# ANNUAL REPORTS OF AUSTRALIAN NOT-FOR-PROFIT ORGANISATIONS:

## INSIGHTS FROM INTERNAL AND EXTERNAL STAKEHOLDERS

PROFESSOR CHRISTINE JUBB, DR JANINE MUIR, DR NANDANA PATHIRANGE, DR MARK SHYING

**FEBRUARY 2022**

SWINBURNE UNIVERSITY OF TECHNOLOGY

CPA AUSTRALIA

ISBN 978-1-922690-09-8

2021 Edition.
CPA Australia Ltd
Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia

# TABLE OF CONTENTS

# ABBREVIATIONS

| | |
|---|---|
| AASs | Australian Accounting Standards |
| AASB | Australian Accounting Standards Board |
| ACNC | Australian Charities and Not-for-profits Commission |
| AGM | Annual General Meeting |
| AIS | Annual Information Statement |
| IFRSs | International Financial Reporting Standards |
| NDIS | National Disability Insurance Scheme |
| NFP | Not-for-profit |
| SMEs | Small and Medium-sized Enterprises |

# 1. EXECUTIVE SUMMARY

The purpose of this report is to examine how:

- Australian Not-for-profit (NFP) organisations use the annual report, including the financial statements, to show they are accountable,
- The information in the annual report of NFP organisations, including the financial statements, is used by stakeholders to:
  - hold management and those charged with governance accountable in the discharge of their duties,
  - assess management's, and those charged with governance's, stewardship of the resources of the organisation, and
  - make other decisions.

The NFP sector is a highly diverse sector with varied legal structures, sizes, tax concessions, missions, activities and outputs/outcomes.

Therefore, we were interested in, among other things, obtaining an in-depth understanding of who the users of NFP annual reports (including the financial statements) are, users' information requirements, whether users' requirements are satisfied by the current reporting framework, preparers' understanding of reporting requirements, where any red tape challenges lie, the costs associated with NFP financial reporting, and NFP reporting other than through annual reports.

We conducted focus group discussions and interviews and collected data from 41 participants, including responses received via email. These participants held various roles within the sector, both internal and external to NFPs. Users, preparers, auditors, advisors, regulators, donors, board members, managers, accountants and member groups willingly gave their time to tell the stories of their NFP experiences, as well as their thoughts and suggestions for the future of reporting by organisations in this sector. Academics and journalists with interest in the area also joined the conversation and contributed their views as well. Many participants held multiple roles in the sector, working within NFPs in board-related or other roles for other NFPs. Some had paid positions, others were volunteers, and all were enthusiastic about contributing to this research. As researchers, we are very grateful to all of them.

The findings are as diverse as the participants and NFP organisations they represent and are reported under themes comprising: 1) The Annual Report; 2) Accountability; 3) Stakeholders; 4) Regulation and Reporting Thresholds; 5) Australian Accounting Standards; 6) Measuring Outcomes; 7) Evaluating Charities; 8) Risk; and 9) Audit.

## THE ANNUAL REPORT

The diversity of perspectives makes summarising difficult. However, in general, most agreed that the financial statements within an annual report were an important means of providing accountability and transparency. Most agreed that accountability and transparency to stakeholders were important for a sector that relies heavily on donor or taxpayer funds, receives tax concessions and has diverse third-party stakeholders. Several felt that for a sector relying so heavily on volunteers, many with poor financial literacy, the level of regulation was excessive, and the reporting thresholds were too low and difficult to understand (in some instances, this includes the requirements of Australian Accounting Standards (AASs)). Most felt that imposing performance standards to measure outcomes or outputs was not viable. A minority however did express a view that the cost of producing annual reports outweighed the benefits in some instances, particularly for smaller NFPs.

## ACCOUNTABILITY

Despite participants holding varying (but usually complementary) views of what accountability represents, accountability has undoubtedly high importance in the NFP sector. Accountability is about being held responsible for the actions and operations of the organisation. Conceptually it is related to transparency and effectiveness; how effectively the organisation raised and utilised funds and how costs were managed to achieve its objectives. Accountability was also intrinsically linked with stewardship; that is, responsibility for the resources entrusted to management to achieve the organisation's objectives. Ultimately accountability is how effectively and efficiently organisations conduct their activities, focusing on what they have done, how, and what they intend to do in the future and how.

NFPs' accountability was considered broader than for-profits, with primary accountability said to be owed to members, donors, and in some instances, God. Many participants believed the annual report to be the main document used to discharge an organisation's accountability, despite acknowledging many stakeholders are not interested in financial statements. From a practical standpoint, accountability was more likely discharged when stakeholders felt they knew what their organisation did and how they did it. The annual report communicated such information, as well as incorporating texts and photos to complete the picture.

## STAKEHOLDERS

Stakeholders include members, management, regulators, donors/government, advisors, lawyers, professional accountants, auditors and the community at large. It seems very few stakeholders have any interest in the financial reports of an NFP, and engagement tends to be the result of an emotional connection with the said organisation rather than because of a financial report. Stakeholders not understanding the financial statements was seen as a barrier to maintaining good engagement, so the annual report tended to be more of a marketing exercise – with infographics and visual displays of key financial information being used to arouse engagement. When stakeholders are engaged, outcomes are far better, so successful organisations take every opportunity (including emails and social media podcasts) to engage with their stakeholders.

## REGULATION AND REPORTING THRESHOLDS

Within the sector, several participants spoke of regulatory changes in progress such as:

- reviewing the Deductible Gift Recipient status of registered charities,
- the introduction of a national framework of legal structures and reporting thresholds for NFPs,
- AASB considering simplified reporting for certain NFPs,
- a change requiring charities, including not for profit service providers, to disclose where funds are coming from.

The current reporting threshold levels were said to be too low, with many suggesting they should be higher. Other suggested improvements included using rolling three-year averages based on revenue, moving from compulsory disclosure to voluntary disclosure, and factoring in public/private fundraising activities to the regulatory thresholds.

## AUSTRALIAN ACCOUNTING STANDARDS (AASs)

During discussions with participants about AASs, both positive and negative opinions were expressed about the required accounting for particular types of transactions and events. One school of thought was that the production of financial statements (with external assurance that these complied with financial reporting framework requirements) gave comfort the NFP was 'doing the right thing'. However, some participants saw regulations and standards as a burden in the form of red tape. Critically, many NFPs did not have the in-house technical knowledge necessary to prepare AAS financial statements, so they had to outsource the function. The Auditor and Advisor participants explained that, due to the NFP nature of the organisation involved, they often felt pressure to provide such services pro bono.

In terms of application, the following standards were singled out in discussions:

- AASB 9 (Financial Instruments) was cited as helping boards and management teams' focus when making some important operational decisions,
- AASB 15 (Revenue from Contracts with Customers) was reportedly problematic for several charities. Along with AASB 1058 (Income of Not-for-Profit Entities), one represented NFP found it necessary to implement a different business practice with regards to revenue recognition,
- AASB 10 (Consolidated Financial Statements) was found to deliver a 'no consolidation' direction that did not align with user expectations of this sector.

## MEASURING OUTCOMES

The importance of differentiating outcomes from outputs and linking these to the mission drove much of the discussion in this area. The ability of NFP organisations to articulate outcomes, and the different approaches to measurement, especially in niche domains in which the NFP organisation operates, was notably challenging. This challenge was further compounded by having to track the level of activity in order to be able to report on outputs. Most participants felt that imposing performance standards to measure outcomes or outputs was not viable for these reasons.

It was clear that if performance outcomes were to be reported in the audited financial statements, this would pose a significant challenge to auditors, as "soft purpose" delivery statements are much more difficult to form an opinion on than hard numbers. Consequently, participants warned against mandating impact reporting.

Different views about the reporting of outputs, outcomes and impact lead to a discussion about the importance of the NFP telling the story about its mission (purpose), priorities and endeavours to meet the mission. While not everyone agreed, the storytelling approach was seen by many as inspirational and an important part of the 'marketing' strategy. The importance of social media platforms as a means to share stories and achievements was noted.

## EVALUATING CHARITIES

Discussions about administrative costs and ratios naturally lead to questions about what percentage of a donation will go to overheads. For a number of reasons, the difficulty in making legitimate comparisons across different charities was apparent. A solution posed was to focus on projects (what the project aimed to do; what the outcome of that project was etc.), but participants confirmed that's easier for some projects than others. For example, a church may have been built (measurable), many hundreds of people may go to that church (measurable), but that does not tell you whether they are growing spiritually in their relationship with a belief or not (not measurable). You can easily measure activity, but it is not always easy to measure outcomes – some such things in the NFP domain are not measurable/quantifiable, despite being at the core of the mission.

## RISK

There are many and varied risks within the sector - some manageable, others less so. Internal controls, perhaps unsurprisingly, drove risk to varying degrees – be it through a lack of segregation of incompatible duties or difficulties associated with safeguarding the completeness of cash donations. Resourcing pressures, and lower levels of financial accounting expertise compared with management accounting expertise, were also drivers of risk in NFPs. As such, leave liabilities and provision accounts were specifically highlighted by some NFPs as being large and potentially problematic.

The most critical risk for some NFPs to successfully manage, however, was the risk of not being able to continue their operations. Aside from the financial ramifications of such a risk being realised, a more significant, although perhaps less obvious one, came to the fore. Specific organisations might be the sole provider of niche services to vulnerable communities; if these NFPs fail, there are no other organisations 'at the ready' to fill the void.

While various interested parties, as well as conservative approaches, played their part in mitigating risks, audits and auditors were almost uniformly seen as the 'answer' to managing risks within NFPs.

## AUDIT

Auditors and audits were almost universally relied on to enhance accountability and transparency. The audit and auditors' roles, including the need to maintain audit independence, were commonly cited as being misunderstood – as evidenced by Auditors revealing that requests for financial reporting support were increasingly commonplace. Audits of NFPs were said to be difficult and risky. To mitigate the risk to the auditor, it is not uncommon nowadays for auditors to assist by preparing the financial report themselves – albeit based on the information given to them by the NFP.

Auditors further revealed they were often expected to act in an honorary capacity and felt that, given the risks in the sector, and increases in professional indemnity insurance costs, this situation was not tenable in the longer term.

# 2. INTRODUCTION

There is a large literature focused on the financial statements that are frequently found in the annual reports of Australian Not-for-profit (NFP) organisations and/or statutory returns filed with regulators of NFP organisations. Gilchrist and Simnett (2019) review much of this literature, primarily in an Australian context. They conclude (p. 70) that: "while annual financial reports are considered essential, there are broader user groups than just the providers of capital. Therefore, there is a need to focus on outcomes achieved in the context of mission rather than simply reporting the financial position and performance of an entity".

In contrast, there is limited literature available about the ways in which NFPs use annual reports, including the financial statements, as a part of a system of accountability. Similarly, little is known about what the users of NFP annual reports think of annual reports, including the financial statements.

The purpose of this report[1] is to examine how:

- NFP organisations use the annual report, including the financial statements, to show they are accountable,
- the information in the annual report of NFP organisations, including the financial statements, is used by external stakeholders to:
  - hold management and those charged with governance accountable in the discharge of their duties,
  - assess management's and those charged with governance stewardship of the resources of the organisation, and
  - make other decisions.

The NFP sector in Australia is diverse and large, comprising approximately 600,000 organisations (Cortis et al. 2015, p.13), making a significant contribution to the economy. For instance, charities (including group charities) recorded a total income of $103.4 billion for the 2014 financial year (Cortis et al. 2015, p. 52) and reported employing more than 1 million paid workers in that same year (Cortis et al. 2015, p. 11). Indeed, nearly half of the charities represented in Philanthropy Australia's report had at least one paid employee (Cortis et al. 2015, p. 11).

NFP organisations are "organisations that provide services to the community and do not operate to make a profit for its members (or shareholders, if applicable)…All profits must go back into the services the organisation provides and must not be distributed to members, even if the organisation winds up" (ATO 2021). It is important to note that while the operations of many NFP organisations are taxable, there are a number of available tax concessions, tax exemptions, and statuses such as 'Deductible Gift Recipient' (ATO 2018) that influence users' financial information needs.

Furthermore, NFPs can adopt various legal structures, each with their own reporting requirements and tax obligations, including:

- Unincorporated associations,
- Incorporated associations,
- Companies,
- Cooperatives,
- Indigenous corporations,
- Trusts.

[1]This report represents the findings from stage two of a three-staged research project investigating the information needs of users of annual reports. For the results from stage one please refer to: Jubb, C., Muir, J., Pathiranage, N., and Shying, M. 2020. Annual reports of unlisted Australian for-profit entities: Are they used when making decisions? https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/professional-resources/reporting/annual-reports-of-unlisted-australian-for-profit-entities.pdf viewed 23rd June 2021.

Whilst different types of Australian NFP organisations are required by law to prepare annual financial reports, the form of that law is not a single piece of legislation. For instance:

- A company limited by guarantee has obligations to prepare an annual financial report under the *Corporations Act 2001* unless it is registered with the ACNC,
- Incorporated associations are required to prepare an annual financial statement by states' various Incorporated Associations Acts and Regulations (unless it is registered with the ACNC, and the state and the ACNC have agreed the incorporated association will report once to the ACNC to meet all its requirements);
- A charity prepares an annual financial report (or information statement) to satisfy the requirements of the *Australian Charities and Not for Profits Commission Regulation 2013.*

There are tiers within many of these regulations that vary the requirements (and concessions) based on an organisation's size. Once an organisation has determined the source of its legal obligation to prepare financial information, applicable accounting requirements can be ascertained.

To engage with stakeholders and obtain their insights, we conducted focus group discussions and interviews with and received written responses from participants from representative NFP organisations. The Australian Taxation Office classification shows "two types of NFPs" – charities and other (ATO 2017). We used a similar classification as is explained under the Research Method.

**TABLE 1: REPRESENTED NFP STAKEHOLDERS AND ORGANISATIONS**

| RESOURCE PROVIDERS | RECIPIENTS OF GOODS/SERVICES | OVERSIGHT PROVIDERS |
|---|---|---|
| Financiers | Beneficiaries | Gov't regulators |
| Members | Customers | Analysts & Advisors |
| Donors | Ratepayers | Auditors |
| Creditors | Taxpayers | Regulatory agencies |
| Suppliers | | Parliamentarians |
| Employees | | Media |
| Volunteers | | Special Interest Groups |
| | | Employer groups |
| | | Trade Unions |

**Charities**

- Religious Groups
- Disability Service Org's
- Universities & Colleges
- Artistic or Cultural Groups

**Other NFPs**

- Sporting/Recreational Clubs
- Community Service Org's
- Professional/Business Assoc.
- Cultural & Social Societies

# 3. AUSTRALIAN NFPS FINANCIAL REPORTING ENVIRONMENT AND ISSUES

Following a 2014 CPA Australia roundtable discussion with NFP stakeholder representatives (CPA Australia 2014), it was concluded that despite knowing NFPs prepare financial reports for various requirements, no substantial work had been undertaken to identify: the needs of financial reports users, whether these financial reports meet their needs, and whether the financial reporting framework is suitable to meet the reporting requirements of the NFP sector in Australia (CPA Australia 2014, p. 1). "In addition, participants at the roundtable also highlighted a lack of consistency in financial reporting requirements as detrimental to the overall quality of financial reporting by NFPs. Whilst there is some justification for demarcating financial reporting requirements based on entity size, and in some cases, based on entity activity (e.g. fundraising), a consistent reporting framework applicable to financial reports prepared by NFPs would be beneficial. However, practical challenges were noted, including differences in legislative cycles operated by different jurisdictions and the political and economic agendas driving the various Commonwealth and State/Territory regulators and law-makers." (CPA Australia 2014, p. 2).

Financial statements are intended to provide information that is useful to users in making economic decisions and assessing the management's stewardship, including the accountability for the organisation's economic resources (CPA Australia 2014, p. 4). However, there is a concern about whether this diverse financial reporting in the NFP sector meets the intended objectives of NFP financial statements (CPA 2014, p. 2). Some other issues identified in the Roundtable report include:

- not all NFP stakeholder groups require or understand the general purpose financial statements (CPA Australia 2014, p. 3),
- reporting obligations arising from funding arrangements are causing a significant amount of red tape (CPA Australia 2014, p. 3),
- the costs of preparing the necessary information and obtaining an audit are a financial burden to the NFP sector that hinders the ability to achieve organisations' primary objectives (CPA Australia 2014, p. 3).

The transparency of NFP organisations is critical as these organisations are heavily dependent on public benevolence and private philanthropy (CPA Australia 2014, p. 3). As such, financial reporting plays a significant role in maintaining transparency. Therefore, it is important to determine the right balance between the level of the reporting requirements to maintain the transparency and the financial burden associated with adhering to these reporting requirements (CPA Australia 2014, p. 3).

It was still being reported in 2018 that the Australian NFP reporting environment was "complex" and "challenging" (Gilchrist, DJ 2017). This complexity was linked to the multiple reporting requirements driven by:

- the non-homogeneous nature of NFP organisations (Gilchrist, DJ 2017, p. 17),
- meeting requirements of donors and various fund providers (Gilchrist, DJ 2017, p. 17),
- the purpose of the finance being used[2] (Gilchrist, DJ 2017, p. 18),
- current standards are set in a Transaction-Neutral paradigm[3] (Gilchrist, DJ 2017, p. 19).

Furthermore, determining whether an organisation is a reporting entity involves significant judgment, adding to the complexity of preparing financial reports for NFPs. This judgement may also lead to different financial reporting by NFPs identifying themselves as non-reporting entities, and therefore preparing special purpose financial reports (SPFRs). This raises questions as to whether the NFP financial reporting framework and application of AASs by NFPs results in quality financial reports that are "understandable to the users; meet user needs in terms of the reports' utility, are reliable, comparable and accurate; meet accountability requirements; and represent an efficient use of scarce NFPs' resources" (Gilchrist, DJ 2017, p. 12).

Another challenge in the NFP sector is identifying users and users' NFP reporting requirements. The organisations prepare financial reports to "be accountable to their stakeholders; communicate their financial outcomes for a period; demonstrate the organisation's financial solvency, sustainability and capacity; meet regulator and funder compliance requirements; in combination with an auditor's / reviewer's report, provide assurance to stakeholders; and in combination with other information, demonstrate efficiency and effectiveness" (Gilchrist, DJ 2017, p. 13).

[2]Finances are important for NFPs but as a resource for pursuing their mission as opposed to necessarily achieving a financial outcome for its own sake.

[3]This means that the requirements of the standards may be seem to be insensitive to the requirements of users.

# 4. RESEARCH METHOD

## 4.1 SAMPLE AND METHOD OF DATA COLLECTION

In this study, we focus on NFP organisations and have two main objectives. The first objective is to gain insights into how NFPs use the annual report (including the financial statements) to show their accountability. The second objective is to understand how the information in the annual reports of NFP organisations (including the financial statements) is used by external stakeholders to hold management and those charged with governance accountable in the discharge of their duties, assess the stewardship of the resources of the organisation by management and those charged with governance, and make other decisions.

For our study, NFP organisations include charities, churches, and religious organisations; sporting organisations and clubs; advocacy groups; community organisations; cooperatives; trade unions; trade and professional associations; chambers of commerce; welfare organisations; and service providers, including social enterprise organisations; non-government schools; public universities and hospitals run by religious orders but funded by government.

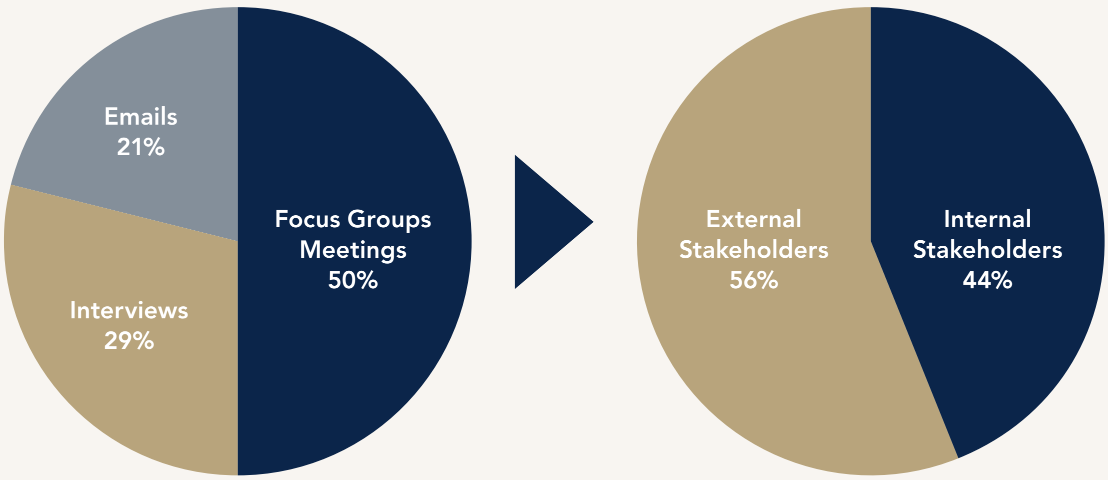
Our data collection involves human participation, and therefore, we first obtained ethical clearance from the Swinburne University Human Research Ethics Committee. We conducted seven (7) virtual semi-structured focus groups, four (4) interviews and received three (3) email responses between November and December 2020. In total, 41 participants took part (see Table 1), representing internal and external stakeholders from diverse NFP organisations. We limited the interviews to these participants as we had reached the data saturation point.

We invited some participants known to be in the NFP area but also used more general announcements (such as LinkedIn) inviting participants interested in the topic to contact us. We sought participants likely to provide a range of views with different involvement and relevant experience with not-for-profit reporting. Details of the participants, interviews conducted, correspondence with participants, the role of participants in NFP reporting, and affiliated NFPs are explained below.

### 4.2 FOCUS GROUP PARTICIPANTS/ USER GROUPS

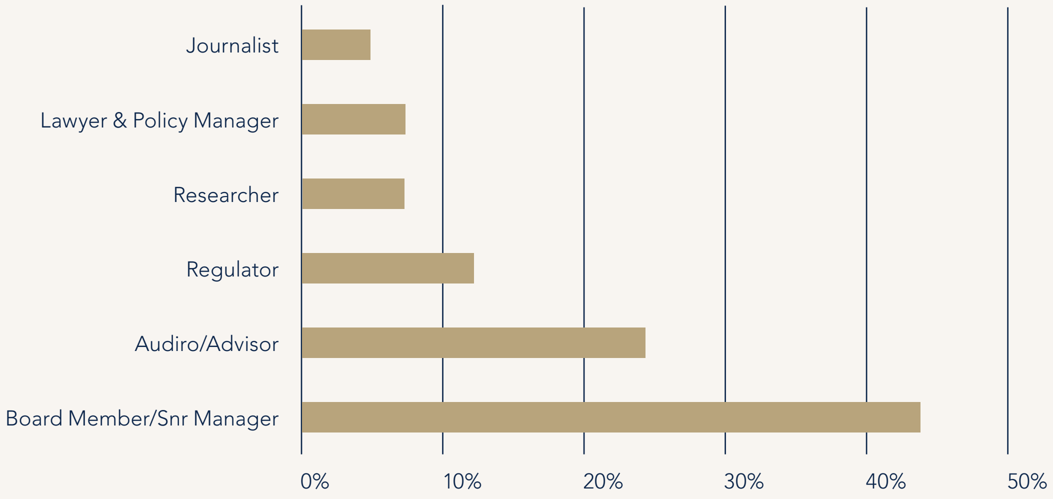
In this research, we invited participants to join virtual focus group meetings, with an additional invitation to respond to our questions via email correspondence. We conducted seven focus group meetings (multiple stakeholder groups represented in each), four interviews (where discussions were with representative(s) from a single organisation) and received three separate email responses. Participants represented both external stakeholders and internal stakeholders of NFPs, the majority being external stakeholders (see Figure 1).

FIGURE 1: COMMUNICATION MODES AND STAKEHOLDER REPRESENTATION




Participants were categorised according to their primary role/connection with NFPs, with representation from boards/sub-committees, senior management, auditors, regulators, advisors and other groupings (see Table 1).

## TABLE 2: PRIMARY ROLE OF PARTICIPANTS

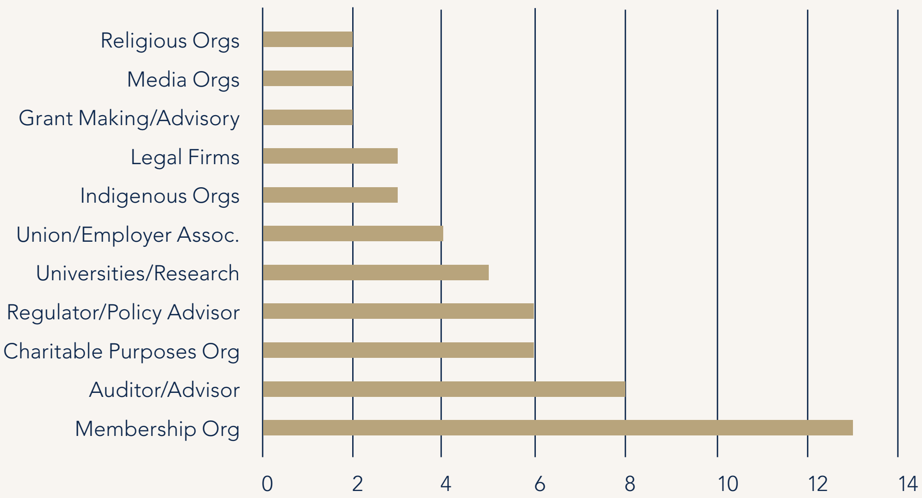



(Note: There has been a deliberate consolidation of some categories to preserve anonymity).

Many participants held more than a single role in the NFPs they were associated with. Some participants had multiple roles with NFPs, whereby one could be engaged professionally in association with an NFP and be acting in a private capacity as a board/committee member for another NFP (for example). Further analysis revealed that 19.5% of participants had additional experience as board/ committee members.

There was a wide range of NFP-related organisations and user-groups represented amongst the participants. As shown in Table 3, Membership Organisations were most strongly represented, with Auditors/Advisors, Charitable Purposes Organisations, Regulators/Policy Advisors, and Universities (board/researchers) rounding out the top five.

## TABLE 3: ORGANISATIONS & GROUPS REPRESENTED



## 4.3 INTERVIEW QUESTIONS

We used an interview guide to conduct the research, and this interview guide included 10 open-ended questions. When developing these questions, we considered the recent proposed IFRS for SMEs disclosures – new Tier 2 framework. We had a preliminary discussion with technical staff from the Australian Accounting Standards Board (AASB) to obtain feedback on our interview questions. These 10 questions (refer Appendix) were identified to obtain different stakeholders' views about the purpose of NFPs' annual reports/ financial reports, the importance of the annual report/ financial report, the components of annual reports, the concept of accountability in NFPs, stakeholders' information requirements and the usage of the annual report, red tape, reporting requirements and AASs applicable to NFPs, the role of the audit and auditor's report in NFPs, cost vs benefits of annual reports and other sources or channels of information for stakeholders.

## 4.4 DATA ANALYSIS

Due to the Covid-19 restrictions, all focus groups were conducted online using MS-Teams and Zoom online video conferencing platforms. We recorded all focus group sessions and obtained system-generated transcripts. Thereafter the automated transcripts were manually verified (and, where necessary, cleaned) to ensure the accuracy, consistency and reliability of participants' responses to the focus group leader's structured questions. Each transcript was content analysed through NVivo by two individuals independently of each other to identify emerging themes. One content analyst was a member of the research team, and the other had not taken part in the interviews. The results were checked for congruence to increase the validity and reliability of the coding to determine the themes arising.

# 5. FINDINGS

The findings are summarised under themes and the category of participants contributing to thoughts about the theme. Often sentiments overlap between the themes, and where this occurs, it is pointed out even when participants responses are to different questions.

## 5.1 THE ANNUAL REPORT

Discussion of the annual reports produced by NFPs is likely to raise many significant ideas. Some participants identified with specific ideas, while other participants saw the ideas as part of a related group of ideas. For example, some participants' discussions about annual reports included a detailed discussion of financial statements. In contrast, comments from other participants did not emphasise financial statements.

One of the participants, an **Academic/ Researcher**, noted that for charities, annual reports have both functional and symbolic roles in the system of accountability. However, this comment can be generalised to annual reports more broadly. Functionally, annual reports are a useful and generally valued means by which charities communicate a wide range of types of information about their activities and their performance to interested parties. Symbolically, annual reports also serve as an important signal of assurance to those who receive them. For those who prepare them, annual reports serve as useful signals of managerial and governance competence to those stakeholders whose opinion is salient to preparers. Annual reports also have a role in the system of accountability for the maintenance of the mission of these organisations in ways that statutory reports and returns do not. So, the annual report does not represent accountability in itself – rather, it is a tool for discussion in an active forum of calling to account. It is important because accountability allows charities and other NFPs to achieve their purpose by encouraging others to cooperate with them, mainly through trust.

### 5.1.1 DEFINITIONAL ISSUES

An **Academic/Researcher** noted the annual report is not necessarily user-driven but a mechanism for signalling that the NFP complies with the law and standards and does all the things that one would expect. For example, a **Board member/Senior manager** and a different **Academic/Researcher** noted that the annual reports of NFPs that are companies limited by guarantee are based on the *Corporations Act*. They include a director's statement and content about the short- and long-term organisational objectives and how those have been fulfilled.

The original **Academic/Researcher** noted that in terms of the masses, it is the glossy part of the annual report that is very nice on the coffee table, and they would look and get a nice inner glow about that. One **Board member/ Senior manager** noted that the narrative for some NFPs is a marketing exercise - here is our annual report with lovely photos and story and narrative about what we do - which is used for selling the activity of the NFP. 'Telling the story' was the phrase used by one **Regulator** to convey a similar sentiment.

The **Board member/Senior manager** observed there is a spectrum of reports from minimalist to maximalist. At one end of the spectrum, the annual report is simply a marketing exercise, with very little financial detail and the financial statements hidden in another document filed with the regulator. The **Board member/Senior manager** continued, observing that at the other end of the spectrum is a report that tries to go into detail and reveal the operational issues. Further, annual reports have a multiplicity of purposes.

However, the original Academic/Researcher noted that when the annual report includes financial statements, the financial statements are in the wrong language for users - a for-profit language that reports to the owners of capital. It is not a language that reports to people about the charitable purposes and objectives of the organisation.

### 5.1.2 COMPLIANCE MECHANISM

A **Regulator** observed that annual reports to regulators are different from the annual reports that people might expect. They report key information to regulators such as office holders, elections, the number of members and the status of branches. In relation to the financial report, the **Regulator** continued that it needs to be provided to members, and there are certain requirements about what is to be included and the timeframe for issuance.

A different **Regulator** noted that as required by their legislation, a review is conducted of financial reports lodged with a certain percentage analysed very thoroughly to make sure they adhere to requirements in relation to AASs and the Act under which they operate. If significant non-compliance issues arise, organisations can be required to redo their financial report.

Another **Regulator** observed that regulators had invested time and resources into education campaigns and online information sessions to improve understanding of reporting requirements. This **Regulator** pointed to its own stakeholder engagement with a focus on good quality general purpose financial reports compliant with requirements under the legislation. Previously, some reports would be called general purpose financial reports, but they did not adhere to any AASs. Outreach visits to subordinate organisations and discussing in the presence of their auditor the requirements had helped improve the quality of financial reporting this **Regulator** felt. Additionally, requiring re-lodgement and redistribution to members with improved compliance helped this process.

Also, the annual production of a model set of financial statements, particularly directed to small and medium organisations with few resources, helped. Posting a checklist on the regulator's website of key items to be looked at had also been helpful for compliance.

An **Academic/Researcher** commented that most people involved in supporting or working in charitable organisations expect some accountability for trusteeship, the idea that somebody else's money is in their hands and being looked after, ensuring it achieves the objectives the organisation purports to achieve. This comment is closely related to the concept of stewardship.

An **Auditor/Advisor** commented that an annual report is one of the ways that an organisation can demonstrate its accountability. This **Auditor/Advisor** did not think that many donors look at the accounts or the annual report since donations are based on an emotional connection and observed that the annual report is produced for a broad range of stakeholders. Continuing, this **Auditor/Advisor** observed that for organisations receiving most of their money from government sources, the annual report is basically produced for the government, but many individual users will 'check these things out'.

### 5.1.3 TELLING THE STORY

An **Auditor/Advisor** noted that for those who evaluate charities, the annual report is crucial. The annual report tells the story about what the NFP is setting out to do and how it has used its funds to deliver on that intention, the key risks to being as good at delivery as the organisation could be and how it is managed as it delivers what it does. It includes information about the governance of the organisation, the meetings held and attended, the qualifications of responsible personnel, and any related party transactions and conflicts of interest.

A **Lawyer/Policy manager** expressed a similar view. This participant observed the reporting in an annual report can be an excellent way of telling a broad range of stakeholders about how the organisation goes about achieving its purpose. That is, the focus should be on both the financial elements and the organisation's outcomes for the year. Any NFP should be able to make a statement about how well it is achieving its purpose. The directors or trustees should be able to identify how well the organisation is going and have some measures of performance that do not need to be particularly complicated.

One **Regulator** commented that the annual report is how the directors and management can inform members and other interested parties on the organisation's activities in the past financial year. It should be prepared collaboratively by directors and managers to communicate what the organisation has done to achieve what it was set up to do during the year. The **Regulator** observed that annual reports can be used to provide stakeholders or interested parties, particularly funders, with information but also present the organisation in a flattering light.

The **Regulator** observed that its purpose is not for accountability because accountability is a more continuous process through the year practised on an individual basis daily. In many areas where literacy is low, annual reports are not read by stakeholders. The **Regulator** noted that in terms of the financial statements within the annual report, despite general purpose financial reports being expected, it is special purpose financial reports that are submitted to regulators.

Another **Regulator** stated that the annual report should be a 'whole of organisation' document. It provides governance and accountability to members; this is how funds are managed, how the business is managed, and an overview of plans going forward. The **Regulator** continued, observing that it is very much a communications document to discuss the outcomes and achievements of the organisation. The ultimate purpose of the annual report is accountability to a stakeholder group, and the rest of it hangs off that. It provides one of the few opportunities for a member to gain insight into what the organisation is doing. Some will treat it as a tick the box exercise and provide minimal narrative, while others will tell their story in a qualitatively superior way.

### 5.1.4 ACCESSIBILITY

One **Board member/Senior manager** commented that the organisation had adopted the Charities Chart of Accounts in 2007, which helped in reporting, but was very hard to explain to members who are not financially literate. The **Board member/Senior manager** observed that the organisation made things as simple as possible so that the common person or the board member new to the organisation understands what is happening. Graphics are an important part of this process and are used to show operations for the year, the performance of the organisation, and the various programs. Every quarter we present something to the board and that is collected at the end of the year and presented at the annual general meeting (AGM) to the members. In contrast, this NFP's annual report consisted basically of a booklet of about 20 pages covering the directors' fees and what had been achieved in return for the funding, with little spent on producing it.

One **Board member/Senior manager** involved with an NFP serving a minority population group was firm in their opinion that the annual report was a complete waste of money, mystifying to people and with no one reading it. Similarly, the audit report was a mystification. The financial report within the annual report was prepared to comply with AASs but had no connection to normal people. This **Board member/Senior manager** saw the annual report as a document that had to be prepared under the legislation but was in a completely different language that only accountants understood and not understandable to most people – failing to connect with members. However, this **Board member/Senior manager** noted this NFP had never stopped trying to enhance the way it reported to the Board and members, including the use of infographics.

The **Board member/Senior manager** continued, observing that when someone stands in front of members and explains what they are looking at, where the money goes and how much came in and what is next, that really resonates with people because it can be pointed out on a graph or a diagram and talked to. This **Board member/Senior manager** questioned whether it would be better to be videoing the AGM and then showing it on a private YouTube channel, arguing that it was incumbent on management to work with boards and stakeholders to find out what works for them to get engagement, not what satisfies government or management. Despite the familiarity with and use of technology, that was not seen as the appropriate tool for the annual report, but technology's use in advocacy on behalf of and by members was huge.

A **Board member/Senior manager** pointed out that it was obviously best if the information was accessible and visible to a very diverse membership with different skills and levels of financial literacy. Continuing, this **Board member/Senior manager** observed that the information needs to be presentable, succinct and easy for a layperson to understand as part and parcel of transparency and accountability. At meetings involving the visual presentation of the financial statements, there needs to be ample time for questions and for people to talk through and interrogate the information. Members need to feel comfortable and able to ask questions.

### 5.1.5 ANOMALIES

A **Board member/Senior manager** conveyed that not a lot of money was spent on annual reports, with minimalist financial data related to its filing with the regulator, observing that their donors would be unimpressed if the annual report were too expensive. This **Board member/Senior manager** observed that donors either trust you or they don't and don't make donation decisions based on annual reports.

Financial reports are almost completely incomparable because all states have different fundraising legislation one **Academic/Researche**r offered. Additionally, no universal agreement exists on what is included in specific items such as expenses in the financial statements, even within a single state. Financial Reports are important from a trustee point of view and an organisation point of view, but from a charitable purposes point of view, and since it is so difficult to separate administration costs from service costs, they are useless, the **Academic/Researcher** stated.

A **Lawyer/Policy manager** commented that if the NFP does not have an office or employees, it is very hard for members to find out exactly what is going on, especially if they do not go to the annual general meeting and get a copy of whatever accounts are handed out there. Continuing, the **Lawyer/Policy manager** observed that recent changes to Victorian Incorporate Associations legislation had made it very hard for members to get the financial statements since for incorporated associations in Victoria that are not charities, the information had become very difficult to obtain.

An **Auditor/Advisor** noted that basic religious charities do not provide any financials at all. Yet, as a group, their total value is extremely significant. The **Auditor/Advisor** noted that for most very small NFPs, which would be the majority of the 600,000 NFPs and even a majority of the 60,000 ACNC organisations, their committees were just running flat out to stay still, and their treasurers were usually not financially literate, so it was exceedingly difficult. Making it even more difficult for a lot in the NFP sector, other regulators have intervened to impose enormous amounts of compliance (e.g., on kindergartens). The total burden for very small NFPs is incredible, this **Auditor/Adviso**r observed.

A **Board member/Senior manager** observed that some community groups have millions of dollars in assets but no accountability to members. The Executive Committee re-elects themselves each year. One of the consequences of making it more difficult to be responsible for an NFP organisation is that many people will just say we cannot do it anymore.

One **Board member/Senior manager** pointed out how the structure of linked but structurally separate organisations' annual reports are not consolidated, so members do not have transparent or appropriate reporting of the number of members, assets, revenue or profit with a self-appointing board.

#### 5.1.6 CASE FOR NON-TRANSPARENCY

One **Auditor/Advisor** provided a conceptual argument that the foundations and justifications for accountability and transparency need to be thought about carefully and anchored to an appropriate foundation. The justification for regulation, intervention, accountability, and transparency for sectors other than charities is risk management. However, the justification for regulation and accountability in the NFP sector is based on tax concessions, an argument not accepted elsewhere in the world. This **Auditor/ Advisor** went on to argue that if the argument is accepted, it raises the question of whether individuals with concessionally taxed income should be held equally accountable and transparent?

An **Auditor/Advisor** pointed out that the ACNC wants to make sure that all charities reporting to it are accountable, but transparency has limitations in some situations. For instance, during Covid-19, some charities are borderline solvent. If this is made public and disclosed, donations will stop and create and create a tipping point. Transparency needs to be thought through in terms of volunteering, size, publicness, and private donations was the point being made.

However, not all agreed that transparency and accountability should be universal ideals. The distinction between the situation for public and private fundraising was raised by one A**uditor/ Adviso**r, where some donors, particularly for religious organisations, prefer anonymity. The argument the **Auditor/Advisor** put was that risk should be the consideration as to whether accountability is owed. The **Auditor/ Adviso**r pointed out that a large percentage of the sector is very small. And the extent to which reporting publicly is required creates a dissuading factor for people to get involved - particularly academics.

Charities play a very important role in looking after minority groups. If a controversial minority group is involved, this **Auditor/ Advisor** argued that it is becoming increasingly difficult to attract people onto boards of these organisations, particularly academics or partners of large accounting firms. The next generation of leadership into charities is missing because the more you bring a particularly controversial charity into the frame and public, the more difficult it is to attract people to be associated with some charities.

An **Academic/Researcher** observed that for donations to charities, emotion rather than carefully thought through investments trigger action. The market for information is not the same. There is anecdotal evidence that very few access financial statements on websites before donating.

Another **Board member/Senior manager** associated with an NFP with sufficient resources stated that the organisation brought in expertise through specialist directors with accounting and legal expertise. Further, anyone joining the board was required to engage with Australian Institute of Company Director (AICD) training and needed to show what skills are brought to the board.

### 5.1.7 WHAT IS LOOKED AT WITHIN THE FINANCIAL STATEMENTS?

One **Board member/Senior manager** noted one of the key things looked at from a grant-making perspective is the level of reserves relative to annual expenditure and the cash flow statement relative to the income statement. One grant-maker may support an organisation showing good financial discipline and, therefore, seemingly sustainable. In contrast, a different grant-maker might be looking for an organisation that will fail without a grant. Hence there is no single use of the financial statements.

The same **Board member/Senior manager** observed some grant-makers look most at any statement around programs and outcomes because that is the critical component about why they support a particular charity. For those grant-makers, the financial statements are more to provide information to enable an assessment of the risk of supporting a charity that is not viable and collapses. Grant money is not infinite. The same **Board member/Senior manager** noted the grant-maker wants to mitigate the risk of wasting funds on supporting a charity that cannot deliver its purpose.

A different **Board member/Senior manager** was interested in stewardship regarding the sources of revenues, whether the revenue had changed, and how surplus funds were invested.

#### 5.1.8 ANNUAL REPORT COST

The cost of producing annual reports is reducing due to technology. The audit fee depends on the size and complexity of the organisation. Generally, tender quotations are made based on prior year financial statements. An **Academic/Researche**r and A**uditor/Advisor** both commented that many organisations have moved to online or digital reports and no longer print hard copies of annual reports as a means of saving costs. It is probably getting cheaper to produce basic annual reports, but more sophisticated digital treatments attract significant costs, noted a **Researcher**.

An **Auditor/Advisor** reported that if a client asked their firm to put the statutory financial statements together, not the whole annual report, generally that would cost somewhere in the range of $3,500 with the audit additional to that.

A **Board member/Senior manager** noted the considerable costs of preparing the annual report, staff costs in preparing the information needed by the auditor and communication and marketing costs. The annual report cost includes the audit cost and the cost of staff time in answering auditors' questions about the financial statements, which can be substantial. An **Academic/Researcher** commented that often, organisations producing expensive annual reports are in a worse financial position than those producing less expensive reports. They are attempting to signal worth because their fundamentals are fragile. Another **Academic/Researcher** reported that the audit fee was over $500,000 and under $30,000 for the rest.

A **Board member/Senior manager** reported that their annual report cost nothing because it was prepared by volunteers. One **Board member/Senior manager** commented that very little was spent on the annual report, with the report produced in-house between three people for about $5,000.

One **Regulator** observed that NFP organisations do need to be accountable to their donors or their members, depending on their type of incorporation, but thought other ways could be found to achieve that purpose that could reduce the cost. The **Regulator** observed that there were many costs involved in imposing full general purpose financial statement audit requirements on an organisation with less than a million-dollar turnover. These costs included having processes, procedures and systems and adequately trained staff to manage the accounting systems to provide the requirements auditors need to conduct the audit. The Regulator went on to discuss how boards do not necessarily have the skillset to report in the way people want to read the reports. Overall, there can be significant costs in understanding and getting the appropriate communication together for an annual report.

## 5.2 ACCOUNTABILITY

### 5.2.1 WHAT IS ACCOUNTABILITY AND ACCOUNTABILITY FOR WHAT?

In the NFP sector, stakeholders have different views of what accountability represents. Some **Board members/Senior managers** said accountability is about being held responsible for the actions and operations of the organisation and that reporting against legislation enhanced the accountability. Another Board member/Senior manager was of the view that accountability referred to the administration of the NFP's activities. A few **Board members/Senior managers** felt that accountability and transparency are complementary elements. However, one **Board member/Senior manager** emphasised the need to strike a balance between accountability and transparency in terms of what needed to be disclosed and what needed to be kept private. A different **Board member/Senior manage**r referred to accountability as presenting audited financial statements, making them available to the public, and sending them to interested donors. Another **Board member/Senior manager** related accountability to transparency and effectiveness; that is, how effectively the organisation raised and utilised funds and managed costs to achieve its objectives.

While one **Regulator** also related accountability to maintaining transparency, a different **Regulator** noted the relationship between accountability and stewardship; responsibility for the resources entrusted to management to achieve the organisation's objectives. Further, this **Regulator** described accountability as a continuous process and spoke to the inadequacy of the static annual report as a measure of accountability. This participant was of the view that in the setting of AASs, due consideration had not been given to stewardship in the NFP sector.

Further, the same **Regulator** explained that accountability has high importance in the NFP sector, perhaps more than is the case for the for-profit sector. NFP organisations provide an important service to society with little legal redress and funds provided by mostly third-party donors without access to organisation activities. Further, NFPs have accountability to many third parties, including the community at large, which has an interest in and is affected by organisation activities. The **Regulator** noted that in the NFP sector, how the outcomes and impacts are determined and how they contribute is important. The **Regulator** was of the view that accountability could be enhanced by including performance reporting in what is communicated to recipients.

An **Auditor/Advisor** said that accountability is how effectively and efficiently organisations conduct their activities, focusing on what they are doing, how they have gone about it, and running the organisation with proper controls and making a surplus. Another **Auditor/Advisor** said that accountability could be referred to as the stewardship of the NFP's assets and financial performance. Another felt that accountability meant not just reporting historical activities but also prospective activities. An **Academic/Researcher** described accountability as trusteeship, the idea that somebody else's money is in the organisation's hands and those in charge are looking after it to ensure it achieves the objectives the organisation purports to aim for, signalling that the organisation complies with laws and standards. Another **Academic/Researcher** participant said accountability refers to the stewardship role.

To summarise, participants had different explanations or views about accountability, with many participants linking accountability to stewardship, trusteeship and transparency. Their idea of accountability referred to the responsibility of management for resources entrusted and utilising them effectively to achieve the organisation objectives/mission and reporting on these resources to interested parties. This linking of concepts may be representative of the different academic discipline backgrounds of participants. For example, Moon et al (2017) observe their review of the academic and professional stewardship literature (environment; health/medical; markets/corporates; information systems) found no single meaning of stewardship and its definitions vary across disciplines. "Although it is applied in a diverse range of ways, the concept does have a set of universal features: all stewardship models involve taking responsibility for something, within a context of constrained resources and for particular beneficiaries…[and] what is common to all beneficiaries is accountability for managing the resource entrusted to the steward on behalf of the beneficiaries." (Moon et al. 2017 p10). Zeff (2013) acknowledges that the terms stewardship and accountability have been used interchangeably over time. He comments that the meaning of stewardship in accounting standard-setting has evolved from reporting management's husbanding of an entity's resources to efficiency, to encompassing analysis of management's effectiveness at providing a return on resources employed. Crawford et al. (2018) note that the notion of accountability, whether for stewardship or decision-usefulness, has not been agreed conceptually.

### 5.2.2 ACCOUNTABILITY TO WHOM?

Almost all participants communicated a primary belief that management owes a duty of accountability to its members. One of the **Board members/Senior managers** said that NFP accountability is broader than for-profits, including accountability to God. Several **Board members/Senior managers** highlighted that NFPs are accountable to donors. However, one **Board member/Senior manager** felt that not many donors are interested in financial statements, but rather what organisations did and how it was done was what was important. Several participants from different categories felt that accountability is owed to broad stakeholder groups, including society at large.

### 5.2.3 HOW IS ACCOUNTABILITY DISCHARGED?

Many participants believed the annual report is the main document used to discharge an organisation's accountability. One **Board member/Senior manager** said that the main value and purpose of the financial report is as a manifestation of accountability to members by the management or board. Therefore, it is vital for members to understand and value annual reports, highlighting the importance of simplified AASs given that members do seem interested in the bottom-line cash at bank balance. Consistent with this idea, one participant said that simplified reporting requirements are needed for small clubs and NFPs.

Discussions further revealed the use of texts and photos in annual reports in the discharge of accountability. In terms of specific accountability, members wanted to know how much funding was raised, from where, and how the funds had been spent. Depending on the organisation, the board generally decides what should go in the annual report. Another **Board member/Senior manager** described the annual report as meeting several purposes, including regulatory requirements, showing accountability to members, and serving as a report for other stakeholders.

Another **Board member/Senior manager** felt that the financial statements reflected the quality of governance and demonstrated accountability. Further, the participant emphasised that new technology could be used to collect data, prepare the annual report and communicate with wider stakeholders.

One **Board member/Senior manager** revealed that their organisation prepared simple financial statements to show members how effectively they had raised and utilised funds.

This participant further acknowledged that many members are not financially literate and, therefore, the organisation tried to use graphs and explain the graphs. A **Regulator** also pointed out that the financial literacy of many members and directors is very low. Therefore, the involvement of an auditor and external accountant who might compile the financial report is an important part of building capacity and enhancing the sector's credibility. These propositions were supported by a participant from the **Auditor/Advisor** category. Another participant from the **Auditor/Advisor** category stated that NFPs are highly reliant on auditors rather than having a full-blown annual report to discharge accountability. A **Journalis**t supported the same idea, indicating that the auditor's report added credibility to the annual report and emphasised that the reporting complies with laws and AASs. An **Academic/Researcher** revealed that financial statements use language that many NFP stakeholders cannot understand.

Another **Auditor/Advisor** thought that financial statements themselves are not sufficient to discharge accountability. Qualitative explanations are needed to accompany the financial statements that include information on, for instance, organisational strategies, risk mitigation and how the mission is delivered in terms of achievements. An **Academic/Researcher** also expressed the view that the annual report is not accountable in itself; it is just a tool for discussion in an active forum of calling to account.

### 5.2.4 PROBLEMS ASSOCIATED WITH ACCOUNTABILITY

One **Board member/Senior manager** mentioned that NFP organisations focus on service delivery and do not see the necessity for accountability. They take accountability or the reporting obligations as a burden, possibly because (as one participant explained) many members in the NFP sector do not understand the reporting required by the relevant Act. A **Regulator** concurred that the voluntary work of boards or management is a concern in achieving a commitment to accountability and transparency with organisations simply producing statements to meet statutory requirements. An **Auditor/Advisor** explained there is little emphasis on reporting by management because members are not interested in the annual report.

Another **Regulator** mentioned that accountability for outcomes is very difficult to measure. It was felt that going forward when deciding on reporting requirements, apart from the monetary threshold, regulators should also be concerned with risk, ultimately the risk of the NFP collapsing. One must consider the impact on the community if a certain organisation fails. In some situations, this could result in a critical service not being delivered to the community. In particularly vulnerable communities, this could leave a significant and far-reaching void.

Some participants see regulations and standards as a burden in the form of red tape. A **Lawyer/Policy manager** argued that the justification for regulation (which requires transparency and accountability) should be based on risks such as the NFP failing and the subsequent impact on society.

Further, the participant explained that it is important to distinguish the basis for transparency and accountability and whether that basis is voluntary or mandatory. The participant recommended a threshold turnover of $5 million for NFPs to be included on the ACNC register. This risk threshold was, in this person’s view, sufficiently high to warrant public disclosures.

The same **Lawyer/Policy manager** observed there are problems when NFPs have a large membership with low turnover. For these organisations, sometimes compulsory or absolute transparency and accountability is problematic, particularly when an organisation faces financial difficulties or is near insolvency. If they disclose their situation transparently, these organisations find it difficult to secure future funding from donors, eventually leading to bankruptcy. The same **Lawyer/Policy manager** noted it is important to consider the criteria of both membership size and turnover when deciding accountability requirements. Volunteer directors (being potentially liable to personal insolvency) are likely to be more forthcoming with what to disclose and how much.

## 5.3 STAKEHOLDERS

Many participants believed that NFP stakeholders are a diverse group. One **Board member/Senior** manager said that external stakeholders of NFPs depend on whether the NFPs are heavily government grant-driven or donation-driven. Many participants acknowledged that NFPs' stakeholders include members, management, regulators, donors/government, advisors, lawyers, professional accountants, auditors and the community at large.

One **Auditor/Advisor** let it be known that they evaluate charities and provide a list of best charities over the last three years. One **Board member/Senior Manager** revealed that their stakeholders are the community, and community members are not interested in financial statements. An **Academic/Researcher** felt that few stakeholders are interested in financial reports, including governments that provide funds and regulators. Several participants agreed that many members do not look at the annual report and donate based on an emotional connection with financial statements produced for regulators and the government when it provides funds. A **Regulator** said that members of NFP organisations do look at the audit report and rely on the auditor's report. An **Auditor/Advisor** revealed that they read the annual report to see commentary from the CEO and the board chair as it generally contained good information.

One **Board member/Senior manager** pointed out that the annual report is not just for members but a useful information source for all stakeholders, and it satisfies legal requirements.

Annual reports with audited accounts are needed for basic compliance purposes and are also a communication tool to many stakeholders. There are also other legislative reporting requirements for NFPs. Those requirements also need to be considered when deciding the financial reporting requirements.

Many **Board members/Senior managers** believed it was important to have good engagement with stakeholders. However, because stakeholders often do not understand the financial statements, it is a barrier to maintaining good engagement. However, they cannot spend much money on the annual report as their income is small. A few **Board member/Senior managers** said that a few members ask questions at the annual meeting and have things clarified and communicate the information to others. One **Lawyer/Policy manager** said that as per the ACNC's report, very few people go to the website and look at the data. Very few people read the annual report, and even small donors do not care about the annual report.

High engagement usually means better outcomes for the organisation itself. When stakeholders are engaged, outcomes are far better. Successful organisations take every opportunity to engage with their stakeholders, and they use all those channels like emails and social media podcasts, said a **Board member/Senior manager** participant. One participant pointed out that social media and digital fundraising were among the fastest-growing fundraising channels, particularly during Covid-19.

One **Board member/Senior manager** felt that there is sloppy accounting and sloppy auditing in this sector. Some ratios are meaningless given their operations. However, an **Auditor/Advisor** said that NFP sectors underutilise the annual report for communication to stakeholders. Therefore, an annual report should be used for that purpose. This **Auditor/Advisor** felt that a national-level reporting requirement is important for NFPs based on the threshold irrespective of whether it is registered with a particular regulator such as the ACNC.

One **Board member/Senior manager** said that strong ethical standards are required to decide what to report, what images to use, what sized images, and how to report.

A **Regulator** said that 99% of charities report using the ACNC online reporting system to include information. Their Annual Information Statement (AIS) has built-in validation checks, verification, and tolerances. The ACNC checks the financial statements in detail, making sure that they reflect consistency between the AIS and the financial statements. The ACNC makes sure that the financial statements are compliant with the ACNC reporting framework and that the audit or review report is compliant. The **Regulator** further said that the AIS provides useful information to a vast range of stakeholders.

## 5.4 REGULATION

Even when not from the same focus group, **Regulator** participants made it clear that there was a great deal of consultation and cooperation between various regulators in the sector. Within the sector, several participants spoke of regulatory changes in progress. These changes included the ACNC reviewing the Deductible Gift Recipient status of registered charities and planning to require the elaboration of fund sources in the AIS, the government working with states and territories to introduce a national framework of legal structures and reporting thresholds for NFPs and the AASB considering simplified reporting for certain NFPs. Much of the planned regulatory change follows recommendations from the Strengthening for Purpose: Australian Charities and Not-for-profits Commission Legislative Review of 2018.

The ACNC as a stakeholder represents a government that grants benefits to the charity sector, such as Deductible Grant Recipient status, wants to know what is going on and ensure that, financially, the organisation has been signalling that it is properly managed. **Regulators** from the ACNC were clear that donors want to know from the financial report who granted the funds used. A change requiring information in a note to the financial statements elaborating about who or what organisation grants are from is planned. When implemented, charities, including not for profit service providers, will need to disclose where funds are coming from because that says a lot about what the organisation is doing and what it is hoping to achieve.

The argument posited was that greater disclosure about the sources of funds and what is done with the funds would create a market for charities where potential donors could compare using a taxonomy of charitable purposes which charities fitted a purpose a donor was seeking to match with. However, not all agreed that charities could be characterised as a market since most donors have a personal or emotional connection with charities they choose to support.

The same **Regulator** observed stakeholders, whether members, volunteers, employees, funders or others, look at the charity register. The ACNC is a small team responsible for processing applications, group reporting, substituted accounting periods, keeping charities safe, and developing the business requirements for different AIS. It is based around risk. Additionally, there is media attention on charities. Regulators receive contacts from interested stakeholders with queries or information about reporting by charities. Following up with charities themselves provides intelligence and insight into issues the charity sector is experiencing with reporting. For instance, one of the biggest assurance issues is the completeness of cash donations, so modified or more serious audit opinions are quite common. There is a question in the AIS about the type of audit opinion provided, so the ACNC can quickly and easily get a sense of the number of modified or qualified opinions that charities receive. This insight enables the ACNC to work with the sector representatives and professionals (e.g. lawyers, auditors supporting the sector) and standard setters to develop guidance tools or resources needed to improve reporting.

Among the non-regulator participants, one observed that the ACNC has a great deal of information, but by the time it is available to access in bulk for modelling, it is somewhat dated. Further, there was a view that it was skewed because data from religious charities were not included. Another commented on the anomalies between requirements for organisations with and without charitable status. For charities, information is available for interested parties through the AIS. However, for some organisations such as sports clubs, unless members are present at the AGM, with no office and no employees, it can be very difficult to obtain any financial information about the organisation. It was clear that regulators often receive inquiries from alleged members of organisations that are not incorporated, and there is no redress possible.

A non-regulator participant was critical of the degree of disclosure required under AASs and its complexity, even under reduced disclosure requirements, when very few members of NFPs read the financial statements or notes or understand them. The burden of preparing financial reports was argued to deter volunteers from remaining involved with the sector. This deterrence was especially the case when there were often no employees to take on this task and especially no employees with the required financial skills to undertake the task, not to mention the cost of the preparation and of the audit where one was required. However, others felt that the requirement for financial reporting was a moral obligation that ensured accountability and transparency.

One **Board member/Senior manager** thought it was very important for the stakeholders to be vigilant. Their NFP had a contractual obligation to report to the funder every six months, so very structured reporting was needed with audited financial statements and operational reports needed to be discussed with the funder every six months; information about performance under the contract against key performance indicators.

The level of documentation required to apply for government grants was also commented on. There was a feeling that at least some of the documents were to protect public servants, with little proportionality between the amount of the grant and the paperwork entailed. There were similar sentiments from a non-regulator participant about religious charities that do not need to provide financial statements.

### 5.5 AUSTRALIAN ACCOUNTING STANDARDS

Typically, participants saw AASs as technical pronouncements. A small number of participants thought of AASs as being a reporting framework. During discussions with participants about AASs, both positive and negative opinions were expressed about the required accounting for particular types of transactions and events.

Many participants noted the different purposes of NFP and for-profit organisations. Some also noted the different environments in which NFP organisations operate. For example, some NFP organisations operate in a competitive environment for fundraising, whereas others operate a user pay for services model.

The opinions expressed about AASs were informed by these two topics plus other matters, including the knowledge of management and those charged with governance about the technical requirements of individual AASs, and the relationship of the NFP organisation to the users of its financial statements.

Some **Board member/Senior manager** participants spoke of the positive impression enjoyed by an NFP, its board and management team that comes from doing the right thing, as is evidenced by the production of financial statements externally approved as having met the requirements of all current AASs. Their interest in AASs was as a reporting framework that comes at a reasonable cost that they can use to show how they do the right thing. They are less concerned with the effects of an Accounting Standard on transactions and events.

Some **Board member/Senior manager** participants considered the same positive impression could come from compliance with a reporting framework on a cash basis. Many NFP organisations do not have the in-house technical AAS knowledge necessary to prepare financial statements, so they outsource that function. Consequently, their interest in a lower-cost alternative to the current reporting framework in the form of a cash-basis accounting standard is not surprising.

All auditor participants and some advisor participants possess a deep technical understanding of current AASs. They noted the additional costs that come from outsourced financial statement preparation and the pressure they face to provide pro-bono services. One **Board member/Senior manager** with deep technical accounting knowledge noted that investigating the technical requirements of AASB 9 *Financial Instruments* had helped the board and management team with their focus when making some important operational decisions. The NFP entity operates under the NDIS model. The **Board member/Senior manager** observed that significant balances of Accounts Receivables and contra allowance accounts resulted in the employment of a part-time person responsible for receivables and collections.

Some **Auditor/Advisor** participants noted the aggregation of information on the face of the financial statements prepared in accordance with current AASs results in the communication of information that is not useful to the NFP organisation or its users. One **Auditor/Advisor** noted that the application of the current AASs removes from the financial statements the detailed disaggregated information for which users look.

Some **Academic/Researcher, Auditor/Adviso**r, and **Board member/Senior manager** participants noted this results in financial statements that users do not understand or value. They called for AASs that enable the simplification of financial statements.

Some participants called for AASs that enable comparability between NFP organisations in terms of their impact and administration ratios for each donor dollar. One **Auditor/Advisor** and one **Academic/Researcher** noted the impact on ratio comparability given the great flexibility NFPs have with naming expenses as administration-related or not.

Some **Academic/Researcher** participants were critical of the approach by the AASB of taking AASs developed for the for-profit sector and tweaking them for use by the not-for-profit sector. These participants believed that the fundamental purpose of the two sectors was so different that the private not-for-profit sector required its own standards created from a blank sheet. The current approach was said to be the result of a failure to consult with actual stakeholders.

One **Auditor/Advisor** and one B**oard member/Senior manager** noted the preparation of "consolidated accounts" was the AASs technical solution to some organisation relationships. The **Auditor/Advisor** noted a requirement to consolidate does not always provide an insight into how the organisations operate.

The **Board member/Senior manager** questioned whether AASB 10 was up to dealing with organisation relationships in the NFP sector and identified situations where a no consolidation answer did not align with user expectations.

One **Board member/Senior manager** noted the challenge of applying AASs that are so dependent on the interpretation of the AASs by accountants and audit teams. For instance, several charities are reported to have had issues with AASB 15 *Revenue from Contracts with Customers*. Donor agreements or contracts might be developed where the donor agrees to contribute over a period and receive a plaque or similar for that period. However, the periods may not match for various marketing reasons. The **Board Member/Senior manage**r participant concluded by observing that the Accounting Standard requires contractual reality, but that may not reflect financial reality.

Another **Board member/Senior manage**r noted that the technical requirements of AASB 15 *Revenue from Contracts with Customers* and AAS 1058 Income of *Not-for-Profit Entitie*s changed the timing of revenue recognition by the NFP so much it had to implement a different business practice to negate the effect on revenue recognition.

## 5.6 MEASURING OUTCOMES

Many participants highlighted the importance of the NFP telling the story about its mission (purpose), priorities and endeavours to meet the mission. One participant was interested to understand whether the NFP organisation had achieved its priorities. One **Board member/ Senior manager** noted the importance of social media platforms to the 'sharing' with members of the NFP organisation's story about its achievements and advocacy for the community it served. Elsewhere, there was a generally shared view that the annual report was suited to communicating this information. There was no indication of support for this information to be part of the financial statements.

One **Lawyer/Policy manager** emphasised the importance of extending the storytelling about mission, priorities and endeavours by differentiating outcomes from outputs, measuring outcomes and reporting outcomes and their link to the mission. One **Board member/Senior manager** supported an outcomes focus. However, when reflecting on their sector experience, the **Board member/ Senior manager** noted the challenge was how to measure outcomes in the domain in which the NFP organisation operates. This participant expressed their commitment to seeking a solution to this measurement challenge. In the meantime, the NFP organisation tracks the level of activity to enable reporting on outputs.

One **Auditor/Advisor** participant emphasised the importance of differentiating outcomes from outputs, the measurement of outcomes and reporting outcomes and their link to the mission. One **Auditor/Advisor** and a different **Board member/Senior** manager expressed similar views. Both noted the difference between outputs and outcomes, the challenge faced by some NFP organisations to articulate outcomes, and the different approaches to measurement. Additionally, if performance outcomes are part of the financial statements requiring an audit, auditors have a significant challenge in assessing that disclosure. When not conveyed in hard numbers, soft purpose delivery statements become much more difficult to form an opinion on.

The **Auditor/Advisor** participant noted religious organisations often really focus on faith activities. For some NFP religious organisations, the number of religious converts may be an appropriate measure of outcomes. However, for other NFP religious organisations, when the interest is in increased depth of faith of the congregation, the number of converts may not be relevant. The point here is that the domain in which an NFP operates can make all or some of the outcomes incredibly difficult to measure.

One **Regulator** felt that outcomes and impact are abstract terms that make it difficult for many people to understand what is meant with a consistent meaning. This participant considered many donors/funders of charity NFP organisations already identified with the organisation's mission and considered it would achieve its outcomes. What the NFP organisation needed to report on was its activities and the delivery of outputs. If the outputs are delivered, then the donor/funder can question whether those are the right outputs to deliver to achieve the outcomes.

A different **Regulator** noted the significant costs of including measures to demonstrate effectiveness and impact. They also questioned whether the story reader was looking for information of this type. This **Regulator** opined that the focus should be on the mission and activities as these make visible the work of NFP organisations.

Another **Regulator** spoke of the difficulties of determining or assessing the quality of the activities, and whether the NFP was really achieving the outcomes it was meant to achieve. The same **Regulator** noted the challenges of measuring impact given that the domains in which many NFP organisations operate are extremely complex. The NFP may develop and deliver a wonderfully structured program to assist people in tackling a specific health issue. In that sense, it can report that it has done things consistent with its mission, but whether that actually leads to an improvement in the health of those people depends on a range of positive and negative factors outside of the NFP organisation's control.

You may not end up with the outcome or, therefore, the desired impact. However, it is no fault of the program itself because the program itself was successfully undertaken. Alternatively, you may end up with an outcome and, therefore, the impact desired, but you cannot be sure how much of that is the result of the organisation's program.

Two **Auditor/Advisor** participants warned against mandating impact reporting. Neither participant favoured regulation. One **Auditor/Adviso**r noted impact reporting is too much in its infancy to be able to know what good regulation would look like and that any attempt at regulation would be too restrictive. However, some information about outcomes, or at least activities, is reported in the AIS at the ACNC level. They felt it would be very hard to devise standards in this area.

## 5.7 EVALUATING CHARITIES

A **Board member/Senior manager** commented that there are a lot of myths about administrative costs and about ratios. Some donors will always ask what percentage of their gift will go to overheads. For instance, if there is a fundraising event on which $1 million dollars is spent and $2 million is made, then $1 million is banked to spend on a project. Compare this with spending $50,000 on the event and raising $500,000 with $450,000 to bank. In one case, there is a 50% ratio but $1 million in the bank and in the other, a 10% ratio and $450,000 in the bank. Which would be preferred?

The **Board member/Senior manager** went on to say that another thing that is very misleading is the nature of the program that you deliver. For instance, if donors give $1 million and a cheque is written for a counterpart overseas that delivers the project overseas, the Australian overhead in delivering that project is marginal. But if an Australian person is employed to run the project overseas and the NFP pays the wage, accommodation and transport expenses, the cost of project delivery is reported in the Australian charity's accounts. So, it is important to ask the charity whether it fundraises for others or delivers the project directly. The other thing that is quite misleading, particularly for international charities, is whether projects are delivered in rural or urban locations with lower overheads overseas. So, it is very difficult to make legitimate comparisons.

A **Board member/Senior manager** argued narratives in the programs department, tell the story. This is the project. This is what the project aimed to do. This is what the outcome of that project was. And that's easier in some projects than others, including religion. For example, you can say that you built a church or say so many hundreds of people go to that church, but that does not tell you whether they are growing spiritually in their relationship with a belief or not. Some of those things are not measurable. You can easily measure activity, but it is not always easy to measure outcomes.

A **Board member/Senior Manager** commented that we do not have the training of auditors around measuring outcomes, but that Australia could learn from developments in New Zealand.

### 5.8 RISK

In this research, the concept of risk was discussed, revealing deeply held beliefs about its relationship with regulation and accountability. Stakeholder risk was seen as a primary driver of regulatory intervention, with responses reflecting both accountability beliefs and protective mechanisms.

Risk areas for NFP stakeholders were vast, resulting from internal and external pressures - some manageable, others less so. Financial report entries, such as leave liabilities and other provision accounts, were at times described by a **Board Member/Senior Manager** as being large and problematic in charitable purposes organisations. Lack of controls, including lack of segregation of incompatible duties, and difficulty safeguarding completeness of cash donations, were also flagged as risk areas by an **Auditor/Advisor**. Resourcing matters, such as preparers not understanding the applicable financial reporting framework, and a general lack of financial accounting expertise (compared with management accounting), were offered by **Regulators** as further drivers of risk within NFPs.

The most significant and ultimate risk flagged by a **Regulator** was the risk associated with the organisation failing and dissolving. The impact was communicated differently for different organisations and can be quite catastrophic for a community relying on the organisation to provide much-needed services (with no alternate provider).

The need for risk mitigation strategies regarding financial reporting was evident across the **Regulator**, **Board Member/Senior Manager** and **Auditor/Advisor** participant categories. Financial reporting risk within an NFP was managed externally and internally by a number of interested parties. For instance, detailed reporting requirements imposed by grant providers are typically put in place to facilitate communication, capture risks in a timely manner, and mitigate risk to the contractor. Within NFPs there was evidence of 'squirrelling' away reserves for a rainy day. Notwithstanding the above, audits were largely seen as the 'answer' to the risk management question.

Participants from all categories communicated comfort in accounts being audited. They felt that if anything were amiss, the auditor would find it. However, the **Auditor/Advisor** participants noted an explosion of NFPs in recent times, as well as a growing expectation that audits will be conducted *pro bono*. This expectation, combined with poor accounting practices within many NFPs, means audits of NFPs have become increasingly difficult (and risky themselves). Consequently, to minimise the risk to the auditor, it is not uncommon nowadays for auditors to "assist" by preparing the financial report themselves – albeit based on the information given to them by the NFP.

Risk was also examined through the lens of regulations and financial reporting requirements. It was broadly understood that regulatory intervention was intended to be driven by organisational risk, with an organisation's size being a proxy for such risk. **Regulators** reasoned that, with standardisation difficult to achieve in a sector with such variety, gross receipts/assets were a relatively objective basis for setting requirements.

However, there was much discussion about applying a tiered approach, with several suggested improvements offered across the range of participants. Most of the discussion surrounded the level at which the current thresholds were set, with many suggesting they should be higher. A **Lawyer/Policymaker** suggested using rolling three-year averages, moving from compulsory disclosure to voluntary disclosure, and factoring in public/private fundraising activities to the regulatory thresholds.

A belief expressed by one **Regulator** was that it is just good corporate governance to be preparing a good financial report, and accountability should not be determined by size. Those supporting this position felt that accountability in the NFP sector should not be a cost-benefit exercise.

Finally, whilst not a significant part of the discussions, the issue of maintaining risk registers (or similar) within organisations arose. A belief expressed by a **Regulator** was that resourcing impacts the risk/return balance within NFPs emerged. The discussions tended to conclude that resourcing pressures ultimately make the prospect of maintaining risk registers impractical.

## 5.9 AUDIT

**Regulators** monitoring many organisations conveyed that they very much relied on professional body auditor independence and qualification requirements and the audit report in an operational sense. One felt the audit report provides assurance that the audit team is satisfied that the organisation achieved minimum compliance with AASs. Another felt that there must have been adequate records and books for an audit opinion about truth and fairness to be provided. One **Regulator** noted attention paid to any going concern issues or mention of fraud or misappropriation in the audit report and how this prompted delving into the financial statements. It also prompted a reminder to board or committee members about obligations not to trade whilst insolvent and enquiries about whether the police had been informed about misappropriated monies or attempts were being made to recover money lost. It was also pointed out that many NFPs associated with funding organisations receive going concern modifications annually because of the risk associated with that source of income, uncertainty about it and dependence on it.

Whether or not the audit report was modified contributed to gauging risk and provided the basis for following up with directors, boards or committees. Further, it was not just the audit report but regulators' view of what underpinned the audit report that was notable. **Regulators** felt that auditors' work with clients on internal controls improved the record-keeping, and educated clients about the AASs, the appropriate reporting framework and preparing compliant financial reports. One **Regulator** thought that auditors were integral to value-adding work that put preparers on notice that their work would be reviewed, acting as a deterrent against misstatement, improving financial reporting quality and building client financial literacy capacity.

**Regulators** felt that the engagement should not be accepted if an auditor did not believe the correct framework was being used. This action educated clients in a way that regulators could not because if an incomplete financial report or a special purpose rather than a general-purpose report is submitted, it is too late for a regulator to request resubmission. Also, it was commented that a regulator could not detect whether AASs had been appropriately applied for every organisation.

However, **Regulators** observed that not all preparers and auditors necessarily understood the legislative reporting framework mandate with which they were working. For instance, some charities prepare financial statements that do not reference or comply with the ACNC Act, and the audit report similarly neglects this reference. The federal Fair Work *Registered Organisations Act* 2009, which covers employer and union associations, requires auditors to register under that Act for a similar reason. Some organisations that had moved interstate had audit reports that referenced the previous state's legislature. Some incorporated organisations were observed to prepare special purpose rather than general purpose financial reports. If auditors had read the regulations and understood the reporting requirements, they would understand that general purpose financial statements are required for some organisations unless an exemption had been granted.

Further, it also queried was whether it should be up to directors and not members to decide on the appropriate framework (special purpose or general purpose). One potential solution posited for these problematic audit issues was to create another category of auditors for charities. However, this proposition was not favoured.

Although one **Auditor/Advisor** observed that donor giving was more likely for an organisation with an audited rather than unaudited financial report, given an audit's signal about better governance, other auditor participants cast doubt on the wisdom of reliance by regulators on the audit or audit process. For instance, one felt there was a danger that more comfort was being taken from the audit report than the annual report accompanied by a directors' report, statutory financials and additional information. More than one raised the issue of clients not having the in-house expertise to prepare a set of statutory accounts with all the relevant notes. Clients in the sector regularly ask their auditor to compile statutory financial statements from a trial balance, and public accounting firms will often do this if there is no processing of accounting entries, potentially raising issues of independence.

One **Auditor/Advisor** participant argued that the population of NFP organisations was growing rapidly, all wanting to be audited preferably at no charge. Many auditors take on the audit in an honorary capacity, but NFPs often have few internal controls and no one to prepare the financial statements to the required standards, so the risk is high. It was commented that often, therefore, an auditor will 'assist' with preparation, which can jeopardise independence – to reduce the risk. However, with auditors' professional indemnity premiums rising approximately 20 per cent per annum and the risk involved, it is becoming harder for auditors to take on these honorary roles.

It was also lamented that the audit is another requirement no longer required for many smaller charities. The value of the audit had been lost, and with it, the potential for the auditor to play a valuable role in assisting management meet the organisation's purpose(s).

Many NFP organisations do not have skilled accounting staff and value the relationship with their auditor highly. Comments were made about the advice and access to expertise that comes with the relationship with an auditor who knows the organisation, providing confidence for board members beyond the comfort of paying for an audit compared with the expense of employing a person with formal financial accounting qualifications.

Having a third party through the audit process created awareness about new AASs (e.g. IFRS 9 Financial Instruments standard on credit loss modelling) or managing existing items for existing Standards (e.g., liability for long service leave). Board reporting mechanisms also allow the board to hold management accountable and gain transparency and visibility about what is going on. The audit process of generating a set of financial statements with compliant measures of items also helps with visibility over the internal control and governance mechanisms

Some organisations have a contractual obligation to report to donors every six months. In these cases, audited financial statements and operational reports must be discussed with donors every six months to report on how the contract is being fulfilled in terms of key performance indicators.

Several **Board members/Senior managers** indicated that they looked at the audit report. One indicated taking note of the auditor's identity and the nature of the audit report to assess the quality of the audit and whether the opinion was qualified or modified. One **Board member/Senior manager** lamented the lost value of audit for smaller charities not required to engage an auditor. However, this **Board member/Senior manager** also suggested doubt about the value of auditors' role today, arguing a preoccupation with the compliance aspect of financial statements showing a true and fair view and suggesting that reform in the audit area is needed.

# 6. CONCLUSION

This study uses focus groups, interviews and email data to gather the opinions of 41 stakeholders in the NFP sector in late 2020. Participants from financial report users, preparers, auditors, advisors, regulators, donors, board members, managers, accountants and member groups brought various perspectives in responding to specific questions about reporting by the sector. Their anonymised responses are arranged under the following themes: 1) The Annual Report and other Reporting; 2) Accountability; 3) Stakeholders; 4) Regulation and Reporting Thresholds; 5) Australian Accounting Standards; 6) Measuring Outcomes; 7) Risk; and 8) Audit.

The findings reveal diverse views that are difficult to summarise. The sector is clearly undergoing changes in regulation that are not universally welcomed by stakeholders. However, there is consensus about the importance of annual reporting (including the financial statements) as an accountability mechanism. The fact that the sector receives taxpayer funds, whether directly or indirectly through deductible gift recipient status, is generally accepted to create a moral obligation for transparency and storytelling about organisations' missions and performance against their missions. There was little enthusiasm for requirements for performance measurement, however.

In terms of AASs and the threshold for general purpose financial reporting, the feeling was that the current reporting trigger needed to be increased and a turnover of $5 million was mentioned. Several participants noted the differential treatment of charities compared with other NFPs and some anomalies this created. The heavy reliance on audits and auditors by many in the sector, especially users of financial reports who are not always financially literate, preparers who sometimes are volunteers and ill-equipped for the task, and boards struggling to keep up with changing AASs emerged. However, auditors were under pressure to minimise costs and some misunderstanding of what it is that auditors take responsibility for when providing an opinion on financial statements also emerged. There was also evidence from regulators that not all auditors working in the sector understand the regulations or frameworks under which they report. The pandemic is likely to have exacerbated stresses in the sector, and reliance on volunteers and honorary auditors by some in the sector is not sustainable.

# APPENDIX – QUESTIONS

Question 1: What is your view about the purpose of the annual report?

Question 2: What is accountability and is it important?

Question 3: Do you read the annual report?

Question 4: What kinds of information do you expect to find in the annual report?

Question 5: Is the financial report important to you?

Question 6: Do you get comfort from financial reporting against a "standard"?

Question 7: Is the auditor's report important to you?

Question 8: Do you get comfort from the auditor reporting against a standard?

Question 9: How much does your annual report cost to produce?

Question 10: Do you get information from outside the annual report?

# REFERENCES

Gilchrist, DJ (2017), Issues Paper: Better Financial Reporting for Australia's NFPs, A Report Prepared for Anglicare Australia, Canberra.

ATO. 2017. What type of NFP is your organisation? | Australian Taxation Office. [online] ATO.gov.au. Available at https://www.ato.gov.au/Non-profit/Getting-started/What-type-of-NFP-is-your-organisation-/, [Accessed 23rd June 2021].

ATO. 2018. *What tax concession are NFPs entitled to? | Australian Taxation Office.* [online] https://www.ato.gov.au/Non-profit/Getting-started/In-detail/Induction-package/Induction-package-for-not-for-profit-administrators/?page=2, viewed 23rd June 2021.

ATO. 2021. *Not-for-profit-organisations | Australian Taxation Office.* [online] ATO.gov.au. Available at <https://www.ato.gov.au/general/aboriginal-and-torres-strait-islander-people/not-for-profit-organisations/> [Accessed 23rd June 2021].

Cortis, N., Lee, I., Powell, A., Simnett, R. and Reeve, R. (2015) Australian Charities Report 2014.

Centre for Social Impact and Social Policy Research Centre, UNSW Australia, https://www.acnc.gov.au/tools/reports/australian-charities-report-2014, viewed 17th August 2021.

CPA Australia. 2014. Roundtable: Non-For-Profit Financial Reports and the Reporting Entity Concept – Where to Now for Financial Reporting? <https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/financial-reporting/reporting-key-themes-roundtable-nfp.pdf?rev=32cd7031355d4d898de079f172d08597&download=true> [Accessed 20 June 2021].

Crawford, L., Morgan, G.G., Cordery, C.J. Accountability and not-for-profit organisations: Implications for developing international financial reporting standards. *Financial Acc & Man*. 2018; 34:181–205.

Gilchrist, D. and Simnett, R. (2019) Research horizons for public and private not-for-profit sector reporting: moving the bar in the right direction, Accounting & Finance, Volume 59, Issue 1, pp59-81.

Jubb, C., Muir, J., Pathiranage, N., and Shying, M. 2020. Annual reports of unlisted Australian for-profit entities: Are they used when making decisions? <https://www.cpaaustralia.com.au/tools-and-resources/financial-reporting/reporting-research-and-initiatives>, [Accessed 23rd June 2021].

Moon, K., Marsh, D., Dickinson, H. and Carey, G. 2017. Is All Stewardship Equal? Developing a Typology of Stewardship Approaches. Public Service Research Group Issues Paper Series: Issues Paper No. 2. University of New South Wales, Canberra.

Zeff, S. 2013. The objectives of financial reporting: A historical survey and analysis. *Accounting and Business Research*, *43*(4), 262–327.