

NGO Accounting and Accountability: Past, Present and Future

CAROLYN CORDERY

ASTON BUSINESS SCHOOL, ASTON UNIVERSITY, UK

ATAUR RAHMAN BELAL*

SHEFFIELD UNIVERSITY MANAGEMENT SCHOOL, THE UNIVERSITY OF SHEFFIELD, UK

IAN THOMSON

BIRMINGHAM BUSINESS SCHOOL, UNIVERSITY OF BIRMINGHAM, UK

***Corresponding Author and Contact details**

Professor Ataur Rahman Belal PhD

Sheffield University Management School

The University of Sheffield

Conduit Road

Sheffield S10 1FL, UK

E-mail: a.r.belal@sheffield.ac.uk

Telephone: 0114 222 3464

NGO Accounting and Accountability: Past, Present and Future

Abstract

The main aim of this paper is to introduce key themes of NGO accounting and accountability and provide an overview of the papers included in this special issue. These papers deal with formal reporting issues related to the regulatory requirements as well as various alternative forms of informal accountability mechanisms which are more related with the core social purpose of the organisation. This special issue contributes not only to the scholarly debates on NGO accounting and accountability but also to the various issues facing policy makers and NGO practitioners. We have provided a robust research agenda for future researchers.

Keywords: accounting; accountability; NGO; regulation; social purpose;

1. Introduction

Issues of accounting and accountability are prime concerns of accountants, whether in practice or academe. However, the majority of accounting research is concerned about the corporate sector where presentation of corporate accounts display *inter alia* 'profit' or 'loss', and asset, liability and equity elements. This data enables analysis of such concepts as return on assets or investment. Nevertheless, a significant percentage of organisations have a social purpose and, rather than profit, seek to manage their financial and non-financial resources in order to maximise achievement of that social purpose. It is a sub-set of these organisations that this special issue focuses on. Specifically, we are concerned about accounting and accountability issues in non-governmental organisations (NGOs). This overview paper defines the term 'NGO' for the purposes of this issue, concluding that NGOs' social purposes and the non-distribution constraint are the two common characteristics.

As NGOs receive funding from stakeholders that do not necessarily receive value in return, and work with a range of beneficiaries, including the most vulnerable people in our society, there are frequent calls for NGOs to discharge accountability in more targeted ways and to wider sets of stakeholders (Agyemang, O'Dwyer, Unerman, & Awumbila, 2017; Dixon, Ritchi, & Siwale, 2006). These demands have led to tensions in NGOs between balancing different stakeholders' interests, NGOs' missions and resource constraints (O'Dwyer & Unerman, 2007; O'Dwyer & Unerman, 2008). These tensions are explored through a number of papers in this special issue and through this introductory paper.

This paper makes three contributions. First, in discussing the breadth and depth of the NGO sector, this paper conceptualises NGOs with respect to a variety of regulations, financing, governance structures, purposes, stakeholders and activities. Thus, it encourages researchers to cast their net wider when considering contexts in which to undertake their NGO study. Secondly, we summarise accountability issues, in particular highlighting the different forms that can be developed by NGOs to discharge a broad accountability to a wide range of stakeholders. Thirdly, this paper develops a number of issues that warrant further research.

Therefore, as well as introducing the papers in this issue, the paper proceeds by first dealing with definitional issues, then accountability and future research areas. It concludes with a summary of the papers in this issue and concluding thoughts. For easy reference we have summarised these papers included in this special issue in Table 1.

Insert Table 1 here

2. NGOs- some definitional issues

Entities whose prime purpose is social, rather than profit-making could be called ‘not-for-profit’.¹ Such entities may be in the public or private sector and thus, traditionally, the term non-governmental has been applied to those organisations that are not-for-profit making (have a social purpose) and are private (a *de facto* approach).² The literature attempting to define this further is diverse and somewhat contested (for example, appearing in disciplinary journals on Developmental Studies, Public Administration, Accounting, as well as interdisciplinary Non-profit Studies and Organisational Studies) and the preferred terms have changed over time. Here we focus on definitional main themes that assist in understanding the purposes of this special issue in studying NGOs’ accounting and accountability.

The main definitional themes that have emerged as important in relation to accounting and accountability are: regulation; financing; governance structure; purpose; stakeholders and activities. Each NGO has a unique configuration of accounting and accountability practices that is shaped by the contextual interaction of these six major themes. Therefore, how NGOs are characterised impacts on any evaluation or interpretation of their accounting and accountability practices. In this paper we propose an inclusive definition from our review of the NGO literature and from the editorial process involved in bringing together this special issue. Our definition of NGOs incorporates terms such as private social purpose organisations, charities, not-for-profit organisations, non-profit organisations, civil society organisations, social enterprises and service clubs.

Early attempts to define the scope of private social purpose organisations by Salamon and Anheier (1992a, 1992b) noted that many of the terms used have focused on a particular aspect of organisations, for example, that they may have volunteers, be tax-exempt, or charitable. They analyse the usefulness of a *de jure* (legal) definition, the source of income, and the functions (activities), before settling on a ‘structural/operational’ definition, which includes organisations that are: formal, private, non-profit-distributing, self-governing and voluntary (Salamon & Anheier, 1992a). This definition, which can be seen to incorporate charities, was used to launch a generation of comparative international research into the ‘non-profit’ sector (Salamon & Anheier, 1992b) (containing non-profit organisations (NPOs)) or, as they now term it, the ‘civil society’ sector with civil society organisations (CSOs) (see, for example, Salamon, Sokolowski, Haddock, & Tice, 2013). This structural/operational distinction is an important starting point for evaluating NGO accounting and accountabilities.

Nevertheless, Salamon’s seminal and ongoing work tends to ignore a globalised *de jure* definition of an NGO, leaving such legal specifics to individual countries. Indeed, it is registered charities that have received the most attention from the accounting researchers that have considered NGOs. These analyses have used jurisdictional-specific definitions of charity which enable (and require) registration of certain entities with a regulator. Registered charities benefit from taxation rebates and increased legitimacy, although regulation is costly, particularly in terms of reporting requirements (Cordery & Deguchi, 2018). In this issue, McDonnell and Rutherford (2019) analyse the effectiveness of charities’ risk reporting to the Office of the Scottish Charity Regulator (OSCR). Their work shows disparity in

¹ Hence, many term this sector the ‘third sector’ between government and for-profit entities. Alternatively, it could be called the ‘community and voluntary sector’, ‘non-profit’, ‘not-for-profit’ and many other variations (Cordery, Crawford, Breen, & Morgan, 2019).

² Nevertheless, Dawson (1998) and others divide international NGOs into ‘Southern’ NGOs (serving developing countries) and ‘Northern’ NGOs (advocating in developed nations).

charities' sizes and the effects of size on risk reporting. Kemp and Morgan (2019) find that charities registered with an adjacent regulator (Charity Commission of England and Wales (CCEW)) are unclear about risk factors, in particular, regarding the issue of 'qualified accounts'. These two regulators (OSCR and CCEW) are not alone in imposing financial reporting demands on those registered with them and Cordery, et al. (2019) draw on a multi-national survey to question whether a single international set of NPO financial reporting standards will arise to reduce the costs of mandated reporting in individual jurisdictions.

How NGOs fund their activities is of interest. First, it is recognised that although funding is often volatile (see, for example, Theodosopoulos, 2011), different forms of funding brings the necessity for specific accounting and accountability requirements. Hansmann (1986) bifurcates NGOs into 'donative', (those receiving donations), or 'commercial' (those charging for goods and services), however other studies have identified a range of different sources of funds, each with different accountability demands. These include, membership fees, public sector grants, research grants, project grants, bequests, income from trusts and many others. The nature of how an NGO funds its activities will have a considerable impact on how it accounts for its activities, who it accounts to and what it accounts for (Boomsma & O'Dwyer, 2019; Edwards & Hulme, 1996). This accountability does not simply relate to financial expenditure, but extends to other resources used within the organisation to deliver its purpose. Often the funders will attach specific forms of accountability as a condition of the NGO funding. This can create the need for multiple accounting to the different sources of funding or based on the accountability preferences of funders, including the role of NGOs in resourcing other NGOs (see for example, Connolly, Dhanani, & Hyndman, 2013; Cordery & Sim, 2018; Unerman & O'Dwyer, 2006). The range of ways that the sources of funding impact on the formal and informal accounting and accountabilities is a key dimension of all of the papers in this special issue.

The governance of NGOs is also important and organisational theorists, including Hansmann (1986), dichotomise CSOs as either mutuals (member-controlled), or those that are independently managed. Such a bifurcation ignores the shades along a continuum, as many large NGOs may have members, but cede real control to an independent governing body. It is not possible to establish a clear definition of an NGO through its governance structure. Yet, the specific governance arrangements in an NGO will impact on internal and external accounting practices and the extent to which they are formalised within institutional practices related to organisational purpose and regulatory requirements (O'Leary, 2017). Governance, purpose, finance, regulation and accountability are reflexively interrelated and need to be considered in context. In this issue, two studies highlight the member-based end of the governance continuum. Denedo, Thomson, and Yonekura (2019) analyse the actions of a number of community-connected, small, member-based NGOs, and the work of Yates, Gebreiter, and Lowe (2019) focuses directly on member-controlled service clubs. At the other end of the governance continuum, is the large, independently managed BRAC, the focus of the study by Uddin and Belal (2019).

NGOs are required to produce many different accounts, in different forms, to regulators and external stakeholders (Boomsma & O'Dwyer, 2019; Ebrahim, 2003; O'Dwyer & Boomsma, 2015; O'Leary, 2017; Unerman & O'Dwyer, 2006) particularly to the resource providers and beneficiaries. The accountability demands on NGOs are often considered to be greater than those imposed on other organisations (Unerman & O'Dwyer, 2006). These accountability requirements are enhanced from the felt responsibilities by those working in NGOs (Ebrahim, 2003; O'Dwyer & Boomsma, 2015). Demonstrating compliance with regulation through the production of audited formal financial reports is widely considered as necessary, but insufficient, to discharge NGOs' accountability responsibilities. Formal financial reports form an important part of NGOs assemblage of accounts. These reports are designed by regulators and standard setters to meet assumed needs of powerful stakeholders (often funders/donors) or to protect weaker, marginalised stakeholders (such as beneficiaries). However, the

effectiveness of these regulated reports is mediated through the nature, intentionality and operational effectiveness of the underlying regulations. The extent to which regulations incorporate the felt responsibilities of an NGO or the full range of stakeholder accountabilities, will impact on the demand and content of alternative, informal accounts.

There is an assumption that within NGOs there is a greater commitment to genuinely address the interests of a broad range of stakeholders (O'Dwyer & Unerman, 2007; O'Dwyer & Unerman, 2008) with a focus on substantive as opposed to procedural accountability (Gray, Bebbington, & Collison, 2006). In NGOs, accountability is felt as “an enabling rather than as a monitoring process” (Fry, 1995, p. 186) in order “to meet and stay true to the needs of clients, as well as itself” (Dixon, et al., 2006, p. 407). Such accountability is associated with a sense of obligation towards the NGOs’ purpose rather than the sense of anxiety regarding the power of the stakeholders or financially-driven motives (O'Dwyer & Unerman, 2008). This combination of different factors leads to the provision of customised accounts to address the interests of the broad range of NGO stakeholders. Such accounts should be of NGOs’ activity to achieve the stated purpose.

Prior research has identified that certain NGOs prioritise the marginalised, weaker stakeholders (Roberts, 1991, 2003) (for example, beneficiaries) over those providing resources. Meeting the accountability requirements of the funders and beneficiaries is considered a critical dynamic within most NGOs. NGOs depend on resources provided by others to meet their specific social purposes and NGOs are subject to external scrutiny as to how they have deployed their portfolio of resources. The diversity of NGOs’ social purposes challenges the ability of accounting standard setters and regulators to design comprehensive, generic accounting and accountability processes.

The range of activities and social purposes associated with NGOs is extensive. Unerman and O'Dwyer (2006) split NGO activities as being ‘welfare providers’ or ‘advocacy focused’, whereas Salamon and Anheier (1992b) identified twelve different categories of activities. In relation to charities, Cordery, Sim, and van Zijl (2017) empirically categorise five different activities by funding (Classic Charities, Membership, Infrastructure, Trusts/Grantors, and Service Providers), which was extended by Cordery and Sim (2018) to include advocacy organisations as a sixth funded activity. Cordery and Sim (2018) show distinct differences in the accountability discharged by NGOs undertaking these different types of activities, which was also linked to how these activities were funded.

Thus, it is apparent there is a contested and, sometimes confused set of definitions for the NGO sector. Through Salamon’s work (Salamon & Anheier, 1992a, 1992b; Salamon, et al., 2013), we note that some terms are fashionable in certain time periods. We also acknowledge that over the last 25 years, there has been a rise of different types of private, not-for-profit entities, such as the increase in social enterprises. Nevertheless, one common definitional NGO characteristic that takes precedence is social purpose (for example, Christensen & Ebrahim, 2006). Kluyers and Tippett (2011) note that it is this purpose, as expressed in these entities’ missions and values, that plays an important role in organisational performance. A second common characteristic is that any surpluses made may not be distributed as profit. Our review of NGOs and NGOs’ accounting and accountability practices suggest it is necessary to avoid bright-line definitions that will otherwise limit research that can explore these diverse and interesting organisations and the contexts they inhabit.

The interaction of the six definitional themes in the NGO ecosystem and the emergence of NGO-related scandals and frauds has a number of specific attributes that are also necessary to consider in academic research, and these are highlighted through the papers in this issue. First, the NGO sector is a significant and growing part of many nations’ economies (Salamon, et al., 2013), a matter which has led to the increase of regulation and reporting requirements (see Cordery, et al., 2019; McDonnell & Rutherford, 2019). Secondly, NGOs within this ecosystem are diverse in terms of size however measured (O’Leary, 2017). While most NGOs are small, the largest NGOs dominate the funding and

activities within the sector (Cordery, et al., 2017). Accordingly, much research focuses on the largest of these entities (as do Uddin and Belal, this issue), yet in this issue we also include research on smaller, less well-resourced entities (Denedo, et al., 2019; Goncharenko, 2019; Kemp & Morgan, 2019; Yates, et al., 2019). Thirdly, NGOs' work is affected by the context in which they operate. Hence, papers have been selected for this issue to tease out the tensions that arise in specific environments. These include analysis of differences internationally (Cordery, et al., 2019), differences in purpose, and in specific contexts which may bring different responses to the challenges of NGO accounting and accountability (Denedo, et al., 2019; Goncharenko, 2019; Uddin & Belal, 2019).

3. NGOs, social purpose, accounting and accountability

As discussed earlier, evaluating or understanding NGO accounting and accountability practices involves consideration of a number of contextual factors. NGO accounting and accountability practices are associated with fulfilling a number of different expectations and, especially those designated as charities, are often required by regulators to meet enhanced levels of financial accountability compared to 'for-profit organisations' and public sector organisations. Despite this, often contextual factors intersect to create additional purpose-driven accountability demands to which NGOs respond by developing social accounting practices. In our review of the literature and the articles in this special issue we have identified four, overlapping, demands associated with NGO accounting and accountability. These demands include: external regulatory compliance; organisational governance and management; stakeholder engagement; and demonstrating delivery of purpose. The accounts, formal and informal, produced by NGOs are often used to meet more than one purpose, which can lead to a mixed evaluation depending on the perspective taken or theoretical approach taken. For example, an annual financial report could be considered satisfactory in terms of its full compliance with regulations, but inadequate from stakeholder engagement perspective. This tension is identified in a number of papers in this special issue (for example, Cordery, et al., 2019; Kemp & Morgan, 2019; McDonnell & Rutherford, 2019).

Table 2 provides a structure within which to position the papers in this special issue. Table 2 places a number of accounting and accountability practices in the context of the six definitional characteristics of NGOs and the four demands associated with NGO accounting. Table 2 is not an exhaustive mapping of all NGO accounting and accountability practices, but is suggested as a framework to understand, interpret and integrate the seven different papers in this special issue.

Insert Table 2 here

As mentioned previously, NGOs are required to produce many different accounts, in different forms, to regulators and external stakeholders (Christensen & Ebrahim, 2006; Ebrahim, 2003; O'Dwyer & Unerman, 2007; O'Dwyer & Unerman, 2008; O'Leary, 2017). Included in NGO accounts are formal financial reports required by different regulators to meet minimum levels of financial accountability. The extent to which these formal reports and associated governance regulations capture the accountability demands of NGO stakeholders are addressed in three papers – Cordery et al (2019), Kemp & Morgan (2019), and McDonnell & Rutherford (2019). These papers draw out the extent to which the intentions underpinning the regulations are met as well as critiquing the ability of the regulations to meet critical elements of effective NGOs accountability.

In their paper, Cordery, et al. (2019) position financial reporting as an important accounting practice for not-for-profit organisations to discharge their accountability in relation to donations and funding. Their survey uncovers a tension between the importance of local financial reporting practices and a majority view that international financial reporting standards are required. Their analysis, using institutional logics, suggests that existing financial reports are insufficiently standardised to meet the needs of all stakeholders. However, there was clear conflicts associated with significant patterns of

beliefs in the key stakeholder groups and that this will likely impact the development of financial reporting standards and practices.

The starting point of McDonnell and Rutherford, (2019) is that financial loss, fraud and theft, and problematic personal behaviour of those involved with charities are creating new accountability demands. In their study they analyse charities' responses to a new regulatory requirement to voluntarily disclosing details of serious incidents that may threaten their organisation. Their analysis identifies that the lower the risk of organisation demise the more likely the charities are to disclose these critical incidents. Larger, older organisations that have previously been subject to a regulatory investigation are more likely to report serious incidents. However, disclosure is less prevalent in the smaller, younger charities where there is perceived to be a greater risk to the charity arising from the incident. Their research identifies a potential problem in relying on compliance with risk disclosures as a way of governing charities.

Audit and assurance is seen as an important practice in financial reporting in relation to regulatory compliance, governance and accountability, stakeholder engagement and legitimating the organisation to funders and beneficiaries. Key to the practice of financial reporting audit is the concept of qualified accounts. Prior to Kemp and Morgan's study, (2019) it was assumed that preparers and users of charity accounts understood the importance of account qualification. Since 2014 charities filing accounts with the Charity Commission for England and Wales have been asked whether their accounts were qualified. However, Kemp and Morgan (2019) have found that 96% of small charities who have stated that their accounts are qualified have mis-answered the question. The notion of qualified accounts has subsequently been found to be misunderstood both by operational charities and their funders. Given that regulations use qualified reports as a trigger for possible regulatory investigation, this misunderstanding raises serious questions on the efficacy of audited financial reports for the regulation, governance and stakeholder engagement of charities.

The importance of purpose drives the development and implementation of accountability mechanisms that enable "the art of making judgements and is moulded around the idea of fairness, which involves doing the right thing in the community" (Lehman, 1999, p. 230). However, it should be noted that these locally determined 'right things' may not be quantifiable or capturable in formal, financial accounts and may require to be qualitatively and subjectively accounted for. This will be part of NGO governing mechanisms that require an NGO to recognise and take responsibility for the impact of their actions on the community practices in which they operate if they are to "conduct itself in a fashion that is seen to be empathetic, authentic and productive socially as well as financially" (Lehman, 2007, p.174) while creating social change. This requires NGO accounting and accountability practices that not only provide decision-useful information but also information that critically assesses NGO activities (Schweiker, 1993). In general, all the papers in this special issue recognise that without an appropriate recognition of NGOs' purposes, their accounts can be subverted, intentionally or unintentionally, to become a tool to maintain and advance individuals' own interests, resource accumulation and power.

Yates et al. (2019) explore the nature of internal accountability within social purpose organisations, focussing on three service clubs. Their paper utilises Roberts' framework of individualising/hierarchical and socialising/intelligent forms of accountability, with socialising forms of accountability dominating accountable space within service clubs. In their case study of Round Table International, they observe the development of accounting practices, customised to local needs, activities and maintaining essential community relationships. The usefulness of formal management accounting controls was challenged and in some cases actively subverted in favour of a more intelligent accountability dynamic at the grassroots level. Their work demonstrates how one organisation used

accounting as a way to deal with the complex governance and management of membership organisation in order to keep a focus on purpose.

The importance of establishing a balance between donors and beneficiaries mediated through purpose has been explored by Uddin and Belal (this issue). Previous research identified how the power of donors acted against the development of accountability to beneficiaries (Agyemang, et al., 2017; Ebrahim, 2003; O'Leary, 2017; Uddin & Belal, 2019). Their case study of one of the world's largest NGOs has demonstrated how powerful stakeholders influenced NGOs to facilitate greater beneficiary accountability. Beneficiary accounting has been seen as a form of accounting that served a number of critical accounting functions, including stakeholder engagement, accounting to donors, organisational governance and management and demonstrating performance against purpose. They have observed that donors influenced NGOs directly by controlling critical resources in order to ensure more effective accounting and accountability strategies.

Advocacy NGOs play an important role in society by keeping in check the power of corporations and governments and uncovering rights violations, but this requires these NGOs to maintain their social legitimacy, internally and externally. Goncharenko (2019) has examined how the accountability agenda of advocacy NGOs is shaped by the need to maintain independence and preserve values when faced with financial and legitimacy pressures. Through an analysis of the discussions taking place in the NGOs' online community of practice, this study reveals that the accountability agenda and related practices of advocacy NGOs is determined by the interrelated threats of financial vulnerability, potential loss of independence, legitimacy challenges and the high level of public scrutiny.

Yates, et al. (2019), Uddin and Belal (2019) and Goncharenko (2019) support our prior assumption that within NGOs there is a greater commitment to genuinely address the interests of a broad range of stakeholders (O'Dwyer and Unerman, 2007, 2008) with a focus on substantive as opposed to procedural accountability (Gray et al., 2006). In these papers, the authors identified a sense of obligation towards the NGOs' purpose, rather than anxiety regarding the power of the stakeholders or financially-driven motives (O'Dwyer and Unerman, 2008). Within these organisations there was evidence of the development of enhanced forms of accountabilities to address the interests of the broad range of stakeholders (Lehman, 2007).

Denedo et al. (2019) report on the way in which local NGOs use alternative-accounts of others as a key activity to achieve their purpose, to protect the human, economic and environmental rights of indigenous communities in the Niger Delta. These alternative-accounts were considered useful, demanding greater accountability from others, making visible problematic activities, building capacity and networks for change, and addressing power imbalances. NGOs and local community representatives asserted that the production and communication of accounts of their suffering were making a difference and creating hope for future change.

In Goncharenko (2019), Uddin and Belal, (2019) and Yates, et al. (2019), we can see the possibility of circumventing formal power relations and formal accountability processes in order to provide locally meaningful accounts such as 'accounts' in the form of actions (Munro, 1996). This can also be observed in Denedo et al. (2019), where alternative accounts were produced with the potential to enable greater engagement between NGOs and their stakeholders. In these four papers (Denedo et al., 2019; Goncharenko, 2019; Uddin and Belal, 2019; Yates, et al. 2019) there was a tendency to privilege substantive accounting mechanisms that emphasized ongoing courses of action rather than the reporting of periodic end-result (Ebrahim, 2003; Gray et al., 2006).

These four papers demonstrate how NGOs have developed additional forms of accountability in the form of actions to meet their specific purposes (Munro, 1996), which allows us to recognise the

possibility and capacity of NGOs to design different procedures of how accounts should be produced and exchanged (Roberts, 1991, 2003) with the clients, users, or beneficiaries, members, communities, partners, staff and supporters (Dixon et al., 2006, Christensen and Ebrahim, 2006, Edwards and Hulme, 1996). The other papers in this special issue (Cordery, et al. 2019; Kemp and Morgan, 2019; McDonnell and Rutherford, 2019) also problematize the capacity of formal financial reporting to satisfy all the accounting and accountability requirements of NGOs. Therefore, NGOs were observed to complement formal, accounts by producing customised, voluntary accounts (Christensen and Ebrahim, 2006) that enabled the NGO to 'account' for a more holistic understanding of their responsibilities that extends beyond economic and legal compliance (Munro, 1996). However, they also note the potential contribution of well-designed and enforced regulations, comprehensive and audited financial reports, supplemented with comprehensive, relevant voluntary disclosures. All accounting and accountability practices, regulated or otherwise, need to be evaluated and understood with reference to the NGO's original purpose, value or mission.

These enhanced NGO accounting and accountability practices appear to be influenced by a desire to empower and educate key stakeholders, creating awareness over issues that may impact on the rights and needs of marginalised stakeholders.

4. Conclusion and future research agenda

In this special issue we have built on the previous research on NGO accounting and accountability. We do not claim to have resolved the definitional issues that many scholars have tackled regarding NGOs and NGO accounting. However, for the purpose of this special issue we have clarified the broad definition of an NGO with reference to the latest scholarly developments in this space. The type of NGOs examined in this special issue is diverse both in terms of size, nature and geographic focus. Accordingly, related accounting and accountability practices have also varied considerably. The papers included in this special issue not only include large international NGOs like BRAC but also much smaller organisations such as UK service clubs. The nature of NGOs covered vary from development NGOs to advocacy NGOs and also some other types of organisations, including charities. Geographically, while most of the NGOs examined come from the UK, two studies deal with NGOs in emerging economies - Bangladesh and Nigeria.

There are broadly two groups of papers presented in this special issue. The first group of papers (Cordery, et al., 2019; Kemp & Morgan, 2019; McDonnell & Rutherford, 2019) highlights challenges in accounting and accountability related issues in formal financial reporting, auditing and disclosures aimed specifically at the regulators. The second group of papers (Denedo, et al., 2019; Goncharenko, 2019; Uddin & Belal, 2019; Yates, et al., 2019) examine more informal type of accounting and accountability related challenges related to NGOs' broader mission or social purpose.

As represented in this special issue NGO accountability is a dynamic subject. While there has been a longstanding scholarly interest on the subject in development studies, accounting scholars' attention to the subject has been of relatively recent origin. However, the subject is gaining momentum in recent times with various special issues published in different journals. We urge the future researchers to pay attention to a number of areas of NGO accountability and governance by taking a more critical perspective on it.

While this special issue contains a number of case studies we encourage more critical case studies of governance and accountability practices examining financial scandals, corruption, misuse of power in NGOs or other governance problems (Hind, 2017). We need more in-depth case studies, which are able to offer valuable insights into how accounting was implicated in the often competing

accountability demands within a single NGO. Of particular interest would be studies in NGOs that were involved in high profile reputational conflicts or existential threats.

Complex accountability relationships between NGOs and their various stakeholders have been the subject of academic research within the accounting discipline and beyond. While researchers examining such relationships have paid significant attention to upward accountability to powerful stakeholders such as institutional donors and regulators, less attention has been paid to downward accountability by NGOs to beneficiaries and other less powerful stakeholders (Agyemang, et al., 2017; Ebrahim, 2003; O’Leary, 2017; Uddin & Belal, 2019). We invite future researchers to undertake critical analysis of forms, processes and mechanisms of beneficiary accountability by placing beneficiaries at the centre of the analysis.

Existing research suggests that NGOs have been too preoccupied with satisfying the requirements of powerful stakeholders to the extent that sometimes they end up neglecting the core social purpose for which they were established in the first place. This phenomenon has resulted in what the literature has labelled as “mission drift” (Epstein & Kristi, 2011; Epstein & Yuthas, 2010). This observation is particularly relevant in micro finance NGOs in the context of their pursuit of scalability or self-sustainability (Epstein & Yuthas, 2010). We invite future studies to examine the implications of such drift for NGO governance and accountability.

There are a number of NGO accountability and governance standards and guidelines NGOs may choose from in discharging accountability to a broad range of stakeholders. This often creates dilemma and confusion amongst the NGO practitioners. There is very little research examining how and why these standards and guidelines are applied in practice. In this regard critical analysis via in-depth case studies would be a useful addition to the literature. This would highlight the reasons and processes of choosing these standards and how they are made to work in practice.

NGO governance has been a controversial issue in the sector in recent times (Hind, 2017). The adequacy of current forms and processes of NGO governance has been questioned by the media in the light of various financial scandals and safe guarding issues. Critical analyses are needed to highlight how to overcome these challenges in the NGO sector and strengthen the NGO governance processes aimed at improved beneficiary accountability.

In their pursuit of desired social and environmental change some NGOs have started to engage in partnerships with businesses around the world. Does this kind of partnership lead to desired changes? Or does it help businesses legitimise their activities and maintain the status quo? Is there a danger that in the process of such partnership NGOs might lose their independence and radical edge? Future studies could examine the accountability and transparency in business-NGO partnerships (Burchell & Cook, 2013a, 2013b).

Given the nature of NGOs’ engagement with various social and environmental challenges they are well placed to respond to the global challenges articulated in the United Nations’ Sustainable Development Goals (SDGs). Some NGOs have been engaging with global challenges (such as poverty alleviation) well before the declaration of SDGs. Future researchers could examine the implications for NGO governance and accountability arising from NGOs’ engagement with recent developments in SDGs.

One of the key conclusions arising from the papers included in this special issue that should shape future research is that accounting and accountability related challenges in NGOs vary depending on the context and purpose of their operations. Accordingly, forms of accountability practices vary from formal reporting to less hierarchical socialising forms of accountability (Roberts, 1991). In this context while formal reporting has its own place we could argue that, given the social purpose of these organisations they would do well by not losing sight of informal socialising forms of accountability. We also urge the future researchers to avoid viewing these forms of accountability as dichotomous. In this special issue Uddin and Belal (2019) contributes to the longstanding scholarly debate on donor versus beneficiary accountability by showing that they are not necessarily dichotomous. Instead they argue that donor accountability has some inbuilt beneficiary accountability features which can be mobilised to the advantage of disadvantaged beneficiaries, (Uddin and Belal, this issue).

Collectively the papers included in this special issue provide significant contribution to NGO accounting and accountability research. We hope that insights provided here would not only be of benefit to the scholarly communities working in this area but also to the various NGO practitioners and policy makers. We would like to ask scholars to engage with the issues raised in this special issue and connect with the future research agenda suggested above.

References

- Agyemang, G., O'Dwyer, B., Unerman, J., & Awumbila, M. (2017). Seeking “conversations for accountability”: Mediating the impact of non-governmental organization (NGO) upward accountability processes. *Accounting, Auditing and Accountability Journal*, 30, 982-1007.
- Boomsma, R., & O'Dwyer, B. (2019). Constituting the governable NGO: The correlation between conduct and counter-conduct in the evolution of funder-NGO accountability relations. *Accounting, Organizations and Society*, 72, 1-20.
- Burchell, J., & Cook, J. (2013a). CSR, Co-optation and Resistance: The Emergence of New Agonistic Relations Between Business and Civil Society. *Journal of Business Ethics*, 115, 741-754.
- Burchell, J., & Cook, J. (2013b). Sleeping with the Enemy? Strategic Transformations in Business–NGO Relationships Through Stakeholder Dialogue. *Journal of Business Ethics*, 113, 505-518.
- Christensen, R. A., & Ebrahim, A. (2006). How does accountability affect mission? The case of a nonprofit serving immigrants and refugees. *Nonprofit Management & Leadership*, 17, 195-209.
- Connolly, C., Dhanani, A., & Hyndman, N. (2013). The accountability mechanisms and needs of external charity stakeholders. *Association of Chartered Certified Accountants, London*.
- Cordery, C., & Deguchi, M. (2018). Charity registration and reporting: a cross-jurisdictional and theoretical analysis of regulatory impact. *Public Management Review*, 20, 1332-1352.
- Cordery, C. J., Crawford, L., Breen, O. B., & Morgan, G. G. (2019). International practices, beliefs and values in not-for-profit financial reporting. *Accounting Forum*, 43.
- Cordery, C. J., & Sim, D. (2018). Dominant stakeholders, activity and accountability discharge in the CSO sector. *Financial Accountability & Management*, 34, 77-96.
- Cordery, C. J., Sim, D., & van Zijl, T. (2017). Differentiated regulation: the case of charities. *Accounting & Finance*, 57, 131-164.
- Dawson, E. (1998). The relevance of social audit for Oxfam GB. *Journal of Business Ethics*, 17, 1457-1469.
- Denedo, M., Thomson, I., & Yonekura, A. (2019). Ecological damage, human rights and oil: Local advocacy NGOs dialogic action and alternative accounting practices. *Accounting Forum*, 43.

- Dixon, R., Ritchi, J., & Siwale, J. (2006). Microfinance accountability from the grassroots. *Accounting, Auditing and Accountability Journal*, 19, 405-427.
- Ebrahim, A. (2003). Accountability in Practice: Mechanisms for NGOs. *World Development*, 31, 813-829.
- Edwards, M., & Hulme, D. (1996). Too close for comfort? the impact of official aid on nongovernmental organizations. *World Development*, 24, 961-973.
- Epstein, M. J., & Kristi, Y. (2011). Protecting and regaining clarity of mission in the microfinance industry. *Sustainability Accounting, Management and Policy Journal*, 2, 322-330.
- Epstein, M. J., & Yuthas, K. (2010). Mission impossible: diffusion and drift in the microfinance industry. *Sustainability Accounting, Management and Policy Journal*, 1, 201-221.
- Fry, R. E. (1995). Accountability in organisational life: problem or opportunity for nonprofits? *Nonprofit Management and Leadership*, 6, 181-195.
- Goncharenko, G. (2019). The accountability of advocacy NGOs: Insights from the online community of practice. *Accounting Forum*, 43.
- Gray, R., Bebbington, J., & Collison, D. (2006). NGOs, civil society and accountability: making the people accountable to capital. *Accounting, Auditing & Accountability Journal*, 19, 319-348.
- Hansmann, H. B. (1986). The role of nonprofit enterprise. In S. Rose-Ackerman (Ed.), *The Economics of Nonprofit Institutions: Studies in Structure and Policy* (Vol. 89, pp. 57–84). New York: Oxford University Press.
- Hind, A. (2017). New development: Fundraising in UK charities—stepping back from the abyss. *Public Money & Management*, 37, 205-210.
- Kemp, J. H., & Morgan, G. G. (2019). Incidence and perceptions of “qualified” accounts filed by small charities. *Accounting Forum*, 43.
- Kluvers, R., & Tippett, J. (2011). An exploration of stewardship theory in a Not-for-Profit organisation. *Accounting Forum*, 35, 275-284.
- Lehman, G. (1999). Disclosing new worlds: a role for social and environmental accounting and auditing. *Accounting, Organizations and Society*, 24, 217-241.
- McDonnell, D., & Rutherford, A. C. (2019). Promoting charity accountability: Understanding disclosure of serious incidents. *Accounting Forum*, 43.
- Munro, R. (1996). Alignment and Identity Work: The Study of Accounts and Accountability. In R. Munro & J. Mouritsen (Eds.), *Accountability: Power, ethos and the technologies of managing* (pp. 1-19). London: International Thomson Business Press. .
- O'Dwyer, B., & Boomsma, R. (2015). The co-construction of NGO accountability: aligning imposed and felt accountability in NGO-funder accountability relationships. *Accounting, Auditing and Accountability Journal*, 28, 36-68.
- O'Dwyer, B., & Unerman, J. (2007). From functional to social accountability: Transforming the accountability relationship between funders and non-governmental development organisations. *Accounting, Auditing & Accountability Journal*, 20, 446-471.
- O'Dwyer, B., & Unerman, J. (2008). The paradox of greater NGO accountability: A case study of Amnesty Ireland. *Accounting, Organizations and Society*, 33, 801-824.
- O'Leary, S. (2017). Grassroots accountability promises in rights-based approaches to development: The role of transformative monitoring and evaluation in NGOs. . *Accounting, Organizations and Society*, 63, 21-41.
- Roberts, J. (1991). The possibilities of accountability. *Accounting, Organizations and Society*, 16, 355-368.
- Roberts, J. (2003). The manufacture of corporate social responsibility: Constructing corporate sensibility. *Organization*, 10, 249-265.
- Salamon, L. M., & Anheier, H. K. (1992a). In search of the non-profit sector. I: The question of definitions. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 3, 125-151.

- Salamon, L. M., & Anheier, H. K. (1992b). In search of the non-profit sector. II: The question of definitions. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 3, 267–309.
- Salamon, L. M., Sokolowski, S. W., Haddock, M. A., & Tice, H. S. (2013). The state of global civil society and volunteering: Latest findings from the implementation of the UN nonprofit handbook. *Center for Civil Society Studies Working Paper*, 49.
- Schweiker, W. (1993). Accounting for ourselves: accounting practice and the discourse of ethics. *Accounting, Organizations and Society*, 18, 231-252.
- Theodosopoulos, G. (2011). Voluntary hospices in England: A viable business model? In *Accounting Forum* (Vol. 35, pp. 118-125): Elsevier.
- Uddin, M. M., & Belal, A. R. (2019). Donors' influence strategies and beneficiary accountability: An NGO case study. *Accounting Forum*, 43.
- Unerman, J., & O'Dwyer, B. (2006). Theorising accountability for NGO advocacy. *Accounting, Auditing & Accountability Journal*, 19, 349-376.
- Yates, D., Gebreiter, F., & Lowe, A. (2019). The internal accountability dynamic of UK service clubs: Towards (more) intelligent accountability? *Accounting Forum*, 43.

Table 1: NGO accounting and accountability: summary of papers included in this special issue

Authors	Research objective	Theory	Method	Key Findings	Geographic focus
Cordery, et al. (2019)	Examines the need for a global approach to not-for-profit organisations' (NPOs') financial reporting	Institutional logic	Questionnaire survey	While majority of the survey respondents believe that there is a need to develop international standards related to NPO reporting there are tensions/conflicts in their beliefs	Global

McDonnell and Rutherford (2019)	Examines reporting of serious incidents in Scottish charities	Charity Accountability	Quantitative	Larger charities are more likely to report serious incidents as compared to smaller charities	UK
Kemp and Morgan (2019)	Examines incidence and perceptions of “qualified accounts” by charity managers and funders	N/A	Quantitative	Most participants in the study misunderstood the notions of “qualified accounts”	UK
Denedo, et al. (2019)	Examines why some NGOs use dialogic action and accounts to achieve various social, economic and environmental rights of local communities	Dialogic action and accountability	Interviews	Various NGOs and community representatives in Niger Delta region have used alternative accounting to promote the need for greater corporate accountability in oil and gas production activities	Nigeria
Uddin and Belal (2019)	Examines how donors can influence NGOs to facilitate accountability towards beneficiaries	Stakeholder influence strategy	Case study based field work including interviews	Powerful stakeholders like donors can use direct and indirect influence strategies to facilitate NGO accountability towards beneficiaries	Bangladesh
Goncharenko (2019)	Examines how accountability agenda of advocacy NGOs is shaped by the need for independence, reputation and organisational values under various pressures	Stakeholder accountability	Netnography	Online accountability discourses of advocacy NGOs are dominated by powerful stakeholder like donors	UK
Yates, et al. (2019)	Examines internal accountability practices of UK service clubs	Roberts’ (1991) Accountability Framework	Cross sectional design Interviews	As compared to hierarchical accountability a more socialising form of accountability dominates the accountable space within the UK service clubs	UK

Table 2: NGO Accounting and Accountability Practices – how defined, what for and to whom

Demands associated with NGO accounting and accountability practices	Definitional characteristics of NGOs					
	Regulations	Financing	Governance Structure	Purpose	Stakeholders	Activities

External Regulatory Compliance	Financial report, Audit, standard setting	Financial report, Audit, standard setting	Financial report, Audit, standard setting	Voluntary disclosures	Voluntary disclosures	Voluntary disclosures
Organisational governance and management	Financial report, Audit, standard setting	Management Accounting, Budgets, scorecards targets	Management Accounting, Budgets, scorecards targets	Management Accounting, Budgets, scorecards targets	Financial report, Audit, Management Accounting, Budgets, scorecards targets	Management Accounting, Budgets, scorecards targets
Stakeholder engagement	Financial report, Audit, standard setting	Customised funder reporting, Beneficiary reporting,	Customised funder reporting, Beneficiary reporting,	Customised funder reporting, Beneficiary reporting,	Customised funder reporting, Beneficiary reporting,	Customised funder reporting, Beneficiary reporting,
Demonstrate delivery of purpose	Financial report, Audit, standard setting	Responsibility Reporting, web & social media, Narrative disclosure,	Beneficiary reporting, Responsibility Reporting, web & social media, Narrative disclosure,	Voluntary Responsibility Reporting, web & social media, Narrative disclosure, Beneficiary reporting	Voluntary Responsibility Report, Narrative disclosure, web & social media, Beneficiary reporting	Counter accounting Narrative disclosure, web & social media, Beneficiary reporting