying three opposing perspectives of accountability in the third sector: agency, stewardship and stakeholder. Through the use of interviews the paper evaluated in-depth the consequences of each form of accountability. During the investigation it was discovered that many charities are now exploiting loopholes to prevent them from having to disclose extensive information. Interviewees discussed the way in which some charities have been found to register as a company, allowing them to argue commercial sensitivity and only disclose information to
shareholders; whereas other religious charities abstain from producing financial information because they claim they are only accountable to God, and God is their only auditor (Sinclair et al., 2010). All of these issues in regards to accountability have a resultant effect on the governance of the organizations in question, as it is argued that ‘the methods by which organizations are accountable may be a particularly important part of governance in the nonprofit sector.’ (Hyndman and McDonnell, 2009, p.8)

In a similar vein to accountability, the notion of governance is also ambiguous. Nevertheless, one definition of charity governance may be considered as ‘... relating to the distribution of rights and responsibilities among and within the various stakeholder groups involved, including the way in which they are accountable to one another; and also relating to the performance of the organization, in terms of setting objectives or goals and the means of attaining them.’ (Hyndman and McDonnell, 2009, p.9). Furthermore, governance can have similar effects to accountability in public relations, in regards to maintaining confidence in the sector (Palmer and Randall, 2002). Therefore, it is clear to see the distinct link between governance and accountability and how a deficiency in one will directly impact the other. Part of governance is the acceptance that accountability is about more than just financial accounting figures.

**Methodology**

We follow the advice of Connolly and Hyndman (2000, 2001) in undertaking qualitative research to investigate third sector phenomena. It has already been used in a number of other studies into charity accounting (cf. Sinclair et al., 2010 and Hyndman and McMahon, 2011). In particular, our paper uses a fieldwork approach for its research, within which the interview formed a key part. Indeed, this is the type of evidence that is most commonly associated with this method, and is in line with the purposes of interpretive research which is to develop a
A theoretical framework that is able to explain ‘the holistic quality of observed social systems and the practices of human actors’ (Ryan et al., 2002, p.147).

A set of structured interview questions provided the flexibility to pursue new issues and themes as they emerged; and hence to explore original lines of enquiry (cf. Ryan et al., 2002; Qu and Dumay, 2011). In some questions a five-point Likert scale was utilized to ascertain the importance placed on certain aspects of accounting; for example, on preparation and publication of annual accounts, and on accountability. Where questions were closed-ended participants were always asked to elaborate further or explain their choice, thus enabling a wider understanding to be garnered. In addition to the interview data reported upon below, we also sought secondary source data from the Charities’, donors’ and organization’s web sites. Further, four of the upstream funders of our particular charity were contacted to enquire about their monitoring and governance structures, in terms of grants awarded to charities through their Trusts. Documentation for grant awardees was gathered and examined, to gain an understanding of the regimes within which the funders themselves were operating, as well as the scrutiny under which they put their successful grantees.

The Scottish Context

Scotland is one of the nations of Great Britain which is, itself, currently in a period of flux. At the time this fieldwork was undertaken, Brexit (Britain’s exit from the European Union) had not been confirmed, although it was being debated. Further, there was, and continues to be, discussion about the possibilities of a Scotland which is independent of the rest of the United Kingdom. Scotland is currently governed through the UK government, based in Westminster in London, but has its own legal system, and to some extent devolved powers over, for example, health, education, local government, most aspects of criminal and civil law, the prosecution system, the courts and, relevant to this case in particular, tourism and economic development.
The extent of Scotland’s devolved powers remains a source of tension and continued debate between the Scottish and UK Parliaments.

OSCR, the Office of the Scottish Charity Regulator, grants charitable status to Scottish organizations, maintains a public register of these companies, investigates cases of apparent misconduct and monitors compliance with governmental Acts of Law specific to Scotland. All registered charities are required to submit an Annual Return with information in the public domain, and annual accounts must be lodged with OSCR. The issue of cross-border regulation (e.g. Scotland-England) arises where an organization’s activities operate in more than one of the UK’s nations. In this case, an Information Return is required to give data on the relevant activities. A few differences exist between Scotland and the rest of the UK which ‘effectively mean that for a small number of cross-border charities, the requirements under the Scottish Accounting Regulations are more stringent compared to the Accounting Regulations for England and Wales’. Further, in Scotland all charities require external scrutiny regardless of income … [and] charitable companies must always be examined by a qualified person’ [OSCR, 2015].

We have chosen to illustrate our research by reference to the single case of a small charitable entity in Scotland, in the vein of Hardy and Ballis (2013), or Williams and Adams (2013). Our case for investigation is that of a community park, which is managed by a group of ‘Friends’, acting as an unincorporated institution; a kind of charitable cooperative. The Friends are a group of local residents who have a keen interest in promoting the park and making it a place that can be used not only by locals but by visitors to the area. They organize a range of events in the park throughout the year, whilst also attempting to maintain the upkeep of the park and its facilities. The purposes of the organization, according to the charities register, are ‘the advancement of citizenship or community development; the advancement of...
the arts, heritage, culture or science; and the advancement of environmental protection or improvement’.

The park has been in existence for over one hundred years and provides a range of amenities across its extensive grounds, with interesting examples of birds, trees and flowers evident throughout. There are also ponds, a stream, football pitches and play areas. The Friends run regular activities and events, including fun days, fairy walks and teddy bears’ picnics. Transport links are good, with regular train and bus services. The park recently won a prestigious Green Flag award, which is the benchmark for a quality green space, awarded by Keep Scotland Beautiful, an independent environmental charity. In order to reach this accolade, it was judged against criteria which tested whether the park: was welcoming, healthy, safe and secure, clean and well-maintained, sustainable, managing conservation and heritage; had community involvement; marketed itself; and had good management. The Friends are registered as a charitable organization, with an income of just under £26,000 per annum. This entity produces receipts and payments accounts, which are prepared by a treasurer with no professional qualifications in financial reporting. The accounts are subject to external scrutiny through examination by an independent lay examiner.

The park Friends had managed to raise financial support from a number of sources. Of particular interest are: the local regional council (South Lanarkshire), which provides community grants to help those in the local area; the Big Lottery Fund (BIG), a non-departmental public body responsible for distributing funds raised by the UK’s National Lottery for ‘good causes’; the People’s Postcode Lottery, operated by the People’s Postcode Trust, a grant-giving body funded by players of their Lottery, with the aim of funding ‘grassroots organisations, local charities and non-profit community businesses seeking to effect positive change within their local area’; and the Heritage Lottery Fund (HLF), which ‘sustains and transforms a wide range of heritage through innovative investment in projects with a lasting
impact on people and places’, notably here through its ‘Parks for People’ programme. Each of these, in itself, is also subject to strict regulation and is accountable to its own funders, which ultimately impacts upon the accountability requirements then imposed upon its funded organizations. This is drawn out in the discussion which now follows below.

**Accountability in Practice**

The Treasurer for this organization was interviewed face-to-face over the course of an hour, in 2012, during which the interview schedule (see Appendix) was used to frame the discussion. She had fallen into the role almost by default, having said that she did not want to be secretary. She joined the organization shortly after it was formed in 2007 prior to being legally constituted in 2008. She was not a qualified accountant, but noted that “nobody was more qualified than anybody else” to undertake such duties. No specific training had been offered. As our respondent explained:

“All we did in the very first year was have a cash book-type thing, it was very basic, that was all we had. It was date, item, out, in, total and that was all we worked through that first year. But then going into the second year we started to get more money coming in and somebody had shown me, or had given me some excel thing, to do. For example, it meant we started to have restricted funding, so it made sense to separate them, to make it less complicated so you weren’t spending time looking for things.”

She continued:

“There aren’t really enough courses and things out there for lay people. We were supposed to get an excel course but there was a whole muddle up about that. We have a full training budget that we got from a community organization and I have paid for an online excel course; just because I know there are things I could do that would make it easier and quicker for me, so that’s another thing I have to do.”

The accounting system within this organization had therefore grown organically, determined by need, increasing complexity, and growing knowledge of the people responsible.

As discussed above, the Statement of Recommended Practice (SORP) issued by the Charity Commission and the Office of the Scottish Charity Regulator gives instructions as to
how charities are expected to report their activities, income and expenditure and financial position in their annual report and accounts; all registered charities must submit both an Annual Return and annual accounts. This has an impact, not only on the charity with which we are concerned here, but also upon the donors, who, as charitable organizations themselves, in many cases, must also be held accountable for their actions and the disbursement of their funds; thus pressure is increased from above. Our respondent highlighted one of the difficulties in having to report to the charities’ regulator:

“We got our knuckles wrapped … because we changed the constitution without telling OSCR … we didn’t realise that we had to advise OSCR in advance that we wished to change the terms of our constitution.”

When asked whether she thought that it was correct to have a distinction between what is required by small and large charities, our respondent agreed “yes, I do. I think we would really struggle if they made it any more … erm … awkward for us, given the fact they we are not particularly … trained in any of this. So yes I would find it very awkward”.

This respondent realized that the preparation of good quality organizational accounts was ‘crucial’ to everything that they did, as “it is only by keeping good figures and good accounts that we will be able to raise money for the projects and activities that we do. I mean if we can’t demonstrate to Awards For All, the Council even, or other bodies that we are able to handle money, then we won’t get any more.” In the annual report and accounts for South Lanarkshire Council 2012, relevant to the time period during which our fieldwork took place, the Executive Director pointed out that ‘the continuing focus for the Council is to respond to the funding challenges presented by minimal growth in grant whilst continuing to provide services for the benefit of the citizens of South Lanarkshire to whom we are all accountable’ (South Lanarkshire Council, 2012, p.34). The Heritage Lottery Fund, who had funded the Friends through the Parks for People programme, was itself subject to external audit by KPMG, as appointed by the National Audit Office. The Big Lottery Fund, another awarding
body, had ‘a number of measures in place to ensure that organisations that receive Lottery funding have sufficient and appropriate governance arrangements’, where governance is defined as:

‘the way your organisation is set up and run … the procedures, policies, documents and management arrangements you have in place for the way you administer and control your organisation, including its finances and what it has been set up to achieve. It is also about your organisation’s relationships with the stakeholders … [who] include trustees, people and groups who use your services and activities, directors and employees, … professional services, banks, regulators and the community at large’ (Big Lottery Fund, 2017).

Although accountability was thought to be crucial, when asked whether our respondent felt that it was necessary to undertake such extensive preparation of the accounts for beneficiaries, she referred to the pressure exerted by external stakeholders such as, in this case, funders and regulators:

“I think we have to do it in terms of the accountability to the funders we have and obviously the accountability to OSCR is something else again. The funders don’t require the same type of accounting really as OSCR does and OSCR can be quite … well it’s probably not pernickety to them but, for instance … they have knocked back our latest set of accounts.”

Asked to explain further, she clarified:

I didn’t realize that this year, because we had a turnover of over £25,000, we had to submit special supplementary forms which we hadn’t done… Now they are saying there is £50 pound adrift, and so I will need to go back and find it, and I’m pretty sure it’s to do with either us changing the way I do it, or I’ve just been putting that in as admin; but when we were reading through it should have been going in as governance. All that that is the cost of, quite ironic, it’s the cost of getting them checked. That, and £2 petty cash that we didn’t show.”

This example shows the difficulties that the respondent felt in trying to meet the needs of different stakeholders, and the fact that an increase in turnover had meant a more rigorous form of reporting than previously. She showed her frustration at the impact a small error had made, saying “the way they word it makes you feel like a school-girl. It really makes you feel like a criminal! It really makes you feel like … you are trying to pull the wool over their eyes.
And you know, you are thinking, it is only two quid [pounds], for goodness sake … It is getting easier, but it is something I find makes me feel a bit nervous.”

The BIG Lottery Fund had provided some money to the organization, and their communications officer explained how the typical award was monitored, as follows:

“We have different requirements based on the amount of the grant which is awarded and these can be supplemented by additional requirements such as further monitoring on a case-by-case basis. With small grants (those under £10,000) grant holders are required to monitor their expenditure and keep records of this for seven years after the grant has ended. In addition, they may be asked to provide a monitoring report to us, although this is not required as a matter of course. With grants of over £10,000, grant holders have to provide a report at the end of each year and an end of grant report. There is usually a mid-year review, often involving a telephone call or a project visit. Grants which involve land and buildings have additional requirements. They must also keep records for a minimum of seven years. Grant holders have to explicitly acknowledge our grant in their accounts and it must be shown as restricted funding. They must also publicly acknowledge our funding e.g. by using our logo on project materials, project publicity, website etc.”

Our respondent on this case emphasized the problems that arose when trying to prioritize the stakeholders to whom they were accountable, explaining that the size of the donation was not always proportionate to the report that was required by the donors:

“In terms of individual funders, it is important to keep them happy and, you know, you have to report back to them after you have completed a project. One of them was quite hysterical …[In] the first year, we got £50 from them to go towards bulbs for our Autumn planting event; and the report back that we had to do for them was bigger than the report back that we had to do for the [other award] for £10,000!”

She added that reporting to OSCR was important, as they needed to maintain their charitable status, but “after that funders have to be kept happy because you might have to go back to them in the future.”

Whilst she acknowledged the obvious importance of the donors who provided the funding for her organization, this respondent considered the charity’s key stakeholders to be “the community at large”, adding also that “we do liaise with the varying groups … [like] the Council”. This echoes South Lanarkshire Council’s (2009) Code of Good Governance which
highlights the importance of community and stakeholder engagement for robust public accountability.

When discharging accountability to the wider community, rather than to funders specifically, the Friends used a number of methods. For example:

We do send out newsletters; we do have our website to keep people up-to-date; we do have Facebook page; we get publicity from the local newspaper, and that is a two-way thing, as it obviously lets people know what we are doing; it also gives us publicity to try and get people along to events and get us more volunteers to come along to the events.”

South Lanarkshire Council, as a local government authority, was bound to adhere to the principles relating to good governance in local government, one of which is to ‘engage with local communities and stakeholders to ensure robust public accountability’. This ensured that they would ‘keep promises, be accountable and take responsibility for own actions’ (South Lanarkshire Council, 2009, pp.1, 4). In terms of governance and accountability, the Friends had no official internal audit. However, there was a cooperative agreement where major decisions had to be made, and our respondent aimed to be efficient with the resources under her control, saying “I spend a lot of time finding the cheapest things; I suppose that is the best thing we do.” She added that:

“[At our] monthly meetings … we present a Treasurer’s report of what the difference has been one month to the next, in terms of spend, and [there] will almost always be … spends where I haven’t sought permission from the whole committee members; just from the executive members. But normally it is the full committee who decide what should or should not be spent.”

A measure of internal performance evaluation that was undertaken here was explained as follows:

“One performance evaluation we undertake is to keep a note of volunteer hours. This includes time at events and time spent preparing newsletters, completing applications, even phone calls. Every 7 hours a volunteer gives is rated at £50. We use this information to show funders what contribution in kind the volunteers give (this can make quite a difference to an application) so I suppose you could say that it has an impact on financial evaluation as well.”
As the organization grew, it was becoming apparent that it was increasingly important to think of implementing a more sophisticated system for monitoring and feedback, not only for the purposes of raising funding, as above, but also to develop to internal systems and for considerations of succession planning:

“A big problem is having younger people and trying to get younger people involved. What I would like to see, and I have been talking to the local youth club about this, is a sub-group, if you like, where young people would try and run the fun day and report back, and let us know as to what things are going to cost. They would obviously have to perform within a budget. The whole thing would be a benefit to them, as I see it, in terms of their future CV, and future employability, plus the benefits to us of working with the younger people. And then maybe they would get engaged enough with it and, in the future, they would step up to the plate and become more involved as we start to drop off.”

The way in which our respondent chose to respond to the pressure to be accountable was to “keep everything as receipts … we have them in wee [small] piles for all the activities that we do and all the spend we have. I put them together to prepare for the actual exam”. The terminology used here, for example, of ‘exam’ for the inspection of end-of-year accounts, shows the insecurity felt by this individual over the preparation of information for which they were to be held accountable, and their sense of a lack of power in their relationship with their funders and inspectors: “it is only by keeping good figures and good accounts that we will be able to raise money for the projects and activities that we do”; if they do not comply, then they feel that their funding source will be terminated.

Keeping good records was crucial in discharging the accountability of this entity. For example, the Heritage Lottery Fund (HLF), through which the ‘Parks for People’ grant scheme was administered, required regular updates on how projects were performing against plan. The grant awarding documentation embodied the terms of the contract, which included: the standard terms of grant for the particular programme under which funding had been awarded; the grant-notification letter; and the completed ‘permission to start’ form (Heritage Lottery
In particular, the HLF (2017) specified project monitoring requirements in their ‘Parks for People Standard Terms of Grant’, as follows:

‘You must give us any financial or other information and records we may need from time to time on the Grant … allow us … to monitor the Approved Usage … We may ask you to let us examine your accounting processes and procedures to check the effectiveness of anti-fraud measures. We will monitor the progress of your Project and will carry out checks at and after the end of the Project to confirm that it is delivering the outcomes expected … You must take appropriate steps to monitor your own success in achieving the Approved Purposes’.

This statement suggests that the Friends would have to maintain a good internal management accounting control system, with clear records of income and expenditure against agreed categories; the so-called ‘Approved Usage’. It also highlights the anti-fraud measures put in place, to defend against criticisms of misappropriation, as identified, for example, by Hyndman and McDonnell (2009).

**Discussion and Recommendation**

‘*No one can serve two masters. Either you will hate the one and love the other, or you will be devoted to the one and despise the other.*’

*Matthew 6:24; New Testament, Bible*

The above evidence highlights the multiple stakeholders surrounding this case. To clarify and frame our discussion, in the spirit of Taylor et al. (2014), Figure 1 depicts the nature of the complex systems of hierarchical accountability (cf. Roberts, 1991; Foucault, 1979) that exist within this setting. Near the center, we have our existing charity, the Friends of the park. The circular arrows represent the turbulent and complicated relationships between beneficiaries, to the bottom of the diagram, and donors, above the charity. Above them still, at the top of the diagram, are the regulators. The large straight arrows on either side show the direction of accountability; downwards, from regulators, to donors and the charity, then ultimately to the
beneficiaries; and on the right, upwards, from the charity to donors and regulators. Ideally, we should like the accountability to flow naturally from top to bottom, or from bottom to top, for the sake of simplicity and to ease the burden on all parties; however, this might not always be the case, for example, where the charity is accountable to more than one stakeholder, and a tension arises in determining which ‘master’ to serve.

**[Figure 1 near here]**

Cooercive pressures (cf. Taylor *et al.*, 2014) were put upon this organization from above, by the regulators (OSCR), financial reporting requirements (SORP) and legislation (Charities Acts); and by their donors (the Regional Council, the Big Lottery Fund, the People’s Postcode Lottery and the Heritage Lottery Fund) who, themselves, were also subject to pressure from the regulators and legislation. Primarily, as the charity itself operates in Scotland, it is subject to Scottish Law and regulations. However, as some of its funders operated across the UK, they were subject also to English reporting requirements. Thus the autonomy of our charity is perhaps in question, given the multiplicity of conditions placed on it from all sides (cf. Baur and Schmitz, 2012); it is possible that different reporting regimes within their funders impacted upon the requirements imposed from above; or, at the very least, caused an element of inconsistency in reporting approach.

Our *Friends* therefore naturally experienced the impact of ‘imposed’ upward accountability, in that they and their funders were all subject to required reporting requirements, through the mechanisms described above (cf. O’Dwyer and Boomsma, 2015). But did they also ‘feel’ the need to be downwardly accountable? Our respondent’s comments would suggest that, ‘yes’, they did, as she spoke in terms of “relationship[s]” with stakeholders, a necessity to “keep them happy”, “liaising” with various groups and “letting people know what we are doing”, all in line with Williams and Adams’ (2013) moral obligation to ‘make a difference’.
Pursuant to that, in order to understand whether the extent to which accountability in the Scottish charity sector relies also upon Robert’s ‘socializing’ form, we need to review the evidence of our charitable case. Clearly, in terms of the relationship between our charity and their beneficiaries, there is a close relationship with the users of the park. They encourage close and regular communications, saying “it’s a two-way thing”, and make frequent use of social media and volunteer participation. There is no sense of a ‘power struggle’ between the Friends and their beneficiaries, and accountability is discharged to them in a controlled and deliberate fashion, through a sense of moral duty and a willingness to provide a service to the community, in general.

Within this organization, accounting reporting systems had developed through need, driven by the requirements, primarily, of the donors (cf. Hyndman, 1990; 1991; Connolly and Hyndman, 2000; 2001; 2004; Hyndman and McDonnell, 2009; Roberts, 2009). However, it had not all been plain sailing, as the respondent pointed out that a failure to fully understand the needs of the Scottish Regulator had led to a reprimand for failing to report appropriately. Whilst she fully understood the need to provide accurate accounting and other information, as to do otherwise would restrict access to further funding (cf. Parsons, 2007), a lack of professional training meant that the organization was likely to make mistakes or to miss subtleties of compliance.

On the other hand, some of the organization’s donors made life a little easier for them, in terms of reporting; for example the BIG Lottery Fund asked only for a ‘report’, with a ‘review’ by telephone call or visit, and a requirement to publicize the funding on their project materials; and the Heritage Lottery Fund asked for regular progress reports, carrying out ‘checks’ at the end of the project, to ensure compliance. Whilst the requirements of these individual bodies, per se, were not particularly onerous, as a whole, and because they multiplied
the compliance costs of the charity overall, they ultimately imposed rather a burden on the entity.

Roberts (1991, p.565) suggested that the more than one form of accountability might co-exist within the same organization: ‘one is … forced to acknowledge the actual interdependence and interpenetration of these two forms of accountability in organizational activity’. Considering our evidence, we note that accounting norms and practice were very important, and that the annual report was crucial in discharging accountability to key financial stakeholders (cf. Bracci and Llewellyn, 2012; Connolly and Hyndman, 2004; Petrovits et al., 2011; Parsons, 2007). This charity felt that a certain element of control or power was held over them by their funders (cf. Roberts 2001; Donaldson, 1990), who would scrutinize their actions to ensure that funding was disbursed appropriately. They were able to answer to funders’ request by keeping very careful records of receipts and payments, and having full information on activities readily to hand, should it be required (cf. Palmer and Randall, 2002). We further found strong evidence of face-to-face and regular contact with fellow colleagues, funders, advisors and service users (cf. Roberts, 1991), by which the organization discharged its downwards accountability. There were signs of close working relationships, and ‘word-of-mouth’ contacts. Interactions were frequent and often informal (cf. Sinclair et al., 2010). And signs of care, both in relation to self (and their organization) and others (their service users and other key stakeholders) were often shown (cf. Dhanani and Connolly, 2012; Roberts, 2009).

Our evidence and analysis suggests of this single, illustrative case suggests that a comprehensive model of the small charity, which encompasses all of their diverse traits, might be useful for simplifying the accountability issues they face. To that end we now propose a new model of the balanced scorecard (cf. Kaplan and Norton, 1992; Kaplan, 2001), which we have termed a Charitable Balanced Scorecard (CBSC), as depicted in Figure 2. We have deliberately kept it lean, to allow application and modification to multiple charities. To the left
of this diagram are the key perspectives, which we feel to be relevant to the charitable sector; and to the right is the mission statement, or charitable objectives which, clearly, will differ, from case to case. All objectives lead through the organization and, ultimately, to the core mission. Charities might create a strategy map through the organization to show how improvements at the base level will impact on subsequent perspectives and finally contribute to the overall mission.

[Figure 2 near here]

As the diagram suggests, having a clear mission statement to the right will help to focus the charity on its overall goals, and to clarify the impact that each component of the CBSC has on the aims and objectives of the charity. The learning and growth perspective at the bottom focuses on the people who work for the organization, and on what systems of training and development might be installed and measured. Leading on from that, we turn to the internal process perspective, which looks at the development of new and/or innovative processes in the internal management of the organization. Above that, we propose a stakeholder perspective, which aims to measure the extent to which the charity provides a valuable service to the community. Then, we suggest that the top perspective be split into two: financial and beneficiaries. The financial perspective will show how the charity looks to its donors and other financial stakeholders, such as, for example, regulators and taxation authorities. The beneficiaries will focus on whether and how the charity creates value for the users of its services. In working through such a structured framework, we argue that the charitable organization will benefit from developing clarity about how they report upon their activities, and it will enable them to gather in a structured way the evidence that they need to report to their disparate stakeholders.

To illustrate how this schema might be used and applied in a small charity, we present evidence from our case, as related to the CBSC discussed above. In terms of an organizational
mission, the one for our *Friends* of the park, from information garnered from their web site and other publicity materials, might read as follows:

‘To support the development of the park and to promote its benefits as a valuable community asset; and to research and promote the history of the park and the history and heritage of the local area and community’.

Given this mission, what learning and growth initiatives might be appropriate here? Our respondent referred explicitly to training a youth ‘sub-group’ to run various activities, for example a ‘fun day’, with the objective of improving the volunteers’ CVs and future employability. This might be measured by: the number of youth workers involved; the number of participants signing up for the activity; the success of volunteers in subsequently seeking and gaining relevant employment; or the extent to which the volunteers are able to work within the given budget or target.

The next perspective to examine is the internal processes that the charity employs in running its organization, and its accountability to financially interested parties. Given that the accounting system for this organization had grown organically, through need, we could use measures of the effectiveness of this system in delivering what is required of it. For example, initially, only cash-books were used, with dates, items and income/expenditure listed. As the organization had grown, so had the demands on its accounting information system. Errors in judgement had caused problems with the charities regulator (OSCR) so, in this case a measure of error (or otherwise) might be appropriate. For example, aiming for zero queries of the accounts might be one measure to use. Initiatives undertaken to achieve this could include courses on Excel spreadsheets, as identified by the respondent.

The stakeholder perspective measures the extent to which the organization provides a valuable service to the community, and can be seen to be so doing. For example, here, as part of their downward accountability, our *Friends* undertook initiatives like sending out newsletters and providing web sites to publicize their activities. Measures to evaluate the
success of these initiatives could include the extent to which feedback (positive or negative) was received through the web site; or the extent to which members of the community became engaged with the activities available. Specific examples relate to a ‘Gala Day’ and to an advertised photographic competition. Targets might be set for numbers of participants, budgets for expenditure, and/or revenues on the day. Repeated events could use previous events as benchmarks against which to set future targets, and performance might then be measured against these targets.

The top perspective is split between the financial and beneficiaries aspects of accountability. On the financial side, through an obligation to provide upward accountability, the organization needs to show its donors, the charities regulator and any other financial stakeholders how well it has been utilizing the financial resources under its control. This might be measured in terms of: expenditure against budget; additional grant raising success; or more traditional accounting measures of asset utilization. In particular, this organization was able to provide a measure of volunteer hours, in terms of both time given, and a nominal charge for time. This enabled them to show the value of the volunteer contribution to future donors, and to justify requests for further funding. But it might also serve as a useful measure of performance in a CBSC.

Finally, from the standpoint of downward accountability, the beneficiaries perspective should show more explicitly how the organization is providing utility or value for the users of its services; in other words, a measure of how happy the beneficiaries are with what is available to them. Given the organization’s use of social media to advertise its activities, the number of ‘likes’ or ‘followers’ the charity or its activities achieve on Facebook would be one interesting measure of its success. Additional methods for gauging performance, in this sense, might include: repeated visits by the local community, including schools engagement; positive
feedback on comments forms; the number of volunteers signing up to help; and the number of lines of publicity in the local newspaper.

Conclusion

Through the case of a small charity, operating in a geographical location which is undergoing great economic uncertainty, we have examined the nature of accountability within and between stakeholders. We find that both upwards and downwards accountability can and do exist in tandem. The annual report remains important for transparency (cf. Roberts, 2009) and in discharging a charity’s accountability to external stakeholders (cf. Connolly and Hyndman, 2004). However, downwards accountability to beneficiaries is equally, if not more, important, and might be undertaken by many alternative means. The tensions and difficulties imposed by accountability to multiple stakeholders can be overcome, we argue, by putting in place a new system for measuring and managing performance within a small charity, a Charitable Balanced Scorecard (CBSC).

In illustrating how this might work, in practice, through the case of a small charity in Scotland, we have identified a positive step forward in small charity accountability, achieved through a simplification of process and measures, which might be applied to any case. Future research might seek to replicate our model, with application to multiple charities, and to clarify and specify objectives, measures and initiatives that might be relevant across the small charities sector. In the meantime, charities themselves could benefit from working through a CBSC with application to their own setting, in the hope of identifying objectives and measures which will be of interest to more than one of their stakeholders, thus reducing the burden of having to be accountable to multiple users. As we face difficult and turbulent economic circumstances, both in Scotland and further afield, we argue that this practical application of our proposal can
provide charitable organizations with an element of predictability and relative certainty in an ever-changing world.

Endnotes

1 Office of the Scottish Charity Regulator
2 For incomes between £0 and £250,000 receipts and payments accounts must be produced; for those with incomes of £250,000 to £500,000 accruals accounting following the Charities Statement of Recommended Practice (SORP) must be used, although simplified Statement of Financial Activities (SOFA) categories are permitted for charities below the audit threshold; and for those of £500,000 and over, accruals accounting following the charities SORP in full be must be followed (Morgan, 2011).
3 Non-Governmental Organizations
References


South Lanarkshire Council (2009), South Lanarkshire Council Code of Good Governance, www.southlanarkshire.gov.uk.


Figure 1: Accountability in Context
Figure 2: A Charitable Balanced Scorecard (CBSC)
Appendix

Interview Schedule

Interview conducted by: XXX

Respondent:
Organisation:
Date:
Time:

This research is aimed at examining small charities in Scotland. It aims to establish the role that accounting plays in such organisations by examining the emphasis that is placed upon such data and the extent to which current provisions are relevant to smaller charities. I am extremely grateful that you have agreed to meet me today to assist me in this research. I can assure you that all information will be treated with confidentiality.

1. BASIC FINANCIAL PREPARATION INFORMATION:

1.1 What financial year-end accounts do you prepare?
(If annual accounts have not been supplied)

1.2 Who prepares them?
(What qualifications, experience etc. do they have?)

1.3 Do you feel there is a need for such extensive preparation?
Yes [] No []
(Please elaborate)

1.4 How important do you view the preparation of accounts in relation to the rest of the running of the charity?
(e.g. on a scale of 1-5, where 5 is ‘crucial’)

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(Please explain your choice)

1.5 How much emphasis do you place on the information provided by the accounts?
(e.g. on a scale of 1-5, where 5 is ‘crucial’)

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(Please explain your choice)

1.6 Do you perform any additional accounting exercises that you are not required to do e.g. voluntary environmental impact reports, voluntary disclosures etc?
Yes [] No []
1.7 Who is your independent examiner?
(What is their profession? What is their relation to the charity?)

2. CHARITY REGULATIONS
“The Statement of Recommended Practice (commonly referred to as the SORP) is issued by the Charity Commission and the Office of the Scottish Charity Regulator (OSCR) and basically gives instructions as to how charities are expected to report their activities, income and expenditure and financial position in their annual report and accounts” (Charity Commission, 2012).

2.1 Are you aware of the existing SORP?
Yes [] No []
(What do you know about it?)

2.2 Do you think it is correct to have a distinction in the accounting standards required by small and large charities?
Yes [] No []
(Please elaborate)

2.3 Do you think the existing provisions provided by regulators are relevant to small charities?
Yes [] No []
(If not, why? And how would you change them?)

2.4 Have you experienced any situations where you were unsure how to treat certain costs, income etc. and that the current accounting standards did not help to clarify?
Yes [] No []
(If yes, please provide examples?)

3. ADDITIONAL BENEFITS THAT COULD BE SOUGHT FROM ACCOUNTING:

3.1 Do you use accounting information for any other purpose?
Yes [] No []
(If yes, please specify?)

3.2 Do you prepare any other financial information e.g. budgets, schedules, ratios to assist in the management of the charity?
Yes [] No []
(If yes, please provide examples?)

Social accounting covers all forms of accounts that go over and above basic financial reporting including “…social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting” (Gray, 2002 page 687).

3.3 Do you carry out any sort of social accounting practices?
Yes [] No []
(If yes, please explain what exactly is carried out? If no, please explain why not?)

3.4 Which of the following additional resources would allow you to spend more time on the accounting aspects of your charity?

Employees Yes [] No []
Money Yes [] No []
Information technology Yes [] No []
(Please elaborate on your choices)
3.5 If you had additional resources would you employ an external auditor rather than an independent examiner? 
Yes [] No [] 
*(If yes, please explain why?)*

3.6 Do you feel that your charity misses out by not having the capacity to do this? 
Yes [] No [] 
*(If yes, in what way?)*

3.7 Do you currently have any sort of internal audit function? 
Yes [] No [] 
*(If yes, please explain how this is carried out?)*

4. ACCOUNTABILITY:

4.1 Who would you consider to be the charity’s key stakeholders?

4.2 What stakeholder group would you say it is most important to be accountable to?

4.3 How much emphasis do you place on accountability? 
(e.g. on a scale of 1-5, where 5 is ‘crucial’)

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*(If considered important to whom is this accountability to? Internally? With staff? Personally?)*

4.4 How important do you consider the publication of the annual report in discharging accountability to stakeholders? 
(e.g. on a scale of 1-5, where 5 is ‘crucial’)

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4.5 In what other ways do you think your charity is accountable?

4.6 In recent years, since the introduction of public sector’s value for money criteria and the introduction of the SORP etc, have you felt an increased pressure to be accountable? 
Yes [] No [] 
*(If yes, please explain in what ways has this happened?)*

4.7 Does this pressure for accountability impact the charity in anyway? 
Yes [] No [] 
*(If yes, please explain in what ways?)*

5. PERFORMANCE MEASURES:

5.1 What do you consider to be the most important measures of success within the organisation?

5.2 Without the use of a permanent management accountant on staff and the data provided by them, how do you manage and control administration costs?
5.3 Do you calculate efficiency?
Yes [] No []
(If yes, please explain in what ways?)

5.4 Do you currently use any sort of performance measures within the charity?
Yes [] No []
(If yes, please specify?)

5.5 How important do you consider performance measurement using financial data?
(e.g. on a scale of 1-5, where 5 is ‘crucial’)

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(Why?)

5.6 How important do you consider performance measurement using non-financial data?
(e.g. on a scale of 1-5, where 5 is ‘crucial’)

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(Why?)

That concludes my questions for today and covers the main areas which I hoped to discuss.
-Do you have any closing remarks to make on any of the issues discussed?
Yes [] No []
(If yes, please elaborate)

-Would you consider there to be any major areas in regards to accounting in your charity that this interview has neglected to mention?
Yes [] No []
(If yes, please elaborate)

I would again like to thank you for your participation in this research. It is very much appreciated.