

https://dspace.org/

Exploratory study on NGO reporting requirements

Stagman,Madelein

2024
University of the Witwatersrand, Johannesburg
https://hdl.handle.net/10539/47709
Stagman,Madelein . (2024). Exploratory study on NGO reporting requirements [Master`s dissertation, University of the Witwatersrand, Johannesburg]. WIReDSpace. https://hdl.handle.net/10539/47709

Downloaded from a DSpace repository. https://dspace.org/

Exploratory study on NGO reporting requirements

A research report submitted by

Madelein Stagman

Student Number: 2586129

Cell: 072 406 8717

Email: madelein@budindustrial.co.za

Date submitted: 29 March 2024

Supervisor: Wayne van Zijl and Kayleigh Burnham

in partial fulfillment of the requirements for the degree of

Master of Commerce

University of the Witwatersrand

Ethics clearance number: SOA-2022-07-01

Table of Contents

List of defined terms 4
List of tables and figures 4
Abstract 5
1. Introduction 6
1.1 Problem statement 7
1.2 Purpose of the study 7
1.3 Research question 7
1.4 Assumptions, limitations and delimitations 7
1.5 Significance of the study 8
2. Literature review 9
2.1 Theoretical framework: The principal-agent theory 10
2.2 Defining and categorising COs 10
2.3 Understanding the increased number of COs emerging 11
2.4 Accounting evolution 12
2.5 Challenges facing COs in determining useful information. 14
2.6 Users of CO financial reports 16
2.7 CO accountability 17
2.8 Addressing the challenges of CO reporting 19
2.9 Exploring social/environmental accounting and/or auditing 20
2.10 Internet-based discharge of accountability 21
2.11 Impacts of CO reporting on funding of CO activities 22
2.12 Suggestions from the literature for future research 23
2.13 Conclusion 25
3. Methodology 26
3.1 Population and study sample 27
3.2 Sample size and selection of sample 27
3.3 Collection of data 30
3.4 Procedure and time frame 30
3.5 Data management 31
3.6 Data analysis 31

3.7 Credibility, validity, and reliability 32
4. Results 33
4.1 The current external reporting practices of COs (research question 1.1) 34
4.2 CO external report users (research question 1.2) 38
4.2.1 Primary users 40
4.2.2 Secondary or incidental users 41
4.3 The importance of external reporting for COs (research question 1.3) 42
4.4 Challenges in preparing external reports (research question 1.4) 43
4.4.1 Reporting template constraints 44
4.4.2 Attracting and remunerating highly skilled governance and accounting staff 47
4.4.3 Reporting output, outcomes and impacts 49
4.4.4 Recognition and measurement of donations 52
4.4.5 Deciding whether external assurance should be obtained 57
4.5 What constitutes useful information for COs (research question 1.5) 60
4.5.1 Strategic alignment 61
4.5.2 Financial attributes 64
4.5.3 The credibility of the CO 71
4.5.4 Output, outcomes and impact 75
4.5.5 Flash reporting 77
4.6 A standardised reporting framework 78
4.6.1 Interest Score 80
5. Conclusions and suggestions for future research 82
6. References 85
7. Appendices 87
7.1 Appendix 1: CORP: A customised reporting framework 87
7.1.1 CORP implementation and elements 87
7.1.2 Limitations of the Framework 89
7.2 Appendix 2: Conceptual Framework for CORP and Illustrative Standards prepared in line with the Conceptual Framework 91
7.2.1 Conceptual Framework for CORP – (CFW for CORP) 91

7.2.2 CORP 1000 – Presentation of reports 98
7.2.3 CORP 2000 – Statement of Activities 102
7.2.4 CORP 3000 – Statement of Financial Position and Cash Movements 113
7.2.5 CORP 4000 – Statement of Credibility 115
7.2.6 CORP 5000 – Flash Report 118
7.3 Appendix 3: Information sheet for participants and consent form 121
7.4 Appendix 4: Interview Agenda 123
7.5 Appendix 5: Ethics clearance 124
7.6 Appendix 6: List of interviewees 125

List of defined terms

Term / Abbreviation	Definition / Full term
AFS	Annual Financial Statements
CO	Charitable Organisation
CORP	Charitable Organisations Reporting Practices
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicators
LSM	Living Standard Measure
NGO	Non-Government Organisations
SPCA	Special protection against cruelty to animals
SANParks	South African National Parks
WWF	World Wide Fund for Nature

List of tables and figures

Table 1	Population and sample sizes
Table 2	Actions supporting validity, reliability, and ethical standing
Figure 1	Illustration of CORP standards
Figure 2	Illustration of expenditure in COs

Abstract

Non-Government Organisations or Charitable Organisations (COs) are playing increasingly important roles in supporting positive social and environmental change where governments are lacking. Despite this importance, the area is under-researched, and, unlike for-profit companies, there is no standardised reporting framework to guide COs' external reporting. To begin to address this gap, this study employs an interpretive qualitative approach inspired by grounded theory, utilizing semi-structured, open-ended interviews to gain an understanding of the reporting environment of COs, the users of CO reports, what reporting challenges COs experience and what constitutes useful information for CO users. In doing so, the thesis makes important contributions to both literature and practice.

The study finds that there is a need for a standardised reporting framework, emphasising the importance of meeting the diverse information needs of stakeholders, particularly large donors. There is a need for key financial and non-financial information to be reported. For example, interviewees highlighted the need for COs to report on information that speaks to their credibility; their outputs, outcomes and impacts; and what Corporate Social Responsibility initiatives their organisation is well aligned to. These information requirements are not satisfied by traditional financial statements, driving the need for the creation of a tailor-made reporting framework. While not the objective of this study, the thesis makes an additional contribution by providing an example of what such a standardised reporting framework could look like to inspire and accelerate future research in this area.

Keywords:

Charitable Organisations, NGOs, external reporting framework, transparency, accountability, credibility.

1. Introduction

Non-government organisations (NGOs) and Charitable Organisations (COs) are not-for-profit organisations that conduct their activities independently from governments. NGOs have specific social or environmental causes that they seek to address (Cordery et al., 2019). For example, to protect animals (SPCA), wildlife (WWF), and orphans (Childline SA). The number of NGOs is increasing, encouraged by an increasingly active and vocal civil society and insufficient government interventions to meet the environmental and social needs of a country (Gazzola et al., 2021). NGOs are left to service the needs that were once satisfied by the state (Unerman and O'Dwyer, 2006).

Accounting research has been focused on the corporate sector, where financial metrics are the key performance indicators of success (Georgiou and Jack, 2011; Cordery et al., 2019). As NGOs do not have a financial motive, the existing reporting frameworks are not well-suited for NGO external reporting and decision-making (Cordery et al., 2019). For instance, accounting for revenue[1] and determining the net profit of an NGO is less relevant compared to for-profit companies as NGOs' goal are to optimise the use of donated funds to achieve their social or environmental goals. This means that having no financial profit but achieving the goals for that year may be a good indicator of success. Financial statements do not cater to providing relevant financial and non-financial information about NGOs' performance. In addition, what is not currently well understood is what constitutes useful and relevant information about NGOs. For instance, how should NGOs report on their performance towards meeting their goals and how efficiently they have been achieved (Gray et al., 2006)? This problem is exacerbated when donors wish to compare NGOs to determine whom to fund because there is no standard NGO reporting framework (Saxton and Guo, 2011; Gazzola et al., 2021). Finally, the sheer diversity of NGOs means creating a single acceptable framework for all NGOs is difficult, requiring tailored research to ensure the nuances of NGOs are understood and incorporated into reporting frameworks (Gray et al., 2006).

The challenges around NGO reporting may explain the lack of existing research and the availability of reporting frameworks (Gazzola et al., 2021). This under-researched area is important and must be investigated (Lehman, 2007). To this end, this thesis uses semi-structured, open-ended interviews to obtain insights into the current reporting environment of

[1] Revenue is defined by International Financial Reporting Standards (IFRS) as arising when a customer contracts to obtain the ordinary output (goods or services) of an entity in exchange for consideration (Tong, 2014). In an NGO context, the customer who obtains the NGO's services does not pay for them. It is paid for by donors who do not receive any NGO goods or services. It is unlikely that donations will meet the definition of revenue under IFRS.

NGOs, as well as to gain an understating of what useful information users would want when considering funding NGOs and determining the performance of NGOs.

1.1 Problem statement

Currently, no generally accepted reporting framework for COs exists to prepare and present useful information to users. This reduces users' ability to determine the performance and efficiency of COs and consequently which CO to support (Cordery et al., 2019).

1.2 Purpose of the study

This study has two purposes. Firstly, it aims to obtain a detailed understanding of existing animal-welfare-related CO reporting environments. This includes the challenges faced when preparing reports. Secondly, the thesis aims to discover what "useful" information is in the context of animal-specific COs. This will be useful for future research to prepare frameworks tailored to COs.

1.3 Research question

1. How can animal-related COs improve their external reporting?
   To address this question, the following themes will be explored:

1.1. What are the current reporting practices of COs?
1.2. Who are the principal users of animal-related CO reports?
1.3. Is external reporting important for COs?
1.4. What challenges do COs face when preparing external reports?
1.5. What constitutes useful information for the primary users of animal-related COs reports?

1.4 Assumptions, limitations and delimitations

This research relies on qualitative data. Controls were put in place to reduce threats to validity and reliability, but these cannot be eliminated (see Section 3). Consequently, the study assumes that the responses provided by interviewees were truthful and complete.

Due to the diversity that exists in CO operations, this thesis focuses on animal-related charitable organisations. While some interviewees are stakeholders of other types of charitable organisations to obtain a broader understanding of CO reporting, interviewing a meaningful sample of stakeholders from every charitable sector is beyond the scope of a single master thesis and informed the delimitation to focus on animal-related charitable organisations

The thesis is concerned with general-purpose external reporting by COs. The thesis is not focused on financial accounting and annual financial statements. As a result, detailed technical accounting is not addressed in this thesis, but some references are made to common financial accounting figures and metrics.Finally, while interviewees have both local and international experience, caution should be used when generalising the findings to other jurisdictions.

1.5 Significance of the study

Little research exists about the external reporting practices of COs. The results begin to address this gap by assisting COs, donors, regulators, and future researchers to:

- Identify the potential users of general-purpose external reports published by COs;
- Understand the information needs of donors;
- Understand the advantages and disadvantages of having a single general-purpose reporting framework or sector-specific frameworks;
- Construct general-purpose reporting frameworks that are tailored for COs both locally and internationally;
- Compare and contrast COs both within the same sector and across different sectors; and
- Improve decision-making about entering into a partnership with COs and providing financial and non-financial support to COs.

The remainder of this thesis is structured as follows. Section 2 provides the theoretical framework whose principles are used to inform the results. It also provides a broad overview of the literature available concerning COs and the limited research that currently exists in this area. Section 3 details the method followed while Section 4 presents the results. Section 5 provides areas for future research and conclusions. Finally, Appendix 7.1 and 7.2 provide a draft general-purpose reporting framework tailored to CO based on the results.

2. Literature review

Accounting research has focused on the corporate sector, where the reports are designed to illustrate profits and performance based on mixed measurement bases (Georgiou and Jack, 2011; Cordery et al., 2019). However, non-government organisations (COs) are a growing trend that is encouraged by civil society (Gazzola et al., 2021).

The current literature investigates why there are ever-increasing numbers of COs and aims to understand how an organisation is defined as a CO. Consideration is given to how the current literature analyses the evolution of accounting and users' information needs to comprehend why these standards have created a challenging environment for COs. The literature explores who the users or stakeholders of the reports generated by COs might be and what it means for a CO to be accountable or to be considered credible. The literature mentions COs moving more toward sustainability reporting as a result of the lack of an appropriately applicable reporting framework. There is a requirement for transparent and useful information for COs to create and maintain credibility (Gray et al., 2006).

The difficulty lies in the performance measurements of COs since they are not profit-driven, resulting in the production of various reports that are either focused on social and environmental factors or only on financial results that are not particularly useful (Gray et al., 2006). This lack of disclosure of sufficiently useful information has an impact on the funding and credibility of COs (Gazzola et al., 2021). CO accounting and accountability is not only a problem for CO practitioners but also causes concern for policymakers (Cordery et al., 2019).

Currently, animal-related charitable organizations in South Africa often rely on reporting frameworks designed for for-profit entities, such as the International Financial Reporting Standards (IFRS) or IFRS for Small and Medium-sized Enterprises (SMEs). These frameworks, while comprehensive for for-profit entities, are not fully suited to the unique operational and reporting needs of NGOs. As a result, many NGOs supplement their financial statements with customised reports tailored to meet the specific requirements of donors (Cordery et al., 2019). The lack of a standardised framework tailored to NGOs results in inconsistencies in how the impact is reported, making it challenging for stakeholders to assess the true effectiveness and transparency of these organizations. This further highlights the need for a more suitable and cohesive reporting framework specifically designed for NGOs, which can provide both financial transparency and clear insights into their societal impact

2.1 Theoretical framework: The principal-agent theory

The concept of accounting was historically aimed to address the principal-agent problem. The investor is the principal who gives stewardship over resources to an agent (Murphy and O'Connell, 2013). The agent must conduct the principal's mandate and bear an account of that stewardship to the principal for judgment. In this way, agents are held accountable for their actions, inactions, and performance. In addition, one agent's performance can be compared to other agents' performance, to determine benchmark performances and is used to reward or punish agents. This mechanism is accepted as reducing agency costs, being the potential cost incurred when agents do not act in the best interests of their principal (Whittington, 2008; Murphy and O'Connell, 2013).

While COs provide a slightly different context, where donors do not receive returns from their investments, the principles of principal-agent theory still hold. The theory would be useful in understanding what information is useful to donors when providing resources to a CO. Donors must be able to satisfy themselves with the performance and stewardship of donated funds by agents before they will consider continuing their funding (Hielscher et al., 2017). As a result, donors need information that they can use to determine performance, benchmark agents, and determine where they should allocate their capital. Reporting in similar ways to for-profit entities is at present one of the best means to satisfy this need. Agency theory will be used to determine what is useful information in the context of COs.

2.2 Defining and categorising COs

COs operate privately and separately from governments and organise their operations and activities around a predetermined special purpose (Gray et al., 2006). COs are often described by what they are not, instead of what they are (Cordery et al., 2019). The broader definitions of a CO include charities that are registered with local authorities in the country in which they operate and comply with the legal requirements of being a CO. It also includes the charities that are not registered with the appropriate authorities such as private social organisations such as charities, civil society organisations, social enterprises, and service clubs.

Henriques (2001, p. 40) describes civil societies as "informal groupings and movements and voluntary organisations of all kinds". Henriques (2001) discusses how communities can be split into one of three main groupings: public sector, private corporations, and civil society. The public and private sectors are both types of civil society that have grown and independent from

civil society, requiring a new category of civil society specifically for COs. Lehman (2007) highlights that one of the defining elements of a CO is the act of voluntarism and selflessness. COs are organisations that are based on values and are dependent on donations and acts of kindness (Lehman, 2007).

Whether an entity meets the definition of a CO, is an apparent concern throughout the literature. It is important to note that not all charities are COs and not all COs are charities (Cordery et al., 2019). Gray et al. (2006) warn that certain entities hide a business agenda under the cover of CO credibility. Cordery et al. (2019) further explain that entities can be scoped into the category of a CO in terms of a legal definition, the way they fund their operations or even the activities they undertake. Unerman and O'Dwyer (2006) mention that the definitions of COs often get contested and that COs can either be defined by their boundaries or their legalistic approach. Where COs are defined by their boundaries, it is seen to move into spaces once occupied by the state, such as welfare. Where the CO is defined as such by law, it is often powerful businesses that are camouflaged as COs. They offer the International Federation of Accountants (IFAC) as an example. Unerman and O'Dwyer (2006) note that if the classification of COs is to be based on the activities of the CO, it would require a definition that could accurately characterise these activities. Gray et al. (2006) mention four categories of COs: new public management, corporatisation, social capital, and activism.

The activities that COs undertake on behalf of the state include acting in the interests of the poor, protecting the vulnerable, bringing relief during times of strife or natural disasters, and other social services. Other examples of these activities include welfare, building irrigation, agricultural and educational infrastructure, providing emergency services and medical aid, assisting people with disabilities, providing the poor with food and shelter, or assisting the unemployed. Another kind of activity that COs can undertake is campaigning and advocacy which promotes certain interests and awareness like greater environmental protection (Unerman and O'Dwyer, 2006).

2.3 Understanding the increased number of COs emerging

Gray et al. (2006) explain that the increase in poverty and social needs, particularly in developing economies such as South Africa, has led to an increase in COs. Gray et al. (2006) elaborate on the idea that COs are becoming more apparent as states are alienating themselves from civil society. The state is withdrawing from matters it used to undertake, in support of the neoliberal agenda (Gray et al., 2006).

Zhang and Andrew (2014) explain neoliberalism as the way that markets are opened to free trade by limiting government involvement through tax reductions. The role of COs is becoming increasingly important as governments cut spending on social endeavours leaving some members of civil society vulnerable (Cabedo et al., 2018). Zhang and Andrew (2014) argue that the neoliberal agenda is in the public interest as the optimal social and economic conditions can be achieved through free markets. However, this leaves a void of services that were once met by the governments. This void is being filled by civil society in the form of increased social movements in all forms. COs are attempting to create organisations that could serve the needs that the state once served.

Lehman (2007) investigates the role of the CO in civil society to determine if the objectives of social accounting could be achieved. The objectives of social accounting are identified as communicating to the users, how the voids left by the state are filled, as the prominence of COs rises. Lehman (2007) explains how there is great reliance on profit-driven, decision-usefulness, and economic thinking. This thinking forces down structures of capitalism, leaving COs trapped to report in the same way as corporate entities. Gazzola et al. (2021) discuss how civil society in Italy is urged to commit a portion of their income to COs by allowing tax deductions. Citizens can choose to donate to charities, universities, social services, and more.

As a result of factors within politics and economics, such as globalisation and the neoliberal movement, the definition, and roles of COs in civil society are undecided. This has led to the accounting and accountability research in the area of COs being under-theorised and COs being unregulated (Lehman, 2007). Despite this, COs have managed to provide supplementary information to their stakeholders, including new voices in the public sphere, and encourage entities to communicate in new ways, such as social and environmental or sustainability reporting (Lehman, 2007).

2.4 Accounting evolution

Accounting research has in the past been focused on corporate profit-seeking organisations (Gray et al., 2006). These entities are concerned with performance measures that can give the users of the financial information the ability to assess management's effective use of the resources as well as enable capital providers the ability to make investment decisions (IASB,

2018)[2]. The focus of this information is mostly financial. The existing accounting standards seem to favour the needs of primary users of financial statements, which are identified as investors and lenders, to increase the usefulness and relevance of the financial reporting information for these stakeholders (Bengtsson, 2011).

An understanding of the users of financial statements is required to determine the information that would be useful to these users. Historically, accounting has been described as recordkeeping to hold management accountable (Carruthers, 1995). Management acts as an agent for shareholders and creditors (Whittington, 2008). To judge the agent, their actions are recorded for later scrutiny by the principal. This is often referred to as "stewardship responsibility" (Murphy and O'Connell, 2013, p. 79). Stewardship relies on historical cost accounting and backwards-looking information to prepare financial statements. Information under this paradigm is expected to be reasonable, dependable, and verifiable (Georgiou and Jack, 2011). Prudence or conservatism is exercised in the preparation of financial information and the information is specific to the entity (Zhang and Andrew, 2014).

In contrast to the above, "neoliberalism advances policies of deregulation" (Zhang and Andrew, 2014, p. 19). Neoliberalists are of the view that government involvement in markets should be eliminated to allow supply and demand in free markets to determine fair values of assets and liabilities. This requires forward-looking information to ensure maximum returns, turning accountants into "predictive scientists" (Ravenscroft and Williams, 2009, p. 146). The decisions that are important under this approach, are those of the capital providers.

Stewardship continues to exist through a "living law" (Murphy and O'Connell, 2013). Murphy and O'Connell (2013) discuss the evolution of accounting and the changes in the Conceptual Framework for Financial Reporting (IASB, 2018) that supports the neoliberal accounting view as previously noted and adds that stewardship logic will still be applied as a result of "habit" or an "[u]written rule" (Murphy and O'Connell, 2013, p. 75, 77). Ravenscroft and Williams (2009, p. 770) support this idea when they describe stewardship as the age-old "root metaphor" of accounting. Murphy and O'Connell (2013) encourage that more importance should be placed on stewardship accounting as it includes an entity's social accountability as a "living law" and encourages behaviour that is socially and environmentally responsible. This is reinforced by the "growing social trends of sustainability reporting practices" as described by (Gazzola et al., 2021, p. 2).

[2] IASB (International Accounting Standards Board)

For CO external reporting to be considered useful to the users of the reports, the reporting would need to align more closely with stewardship logic rather than neoliberalism.

2.5 Challenges facing COs in determining useful information.

The most important objective of not-for-profit entities is accountability as it reflects their contribution to the good that they do in society (Lehman, 2007). Providing meaningful information to a wide range of users becomes challenging (Ištvánfyová and Mejzlík, 2010). The International Accounting Standards Board (IASB) is in the process of producing a single set of accounting standards for for-profit entities to be accepted all over the world (Bushman and Smith, 2003). The problem that COs face is that the current financial reporting standards that guide reporting do not enable COs to report information that effectively highlights their functions as these standards were designed to fulfil the requirements of for-profit corporates (Gazzola et al., 2021).

The unique characteristics of COs, such as their legal status, financial requirements, and social values and purpose, complicate the debates about how to measure their effectiveness (Sowa et al., 2004). Currently, COs produce formal reports that are in line with existing financial reporting standards. The purpose of producing reports according to the financial reporting standards, is to remain credible and trustworthy to continue with their purpose. These accounts have been found insufficient to produce the information required by the stakeholders including funders, and beneficiaries among other users. COs are left having to report ongoing additional informal reports that are customised to each user and include other voluntary disclosures (Cordery et al., 2019).

Stakeholders, including funders, beneficiaries, and governments, expect the social impacts of COs to be expressed by demanding disclosure about the entity's use of resources (Costa and Pesci, 2016). Cabedo et al. (2018) explain that information regarding the actual activities of a CO needs to be communicated to create social value and be seen as credible by society. Cabedo et al. (2018) add that the fact that information is often voluntarily disclosed could impact the reliability of the information as only the information that COs would like to be held accountable for could be reported. The completeness of this information cannot be guaranteed. Keating and Thrandardottir (2017) discuss the possibility that these costly practices involved in implementing accountability, including having financial reports audited and reporting online, may even have the opposite of the desired effect of credibility.

Henriques (2001) suggests that an audit of the financial performance of these COs may not adequately convey the social performance of the organisation. Gray (2000) highlights that the auditors have a growing responsibility toward this information but cannot always comment on the completeness of the information contained in those reports. He adds that auditors and accountants have a special skill set that they acquire as a requirement to be a part of various accounting bodies. The individuals and firms who perform social audits do not have the skills to enable them to verify social and environmental accounts effectively (Gray, 2000).

Unerman and O'Dwyer (2006) explain that different donors have different reporting requirements. COs often mention high-profile donors or appoint more expensive global audit firms to maintain a perception of credibility and the benefits that go along with it such as increased funding. The resources that are expended during the financial reporting process are not only financial but also the loss of time of scarce human resources, adding to the research constraints that COs experience due to donor funding (Bushman and Smith, 2003).

Gazzola et al. (2021) discuss the importance of transparency in the information that non-profit organisations report. Transparency is explained as information that is relevant and reliable, widely available, and includes aspects such as risk, performance, value, opportunities, and governance amongst others (Bushman and Smith, 2003). Organisations report transparently when they prepare information that is presented to parties external to the organisation regarding matters of public concern (Parsons, 2019). Cordery et al. (2019) discuss the main themes of information that COs are held accountable for, including regulation, financing, governance structure, purpose, and the activities they undertake.

COs register with regulators and have costly reporting requirements to receive tax benefits and to appear more credible, but these reports are considered insufficient to discharge COs' accountability responsibilities (Cordery et al., 2019). The reporting standards that require corporate reports do not satisfy all these themes and it becomes clear that COs may need a set of standards or specific guidelines for accounting and accountability reporting that can effectively portray their performance (Cordery et al., 2019). The issue that COs are faced with is that their performance cannot be expressed in the same way as for-profit entities. Most COs have a special purpose and instead of tracking profits, they are measured by how they use their resources, financial and non-financial, to achieve their special purpose. These purposes and actions cannot always be quantified or captured in financial terms (Cordery et al., 2019).

The activity itself may be the account of that action which is not always measurable or comparable (Gray et al., 2006).

2.6 Users of CO financial reports

Under the Conceptual Framework for Financial Reporting, (IASB, 2018) the objective of financial accounting is described as providing information that is useful to the users in making decisions relating to the resources of the entity. The users are identified as the existing and potential investors, lenders, and creditors. The framework was reviewed and updated to specifically exclude stewardship and identify the users of general-purpose financial statements to only include the capital providers (IASB, 2018). This update could be indicative of the change in accounting standards moving away from stewardship logic and being more supportive of the neoliberal accounting view. This amendment drew a strong negative response from those who are supportive of stewardship. Whittington (2008, p. 141) described this as a “bold step”.

The IASB (2018) identifies the users as the capital providers. This impacts the type of information that is considered useful. To the investor, forward-looking information that can assist the user in deciding whether to buy, sell, or hold debt or equity instruments, is considered useful (IASB, 2018). Murphy and O’Connell (2013) argue that the change in the classification of the users in the IASB (2018) undermines the idea that financial reporting has a responsibility to anyone other than investors and impacts what the user finds “useful”. By excluding other users and placing less importance on stewardship, corporates may become less inclined to include social and environmental accounting, sustainability reports, or use historic cost accounting measurement basis as this information may not be useful to the parties that allocate capital (Murphy and O’Connell, 2013).

Information is considered useful under a neoliberal stance when it is relevant in the decisions that drive maximum returns on investment. COs do not have the goal of making profits, but surplus funds could be available. These surpluses are not distributed to the investors but rather reinvested into the activities that relate to the organisation’s purpose (Gazzola et al., 2021). This fundamental difference between for-profit businesses, impacts who is considered the user and what information is considered useful to those users. In COs, donors require evidence that is not only financial or quantitative but also qualitative, that their contributions have assisted in meeting the goals and purpose of the organisation (Gazzola et al., 2021).

COs have also in the past accepted the principal-agent framework to provide insights into what they are accountable for and to whom they are accountable (Hielscher et al., 2017).

However, this framework is limited to the relationship that exists between the CO and donor/funders and neglects other stakeholder groups (Hielscher et al., 2017). Cabedo et al. (2018) highlight that COs have a moral obligation to satisfy the information needs of all the stakeholder groups including donors, beneficiaries, parties related to beneficiaries, volunteers, and staff. However, a study conducted by Striebing (2017), found that voluntary transparency and supply of information are driven not by the demand of the stakeholders but are a result of professional management. The study does acknowledge that without transparent disclosure to stakeholders, COs are less likely to be effective in achieving their goals and serving their purpose (Striebing, 2017).

2.7 CO accountability

COs have in the past been involved in scandals involving fraud and the misappropriation of funds, placing at risk the reputation of the entire CO sector. COs have since widely accepted accountability to address the issue of credibility (Hielscher et al., 2017). Gray et al. (2006) explain that COs have no bottom line, and their performance cannot be measured as a result. COs have less financial accountability imposed on them. If the role of COs cannot be agreed upon, it becomes more difficult to evaluate the effectiveness of the performance of the CO (Lehman, 2007). However, civil society demands CO accountability (Costa and Pesci, 2016).

Hielscher et al. (2017) discuss the idea of accountability relating to a stakeholder theory which includes the right to demand reports that are predominantly concerned with financial resources. The idea of “moral accountability” is introduced to account for COs’ behaviour, especially when their actions conflict with their special purpose. When referring to accountability, the broader concept of “moral accountability” should be intended (Hielscher et al., 2017, p. 1567). Gray et al. (2006) note that lists of criteria have already been developed for COs to which they are held accountable, but requiring all COs to address all the issues raises another concern. It would not be practical and would only support the neoliberal agenda.

A formal procedure may be counterproductive and unnecessary, and the cost versus benefit needs to be determined. Reporting by COs should be driven by morality, performance, political space, and wider democratisation. Accounting and accountability in a CO will depend on the type of CO (Gray et al., 2006). Those that require COs to be held accountable and require

COs to report transparently include the media, the public, the state, funders, beneficiaries, auditors, regulators and policy setters, and communities in which they operate (Unerman and O'Dwyer, 2006).

Two dimensions of accounting exist. Accounting for finances means keeping records and reports on the use and allocation of financial resources and dealing with laws, rules, regulations, policies, and procedures. Accounting for performance, however, is at the core of CO accountability and the reporting involves demonstrating performance through the tracking of predetermined targets and goals and focuses on measuring achievements to the targets and goals set out. A CO's purpose resonates strongly with that of accounting for its actions rather than its finances as it links its promises to its actions (Saxton and Guo, 2011). Transparency forms the crux of the accountability relationship (Striebing, 2017). The idea of accountability for COs should incorporate ideas of transparency, involvement, and responsibility (Hielscher et al., 2017).

Sowa et al. (2004) propose a multidimensional integrated model to measure organisational effectiveness. The model investigates principles that aim to find the appropriate criteria to measure the effectiveness of the management and programs within the organisation. A multidimensional and integrated model of non-profit organisational effectiveness (MIMNOE) values internal and external focus as well as finding a balance between means and ends by aiming to capture more than one dimension of the organisation. Managers' effectiveness is assessed by judging their capacity in terms of processes and structures for example financial results and human resource systems. Management outcomes are measured by assessing how well the capacity works in terms of revenue stability and surplus funds for example.

Program capacity is concerned with transforming inputs into outputs and measures how the programs impact the lives of those they serve. Program outcomes capture the degree to which the program capacity achieves its purposes and can be measured by client satisfaction surveys (Sowa et al., 2004). Similarly, Cabedo et al. (2018) introduces the concept of an index that could measure transparency, identify areas that require improvement, and most importantly create a comparable measure between entities. This index considers three main dimensions: financial, technical, and scope. This would provide information that describes the projects, analyses the financial information, and examines the results achieved. This index can simplify the otherwise complicated information and create a comparable measurement. Although an index such as the one described by Cabedo et al. (2018) has its limitations, it creates a starting block to examine information reported by COs about their activities and

projects enables decision-making, and provides the information required by the external stakeholders.

Saxton and Guo (2011) propose an index involving two dimensions. The two key dimensions identified are disclosure and dialogue. Disclosure can be described as transparent information provided regarding the accounting for finances or accounting for performance. Dialogue is seen as requesting interactive engagement with the stakeholders and soliciting stakeholder input. There is an overwhelming need to involve stakeholders in the decision-making process as a significant part of organisational accountability (Saxton and Guo, 2011).

2.8 Addressing the challenges of CO reporting

Gazzola et al. (2021) highlight the social and monetary rewards of sustainability reporting for COs and note that increasing sustainability measures results in more accountability and a competitive environment in which COs are seen more credibly. There are several benefits of sustainability reporting for COs. These benefits include improving the COs reputation by building credibility and gaining the trust of stakeholders through open communication and transparency.

COs have a responsibility to not only maintain, but improve the communities in which they operate, socially, economically, and environmentally. COs damage their credibility when they report irrelevant information (Gazzola et al., 2021). Sustainability reporting plays a key role in attracting and maintaining the desired employees, volunteers, and donors. Many young professionals aspire to be employed by only the most elite COs as this could make their services more desirable when pursuing employment opportunities in the future. It also creates an opportunity for open communication around corporate social responsibilities and empowerment. Lastly, Gazzola et al. (2021) note that these practices can assist in internal governance, risk assessments, and ethical behaviours. The benefits that are described and discussed here clearly identify that donors, funders, or investors are not the only users of the reports generated by COs. Clients, employees, communities, and governing bodies all require certain information and are identified as users of the reports produced by COs. It is for this reason that many COs publish additional voluntary sustainability reports that are compiled with high levels of transparency (Gazzola et al., 2021).

In reviewing the existing literature, it becomes apparent that there is a notable absence of direct mention regarding the outlook statement by report preparers or management. However,

upon reflection, it bears a resemblance to certain aspects of sustainability reporting. While not explicitly addressed, the concept of providing stakeholders with forward-looking insights aligns with the broader principles of transparency and accountability found in sustainability reporting frameworks.

2.9 Exploring social/environmental accounting and/or auditing

Gray (2000) discusses the requirement for information to be reliable as well as to develop transparency and accountability as a crucial part of social accounting. Henriques (2001) proposes social audits be implemented in all entities, not only COs. He explains social audits as a requirement because corporations have become overly concerned with share price performance and care very little about their social performance. Social accounting enables entities to measure their social and environmental performances against their objectives to assess the true impact of their activities on their stakeholders.

Social audits are seen as a process where an organisation accounts for its social performance, reports on it, and has the reporting audited similarly to the reporting and auditing of financial reporting (Henriques, 2001). Social auditing identifies stakeholders as any party that can affect or be affected by an organisation including; the environment, employees, funders, retailers, pressure groups, and others.

The Institute of Social and Ethical Accountability was formed by consultants, COs, and companies and released a standard called AA1000: AccountAbility to guide the process of social auditing (Henriques, 2001). When compiling a social and environmental report and auditing the report, Gray (2000) identifies the objective of the report as well as the completeness of the report as the two most important factors that need clarification. He implies that the report is either meant to achieve management objectives or satisfy some demand for accountability and the user of the report often assumes that information in such reports is transparent and complete. The auditors hardly ever comment on the completeness of the social and environmental information in any sustainability reporting (Gray, 2000).

COs have tried to create activities that could fulfil their purpose in civil societies to transform the world. Social accounting is seen as the attempt to create an accountable and autonomous public realm where these activities could be explained. This kind of accountability creates a platform for COs to initiate a way of thinking that accounts for, and reports on, the essence of honesty and openness (Lehman, 2007). Some measurement models have been proposed to

measure CO performance and effectiveness based on internal factors such as the goals or purpose of the organisation. Other models focus on inputs that can ensure the survival of the organisation (Sowa et al., 2004). When social and environmental accounting and auditing are further explored it is found that a fundamental element of a well-functioning democracy is the appeal of social, environmental, and sustainability reporting. It is assumed that civil societies yearn for a sustainable future and want to discover a way of living that is less exploitative of the environment and more at peace in its relationship with nature. The need for sustainability reporting is an important mechanism that directs social and economic organisation (Gray, 2000).

Social accounting would be seen as a record of all the activities and interactions that an organisation has with its environment, communities, employees, and other stakeholders that include a combination of financial and non-financial, qualitative information to discharge management accountability to its stakeholders (Gray, 2000). Social accounting and auditing have increased significantly among COs to assist with producing reports that could address the pressures that they experience from external stakeholders. The purpose of social accounting address the issues relating to the balance of power and responsibility, empowering the stakeholders, and creating accountability (Gray, 2000).

2.10 Internet-based discharge of accountability

COs are increasingly making use of the Internet to discharge accountability. A study conducted by Saxton and Guo (2011) found that asset size and board performance are the factors that play the largest role in whether the CO uses the Internet for accountability practices and does so efficiently. In a survey conducted by KPMG in 2010, it was found that in Germany only 13 percent of COs produced annual reports, and only 9 percent made these reports accessible on the Internet (Striebing, 2017).

Digital reporting is important for many stakeholders and specifically donors use the internet to find COs to donate to (Gazzola et al., 2021). Cabedo et al. (2018) acknowledge web-based transparency and reporting as another beneficial line of research and highlight how reporting via the Internet could give a CO a competitive advantage which enables donors to be actively involved through relatively low cost and simple accessibility. Internet-based communications are becoming a standard part of our routine life (Parsons, 2019). Saxton and Guo (2011) identify four factors that impact whether a CO practices CO accountability. These factors include 1) the degree to which the CO focuses its strategy on certain stakeholder groups or

geographic areas 2) whether it can sustain the projects that align with its strategy about the use of technology 3) the level of governance and 4) the extent to which the stakeholders accepts or requests internet-based accountability practices.

The research suggests that COs are underutilising the use of internet-based accountability practices to engage with the stakeholders and as a result failing to use this mechanism to incorporate their needs, demands, and preferences (Saxton and Guo, 2011).

2.11 Impacts of CO reporting on funding of CO activities

Gazzola et al. (2021) suggest that the reporting practices cause a lack of information disclosures by COs and that this directly impacts the funding sources of these COs.

COs depend greatly on the resources provided to them by others to achieve their special purpose (Cordery et al., 2019). As CO funding depends on donors, it is often volatile. This explains why many COs choose to voluntarily disclose information that could enhance their social image (Cabedo et al., 2018). Hielscher et al. (2017) acknowledge the CO's funding problems by referring to the principal-agent framework as the core reason why COs report to donors and explain that the agent needs to indicate to the principal that they have been using the resources appropriately. Gray et al. (2006) highlight how distinct beneficiaries are from donors, that they have no means by which they can enforce any kind of accountability and continue to identify four main demands that result in COs having enhanced levels of accountability when compared to corporates. These demands include external regulatory compliance, governance and management within the organisation, stakeholder engagements, and demonstrating the delivery of purpose.

Cordery et al. (2019) discuss the importance of balancing the interests of funders and beneficiaries by reporting the purpose of the CO. The power of donors can act against the development of accountability toward beneficiaries or facilitate greater stakeholders' accountability. Gray et al. (2006) warn that COs are often impacted heavily by their donors to the point where they become like the bodies that they are attracting funding from instead of the societies they seek to draw credibility from or aim to represent. This argument is supported by (Lehman, 2007) when he warns that COs have become vulnerable and are at risk of being captured by entities that are motivated by profits. This impacts the demands for accountability, for example, entities that are represented and staffed by a business and funded by the business that is classified as a CO. Gray et al. (2006) continue that COs walk a fine line

between getting too close to funding bodies, states, and corporations that could pose a risk to their independence and credibility while struggling to financially survive. As a result of the pressures and different requirements from stakeholders, COs have found alternative reports that get produced with far less focus on the bottom line. These reports often have social and environmental reports as their primary focus (Gray et al., 2006). Donors can openly impact CO corporate reporting by influencing the critical resources required by these entities. Yet within COs, there appears to be a commitment to producing reports that are substantively accountable rather than procedural accountability (Cordery et al., 2019). An exploratory study by Behn et al. (2010) found that COs are more likely to disclose their audited financial information and other voluntary transparency disclosures if the entity has higher levels of debt, a higher compensation expense ratio, or a larger organisation.

In contrast to some of the literature that has already been investigated, Keating and Thrandardottir (2017) discuss how encouraging the accountability agenda could have the opposite of the desired effect on donors. The accountability agenda came about after the CO sector experienced a crisis of trustworthiness; most COs responded with a heightened emphasis on accountability measures. One of the most central aims of the accountability agenda is thus increased oversight and transparency leading to trust by the stakeholders. However, Keating and Thrandardottir (2017) illustrate how this purpose is undermined as a strong social component of trust is ignored. People are likely to see COs as trustworthy, even when there are complications from time to time. This supports the social trust theory based on donors and COs working towards the same purpose (Keating and Thrandardottir, 2017).

2.12 Suggestions from the literature for future research

The reports produced by COs are often used for more than one purpose and this results in reports that may be sufficient for regulators but not fulfil the requirements of other stakeholders (Cordery et al., 2019). Cordery et al. (2019) invites future research to focus on the accounting and accountability challenges experienced by COs and how they vary depending on the context and purpose of the activities. Unerman and O'Dwyer (2006) suggest that a single set of accountability mechanisms will not be able to suit all COs and encourage flexibility and informal accountability. Gray et al. (2006) suggest that the core of CO accountability is rooted in the closeness of the relationship of the CO with its stakeholders.

Where a CO interacts daily or frequently with its stakeholders, more informal reporting may be acceptable. In larger COs where there is limited interaction and closeness with the

stakeholders, formal reports may become a requirement (Gray et al., 2006). If the required accountability mechanisms are not implemented, it may threaten the credibility of COs (Unerman and O'Dwyer, 2006). However, Gazzola et al. (2021) believe that it would be appropriate for an information process to be established that incorporates the social nature of all the aspects of COs addressing all stakeholders. Gray (2000) discusses the layers that he identifies as the information that would be required for each stakeholder relationship for an entity to effectively discharge accountability and this includes descriptive information, including numbers, amounts, terms of contracts, etc; society defined, including the information that is required plus any additional reports that performance against laws, codes of conduct; company defined, including information that the company believes is important to disclose related to their values, purpose or mission statement; stakeholder defined, including information that the stakeholder group believes the company is owed to them. Sowa et al. (2004) suggest the approach of investigating the implementation of MIMNOE that is structured yet flexible and driven by the activities and goals of the organisation.

Lehman (2007) argues that the reform of accounting systems and accountability will not successfully take place in the short term and proposes that the accountability process should be re-theorised to guide the practice and challenges of modern civil society. Saxton and Guo (2011) encourage the use of internet-based technologies to successfully demonstrate accountability.

Future researchers are also encouraged to investigate the relationships between the information that is disclosed by an entity and the outcome variables (Cabedo et al., 2018). Striebing (2017) suggests that future researchers should investigate whether voluntary transparent disclosure has an impact on performance and organisational effectiveness and adds that if COs have the option of voluntarily disclosing information, a gap will persist. Society has an interest in the activities of COs and transparency can most efficiently be promoted if mandated by the state (Striebing, 2017).

This research focuses on animal-related COs, a sector that, like other nonprofit categories, faces distinct operational challenges and funding mechanisms (Gazzola et al., 2021). Attempting to analyze all types of COs within a single study would be impractical, as each category has distinct reporting requirements, funding structures, and stakeholder expectations (Lehman, 2007). Furthermore, the decision to concentrate on animal-related NGOs is informed by the current landscape of available data, which tends to be more robust in this specific area. By including insights from stakeholders of various COs, the study aims to

provide a broader understanding of reporting practices, and the unique challenges encountered in the animal welfare sector. This focus not only addresses the pressing need for tailored reporting frameworks but also contributes to the growing discourse surrounding transparency and accountability in the nonprofit sector.

2.13 Conclusion

To understand the information needs of users of the reports of animal-related COs, the literature starts by assessing what entities can be classified as COs by analysing in detail what the various definitions of COs might be. The literature acknowledges that multiple definitions can include an organisation in the class of COs but the overwhelming majority of research accepts that regardless of the legal status of the entity, the entity can be assumed to be a CO if the activities that they undertake have a special purpose in support of public good (Unerman and O'Dwyer, 2006). The literature also examines the increase in the number of COs that are emerging and finds that the alienation of the state in certain welfare activities is leaving a gap that is filled by civil society of which COs are an important part (Gray et al., 2006). The neoliberal agenda in support of free markets is seen to be a cause for the state to withdraw from these activities (Gray et al., 2006).

In the history of accounting, research and standard setters have been focused on private corporations seeking profits (Gray et al., 2006) leaving the reporting space of COs, under-researched. The IASB (2018) defines what information is useful to the users of reports and identifies the users as the providers of capital. The exclusion of users other than capital providers results in reporting that may not encourage sustainability and social and environmental accounting and reporting (Murphy and O'Connell, 2013).

This brings the literature to an investigation of the challenges that COs are faced with when reporting. Financial accounting is only one aspect of a far more complex information system (Bushman and Smith, 2003). The current reporting guidelines available to COs are seen to be inappropriate as these organisations are not-for-profit and their performance cannot be expressed through these reporting requirements. This leaves COs in a position where it is difficult to maintain credibility if they do not produce voluntary, customised reports that are required by stakeholders (Gazzola et al., 2021). The various stakeholders of COs are identified as donors/funders, communities, employees, beneficiaries, governing bodies, the media, policy setters, and any other parties that are affected by or affect the CO (Henriques, 2001; Unerman and O'Dwyer, 2006).

The literature explores the importance of incorporating sustainability reporting into the standard reporting requirements of COs and investigates what social reporting and auditing for the CO means (Gray, 2000; Henriques, 2001). The literature also considers the use of the Internet to discharge accountability and how the incorporation of sustainability accounting impacts the CO's ability to gain access to funding by maintaining credibility through transparency (Saxton and Guo, 2011; Gazzola et al., 2021).

Future researchers are encouraged to focus on the accounting and accountability challenges experienced by COs and how these challenges may be impacted considering the context and purpose of the activities. Some literature suggests that a single set of rules or guidelines will not assist the challenges the COs face and puts forward the notion of flexible and informal reports (Unerman and O'Dwyer, 2006). Another point of view is that an information process should be put forward that incorporates every possible aspect of the social accounting that COs might be faced with (Gazzola et al., 2021). The literature lacks an investigation that identifies the stakeholders of the CO, their information needs and how the CO may discharge their responsibility to remain accountable to these stakeholders. This paper provides some insight into the above.

3. Methodology

An interpretive, qualitative method, inspired by grounded theory, was implemented to understand the CO reporting space. A qualitative approach is appropriate because there is little research available at present (Lehman, 2007). Qualitative research is ideal for gathering, exploring and understanding the perspectives of key CO stakeholders in a real-world setting and addressing the research questions (Leedy and Ormrod, 2019).

This research employed semi-structured, open-ended interviews. This allowed the researcher to gain valuable insights about, for example, the current external reporting practices of COs; who the users of CO reports are and what constitutes useful information (Rowley, 2012). Open, axial, and selective coding was used to analyse the interview data on a line-by-line basis to generate results (Leedy and Ormrod, 2019).

3.1 Population and study sample

Academics, auditors, donors and preparers of CO reports form the population of this study. Interviewees who are stakeholders of animal-related COs were targeted but some interviewees are stakeholders of other types of COs. Auditors are those employed by an audit firm in South Africa and who have experience auditing a CO. Donors are all people and institutions that have donated to a CO. Prepares are any preparers of entity reports of any South African CO.

3.2 Sample size and selection of sample

The precise number of interviews required for a qualitative study is impractical to determine with any precision or objectivity. In general, prior research acknowledges that samples of between 10 and 15 interviews yield sufficient and appropriate data (Qu and Dumay, 2011; Rowley, 2012). This research conducted 12 interviews (see Table 1). The small sample size allowed a rich dataset to be obtained that is focused on the research objective. In addition, it was determined that data saturation was achieved. This was when no new significant insights were gained from an interview (Rowley, 2012; Leedy and Ormrod, 2019).

Purposive and snowball sampling techniques were used. Obtaining equal representation across the different stakeholder groups was not targeted as the purpose of qualitative research, and this thesis is not to make generalisations. Instead, purposive sampling was used to select interviewees with relevant knowledge and experience to provide a rich dataset (Leedy and Ormrod, 2019). Snowball sampling involved current interviewees being asked to refer other appropriate individuals. This sampling technique helped to ensure sufficient interviewees were reached (Leedy and Ormrod, 2019).

Interviews were chosen as the primary data collection method to gain a deeper understanding of the reporting practices of animal-related NGOs. While report analysis could provide a static view of what these organizations are currently reporting, interviews allowed the researcher to probe into why certain reporting decisions were made, the challenges faced in implementing existing frameworks, and how these organizations perceive their own reporting effectiveness. This approach provided richer, qualitative insights that are essential for developing a framework that addresses both the technical and practical challenges of reporting in animal-related NGOs, while allowing the development of a framework that could also be beneficial in other types of NGOs.

A small sample size allows for longer interviews where an in-depth understanding during the conversations can be obtained (Rowley, 2012; Leedy and Ormrod, 2019). A smaller sample size has the consequence that the results are not generalisable, but it allows for detailed datasets to be gathered that add to the validity and credibility of the results. This is because only persons with relevant knowledge, experience and qualifications were interviewed and each interview was long enough for the research objectives to be dealt with in sufficient detail (Leedy and Ormrod, 2019).

See Table 1: Population and sample sizes for a breakdown of populations and respective sample sizes.

Table 1: Population and sample sizes

Table 1: Population and sample sizes					
Population	**Code in results**	**Description**	**Reason for inclusion**	**Sample**	**The average length of interviews (min)**
Donors to COs	D1, D2, D3, D4, D5	Persons who donate in their capacity to animal-welfare-related COs.	This population requests reports that are either in line with IFRS or additional disclosures to be included in reports.	5	60
Auditors of CO reports	A1, A2	Audit partner or manager responsible for the audit of animal-welfare-related COs.	This population is responsible for assessing the information included in the reports that COs prepare and issuing an opinion that influences the credibility of the CO (Unerman and O'Dwyer, 2006).	2	64
Preparers of CO reports	P1, P2, P3, P4	CEO, CFO, or financial managers at animal-welfare-related COs.	This population prepares formal reports in line with reporting standards and has them audited to establish credibility (Cordery et al., 2019).	4	71
Academics	C1	Academics in the field of reporting	This population has in-depth knowledge of the users of reports, useful information, and reporting requirements.	1	65
			Total	12	62

3.3 Collection of data

Interviews lasted between 60 and 70 minutes on average. All interviews, except for one, were conducted virtually using the Microsoft Teams application. Ethical clearance was obtained from the School of Accountancy's Ethics Committee, constituted under the University's Non-medical Human Research Ethics Committee (see Appendix 7.5). All interviewees provided informed consent to participate in this research (see Appendix 7.3). One interviewee declined the recording of the interview that was held in person. Detailed notes were taken. All other interviews were recorded, after obtaining permission, to ensure the accuracy of transcription and allowed the researcher to focus on verbal and non-verbal cues during the interview (Leedy and Ormrod, 2019).

3.4 Procedure and time frame

The researcher identified potential interviewees and contacted each via email or telephone. When an interviewee agreed to the interview, a suitable date and time were arranged. A participant information sheet consent form (Appendix 7.3) and interview agenda (Appendix 7.4) were sent to each interviewee before the meeting. Interviewees were not provided with detailed interview questions to prevent responses from being prepared in advance (Qu & Dumay, 2011).

Both or at least one supervisor was present for each interview. Before starting the interview, the researcher assured each interviewee of the confidentiality of their information and that of their organisation, and their right to withdraw from the study at any time and stop the interview (Rowley, 2012). They were informed that they would have an opportunity to read and review the transcript after the interview to ensure its accuracy and completeness should they wish to (Leedy and Ormrod, 2019). Before any interviews were held, ethics clearance was obtained from the University of the Witwatersrand and participants signed consent forms (Appendix 7.3).

The researcher set up a friendly, comfortable environment to encourage open and honest discussions. This was done by ensuring the interview was uninterrupted, private, and starting with casual conversation establishing trust through establishing a rapport. This encouraged interviewees to express themselves and their thoughts in their own way (Leedy and Ormrod, 2019). To avoid ambiguity and scripted responses, interviewees were asked to clarify or

rephrase statements as required (Alvesson, 2003). Notes were taken during interviews to record non-verbal cues, expressions and other insights that could be used to enhance data analysis (Rowley, 2012; Leedy and Ormrod, 2019).

The order of questions was adjusted from interview to interview to allow the flow of the interview to be natural and uninterrupted. The researcher in no way influenced responses and had no reactions nor did the researcher interrupt the interviewees. The interview agenda was used to ensure all interview themes were fully understood in each interview but also followed the natural course of the conversation (Rowley, 2012; Leedy and Ormrod, 2019).

3.5 Data management

All data gathered from interviewees was stored on a password-protected computer with access controls. Only the researcher and supervisors have access. Each recorded interview was transcribed verbatim in Microsoft Word while detailed notes were taken of the interview with the one interviewee who preferred not to be recorded (Rowley, 2012).

3.6 Data analysis

Open, axial and selective coding was used to analyse the interview data (Van Zijl and Maroun, 2017). The researcher read each interview transcript multiple times to gain an understanding of it (Rowley, 2012). The transcripts were coded manually in Microsoft Excel on a line-by-line basis. As new interviews were conducted, they were analysed, the open-code register was updated, and previously analysed transcripts were re-analysed based on new codes that emerged. The analysis was an iterative process that ensured all relevant information was coded and coding was done consistently across all transcripts (Leedy and Ormrod, 2019).

During this research, open coding revealed key themes from interviews with auditors, preparers, and donors. For instance, open codes included “don’t bother reading AFS”, “I don’t want to partner with a charity that isn’t scalable” and "we choose partners who are self-sustainable". Examples of axial codes include “credibility”, “one framework for all sectors” and “impact versus outcomes”. Open codes break the data down into segments that reflect its contents. This assists the researcher in remaining open to new themes and concepts as they emerge.

Once all the interviews had been coded with open codes, central categories were identified, and axial codes were developed to analyse relationships between the open codes. Lastly, selective coding was used to select a single category as the central concept, and a theory was developed around this concept. All data was organised around this central concept, and the results were used to produce findings. Data saturation was achieved and the researcher did not need to conduct additional interviews because, after the 11th interview, no new themes emerged (Leedy and Ormrod, 2019).

3.7 Credibility, validity, and reliability

Ensuring research credibility is paramount, and it primarily hinges on the method employed during the interview and analysis processes. The validity, reliability, and ethics of this research are supported by the following actions as listed in Table 2 (adapted from Rowley, 2012; Leedy and Ormrod, 2019):

Table 2: Actions supporting validity, reliability, and ethical standing

Table 2: Actions supporting validity, reliability, and ethical standing
Rigorous documentation of the method
Ethical clearance obtained before the interviews ensures that the rights and confidentiality of the interviewees are protected.
Interview questions and sub-questions were piloted to prevent irrelevant, incomplete, vague, or biased questions.
The interviewee avoided asking leading questions and remained neutral during interviews
Interviews were long enough to ensure that an in-depth understanding of the details and descriptions could be obtained.
Semi-structured interviews allowed for flexible interviews, exploring the details while maintaining focus on the purpose of the study. In addition, all themes were covered in all interviews.
Open-ended questions allowed the interviewee to explain their perceptions in their own words.
Interviews were conducted individually to promote open and honest responses and ensure interviewees did not affect one another's responses.
Interviewees were allowed to withdraw from the interview at any point without reason.

Interviewees can ensure the completeness and accuracy of their interviews by reviewing the transcripts. Interviewees may request the transcript and final report.
Before the interview, the interviewee was guaranteed the confidentiality of their information.
Interviews, except for one, were recorded to ensure accurate and complete transcripts for data analysis. Detailed notes were taken during the interview where permission to record it was not provided.
Peer debriefing with the two supervisors was used after each interview to talk through the data, ensuring all relevant themes were identified and considered in subsequent data analysis.
Supervisors that are experienced qualitative researchers were present for all interviews
Supervisors reviewed a sample of the data analysis (member checking) to safeguard against inconsistent and biased analysis.

4. Results

The findings highlight the negative impact of no CO-context-specific standardised reporting framework on the CO reporting environment and the reports produced. The issues encountered are largely because profit-orientated *financial reporting* frameworks do not cater to the unique context of COs, where profits are not the dominant driver of performance, as well as the diversity of useful information and objectives of COs. All interviewees supported the goal of creating a single reporting framework for all COs to increase comparability and reporting efficiencies. All interviewees agreed that this single framework should provide guidance on the inclusion of both financial and non-financial information. Creating separate frameworks for different categories of COs was opposed by most respondents (D1, D2, D3, D4, P1, P2, P3, P4, A1, A2, C1). Consequently, while not an objective of this thesis, the results support the development of what could be called the “Charitable Organisation’s Reporting Practices (CORP)”. A draft example of what CORP could entail is provided in the Appendix 7.1 and 7.2 based on the study’s findings.

Early in the data collection phase, it became clear that external reports of COs should focus predominantly on the information needs of large donors (P1, P2, P3, P4, D1, D2, D3, C1). Small donors are driven to donate time and money for personal and emotive reasons, largely unrelated to the performance of a CO (D1, D5, P1, P2, P3, P4, C1). Interviewees noted that small donors were unlikely to read formal COs reports in their capacity as small donors (D1, D3, D4, P1, P2, P4, A1, A2, C1). Small donations, often made in a personal capacity, simply

do not warrant the time and effort of studying a CO's results and outcomes before deciding to donate. Moreover, some respondents went so far as to state that, in their personal capacity, they would continue to support failing COs, both financially and operationally, because the underlying causes are important to them and not because of their performance (D1, D5, P1, P2, P4, C1). As a result, the reporting recommendations identified in this report focus on the information needs of large donors.

The remainder of this section is presented as follows: Firstly, to answer research question 1.1, the initial focus is on exploring the broader reporting environment and current reporting practices of COs. This is followed by an investigation into understanding who the users of COs' external reports are and the importance of COs' external reporting, addressing research questions 1.2 and 1.3. The discussion then turns to the challenges encountered by COs in the reporting process, as well as the information that is deemed to be important to users of the reports of COs, answering research questions 1.4 and 1.5, respectively. Lastly, this section closes with the proposal of the customised reporting framework and offers an example for future researchers to begin with. Further research is required in relation to the development and implementation of a standardised reporting framework for COs.

4.1 The current external reporting practices of COs (research question 1.1)

The lack of CO-tailored reports hampers stakeholders' ability to evaluate the effectiveness and operational efficiency of COs. Whether a CO makes a profit or not is not the primary focus of stakeholders (D1 – D5, C1). This makes it challenging for users to make informed decisions regarding their new or continued involvement with COs based on traditional financial statements in line with the prior literature (Cordery et al., 2019).

All interviewees discussed that, currently, the primary reports most COs produce are their annual financial statements (AFS). AFS are based on frameworks designed for companies that are meant to be judged on their ability to generate net cash inflows and profits. Profit and positive cash flow generation are not necessarily key indicators of success in the CO context (all interviewees). Irrespective of these issues, the AFS are used by COs to provide a baseline of information available to current and potential donors. Interviewees had mixed perceptions about the usefulness of AFS. For example:

> "To be truthful, I am not aware of anyone ever actually asking for AFS" (P1).

> “I do not feel like they [the AFS] are fit for purpose” (C1).

> “Interestingly, I do not engage with the financials myself. I give it to my colleagues in finance and say: ‘Please have a look at this’ ” (D4).

D4’s primary concern is for knowledgeable accountants to review the financials to assess whether anything in them “raises alarm bells” (D4). He noted that having financials gives some comfort but cannot help him make a decision on whether a CO is worthy of being a partner. D4 feels strongly that a CO’s impact, not only outcomes, needs to be measured for them to prove that they are a worthy cause (also refer to section 4.5.4) This is because AFS are not designed to provide users with an understanding of not-for-profit-orientated entities. AFS are useful insofar as they satisfy the need for COs to be accountable financially:

> ”because you need to be accountable to your donors and your sponsors” (P4).

> “I think as a donor you have got some sort of comfort in [COs] following a framework, whether that is IFRS or IFRS for SMEs, … it just that has some weighting behind it. …they would need to conform to some sort of framework… to give the donor some comfort.” (D1).

An advantage of traditional AFSs is their general adoption by for-profit companies means many stakeholders can read a set of AFS. They allow users to determine how COs have spent contributed funds, what assets they have and the extent of any short- and long-term investments and borrowings (D1, D4, A1, A2, C1). Of particular interest were COs’ opening and closing cash balances as well as their salary expenses (D1, D2, P1, P2, P3, P4, C1).

When AFSs are prepared, some interviewees take great care in ensuring their accuracy and completeness.

> “I go through it with a fine-tooth comb because we cannot afford to waste money, and largely what I am most worried about are our contributions. So how much money do we get on a month-to-month basis” (P2).

While some preparers spent time on the preparation of the AFS, others showed little interest in or consideration for the content of the AFS. Interviewees also noted the use of generic AFS templates with little, if any, tailoring to their specific organisation:

> "So, there's no sort of need to get into too much depth. To be truthful, it is some old AFS framework [template] in Excel that I found somewhere, and we have just used that ever since" (P1).

This interviewee further explained why AFS have little to no value in terms of useful information:

> "I am not a fan of financial statements. I do not think they hold much value…, I do not place much worth in that piece of paper… And it is old news, I mean we are making the financials six months after year-end, but we are working on sometimes one month of money left in the bank account. So, it does not provide much in terms of the current space. It is only useful to use as a year-on-year comparison seeing sort of where we have come from" (P1).

All interviewees agree that AFS do not provide most of the relevant information required to satisfy the information requirements of users. To satisfy their additional information needs, some donors provide bespoke templates to COs to complete (P1, P2, P3, P4, A1). Some COs also take the initiative and prepare their own additional reports to supplement AFS:

> "We also give them some sort of management pack that has narratives in, almost like a chairman's report" (P2).

Where COs have identified potential funders, discussions may be held to determine the specific information needs of these funders. From there, COs decide what information they can provide and what information they cannot provide because they simply do not have it available (see Section 4.4.1 for challenges relating to reporting templates). Examples of additional information COs report on include a business plan (including vision and mission statement), the CO's outputs, outcomes, and impacts and a wish list of projects the CO would like to begin but need funding for (D1, P2, P4, D4, C1).

The results of the interviews indicated that there are vast differences in the information currently being reported by COs in a South African context. For example, D1 indicated that the number of rhinos that were set free into the wild after being kept safe in captivity, the number of poachers caught, and the number of volunteers that contributed their time were useful to him. When considering this information and comparing this to the information that gets reported by other animal-related COs, the information is considerably different. Consider, for example, a domestic pet shelter. These entities report the number of pets that were neutered, abandoned, or rehomed, and the amounts of pet food donated.

The information reported by the same entity may also change year-on-year. For example, in some years the South African National Parks (SANParks) focussed on the number of indigenous plant species that were removed. As the numbers declined, this information became less relevant and was replaced with information more relevant at that time. Reporting non-financial information is vital and, as illustrated by environmental and sustainability reporting by profit-orientated companies, is challenging and may require a principles-based framework that offers some flexibility (see Section 4.4.3). As a result, the adoption of a principles-based approach to reporting may be more appropriate. Put differently, a globally accepted CO reporting framework should prescribe the types of financial and non-financial information required and suggest ways that it can be presented without being overly prescriptive and rules-based.

Seeing the diversity in the types of COs that operate, it becomes clear that creating consistency in CO reporting from one period to the next may be challenging. This research suggests the development of a set of principles that can be used as a guideline to provide useful reports that encourage a degree of comparability in CO reporting. Requiring COs to prepare reports using the same framework may, however, have the unintended consequence of creating a tick-box mentality and limit the inclusion of material information (see Section 4.4.1) (P1, P2, P4, D4). Adopting a principles-based framework will help address this weakness but, similar to sustainability and integrated reporting, it will not eliminate it.

It is important to note that while COs have a moral obligation to fulfil information requirements to donors, their reporting practices should not solely be driven by legal requirements. Legal obligations, such as maintaining legal status with governmental agencies like SARS as a CO and being able to issue S18A certificates to donors are essential but should be viewed separately from the broader transparency and accountability objectives of CO reporting (C1).

4.2 CO external report users (research question 1.2)

All interviewees felt that large donors were the primary users of CO reports. Small donations do not warrant spending time reviewing CO reports (D1, D5, P1, P2, P3, P4, C1). Donors of small amounts are perceived as being less interested in reading CO reports, as their contributions are driven by personal values and connections to the underlying cause (D1, P1-P4, A1, A2, C1). CO reports would often not change a small donor's decision to donate or not to donate (D1, P1, P2, C1). Interviewees acknowledge that when reports are readily available, small donors may look at these reports, but the practice is more ceremonious and out of curiosity than as the basis of making donation decisions. It was also noted that smaller donors do not go out of their way to request reports, nor will they stop donating if the report does not exist (P1, P2, D1, A1, C1).

For example, D1, a relatively small donor, feels strongly about the need to protect the Kruger National Park because of its biodiversity mass. When asked if he would stop donating if the reports showed that there was, for example, fraud, he responded:

> "It will probably do the opposite. I think it is quite a fixable issue and I think you know from the controls; I know from my experience of working, I think you can mitigate those risks quite easily. So, if anything it will probably make me more involved and use some of my experience, I have learned to mitigate those risks" (D1).

The importance of reports to donors differs depending on the size of the donor's contributions (D1, P1 - P4, C1). C1 also notes that the reports gain importance and warrant additional and frequent scrutiny where the donor is accountable to others. For example, large corporations' CSI departments are accountable to their shareholders, whereas an individual donor donating in their personal capacity does not have anyone else to answer to.

In contrast to their smaller counterparts, larger donors, including corporations and individuals who donate significant amounts, were identified as being more discerning users who prioritise transparency, accountability, and the ability to compare COs (P1 – P4, D1 – D5, C1). These larger donors seek reports that include useful and relevant information as a screening mechanism before engaging with the CO to establish a relationship or a partnership and before allocating significant funding (D2, D3, D4, P4, C1).

> There are different pieces of information that you want. The one is entity-related information…governance structures… financial statements, audits, etc. And then there is an operational report. And the operational report says that which we said we would do, we have done" (D4).

> 'So, they have to provide a business plan of sorts every year, how they're going to use the funding, whether they're building a new center…" (D2).

D1 wants to be involved in the act of protecting animals and plants and the Honorary Rangers / SANParks is merely the vehicle through which his desires are satisfied. This is not the case with larger donors where the size of the donation warrants additional scrutiny. Large corporate donor, D4, explains how many causes there are, and how worthy they all are, implying the need for useful information that is comparable from one CO to the next, as an efficient screening and comparison mechanism in determining which CO to partner with. This shows that large donors are one of the most prominent users of the reports created by COs.

> "So, I mean, I think at a high level the most difficult thing about doing CSI (Corporate Social Investment) in any country, but mostly in South Africa is: if you put 101 people in the room, ask them what keeps them awake at night regarding the social and economic needs. There will be 101, if not 202 or 303 very legit causes and that is the difficulty. And so, I say to people, I have one of the best jobs anybody can have in this institution, but actually, at the same time, it is one of the most difficult jobs because I have got to say no more than I can say yes, that is the reality, and saying no is not often reflective of the worthiness of any cause, but it is rather an attempt on our part to balance and focus our very limited resources in corporate social investment terms" (D4).

Small donors tend to support COs to fulfil personal goals and are not inclined to rely on reports to inform their donations. Small donors donate because it is something they want to do. This is evidenced by the lack of small donors requesting S18A tax certificates to obtain a tax break from donations (P1, P4, C1) For example, when asked whether smaller donors ask for reports and information, such as S18 A certificates, amongst others, P1 noted the following:

> "It is smaller monthly amounts, but there are quite a few, quite a lot of individuals as well [are] really not interested in the S18A certificate to be honest" (P1).

C1 noted that he supports COs where the cause makes him “feel good” but he also does request S18A certificates “because I want to support the cause but also my tax should be supporting it”.

External reports appear to gain importance when larger donations are considered, and donors seek a screening mechanism before conducting more in-depth due diligence of the CO. Interviewees expressed that large donors require information presented using a formalised CO reporting framework (A1, A2, D1, D2, D3, P1, P2, P3, P4, C1), as opposed to being forced to report in line with guidelines provided for profit-orientated companies using financial reporting frameworks alone, signalling the need for more tailored reporting format in the sector.

> “We want to know that we are all reporting in the same way because that's the only way that you can measure yourself against anyone else. So yes, it would be great if there was a way. I don't know if it would be possible though because they're all so different. They all have different KPIs and metrics” (D2).

None of the interviewees mentioned requests for corporate reports from beneficiaries or staff. However, there should still be a moral responsibility on COs to fulfil the informational requirements of various stakeholders, such as beneficiaries and staff (Cabedo et al., 2018). Interviewees agreed that satisfying too many potential users’ needs is naïve and that COs should, similarly to the IASB place focus on capital providers, even though other user groups may benefit from these reports (D1, D2, D3, D4, P1, P2, C1). Therefore, users of the reports have been categorised into two categories: primary and secondary/incidental users. These users are discussed in more detail in the sections that follow.

4.2.1 Primary users

Primary users include corporations and individuals that donate large or significant amounts to COs. These corporations and individuals contribute to COs to address social, environmental, and community development issues, utilising their resources to make a positive impact on society. These users often seek partnerships with COs to align their corporate social responsibility (CSR) strategies with their business in some way (D2 – D4, P3, P4, C1). They are primarily interested in ensuring that their contributions are aligned with their business values and brand identity (D3, D4). The reports produced by COs play a crucial role in

demonstrating the impact of these partnerships, helping these corporations and individuals enhance their reputation as socially responsible entities (D2, D3, D4, C1).

Donors who make substantial donations to COs are concerned about the organisations' credibility and accountability (D1 – D4, P2, P4, C1). They want reports that facilitate their assessment of whether their contributions are being used effectively and that their support is aligned with their values and objectives (D1, D2, D3, D4, P1, P2, P4, C1). Reports, and often social media reporting, from COs help donors make informed decisions about where to allocate their funds (D1, P1, P2, P4, C1).

4.2.2 Secondary or incidental users

Based on the responses from interviews, secondary users have been defined as smaller or less significant donors, whether individuals or corporates, who contribute to COs based on personal convictions, values, and interests and are secondary or incidental users of the CO reports. While they may not be the primary target of specialised reporting, they can still benefit from transparent and informative reports that can provide a window into the organisation's activities, achievements, and impacts (D1, P1, P2, A1, A2, C1).

The broader community, including current and potential volunteers, employees, beneficiaries, and supporters, may access CO reports to gauge the organisation's effectiveness and alignment with its values. The reports can serve as a tool for outreach and engagement, helping COs connect with a wider audience (D1, D5, C1). In the absence of open and clear communication with stakeholders, COs are likely to face challenges in realising their objectives and fulfilling their missions effectively (Striebing, 2017).

Government agencies and regulators may also review CO reports to ensure compliance with legal and regulatory requirements (P2, P2, A1, A2, C1). This secondary user group seeks information on the financial health, transparency, and accountability of COs to make informed decisions regarding monitoring, regulation, and tax legislation since COs often register for CO statuses to gain benefits from these authorities (Cordery et al., 2019).

4.3 The importance of external reporting for COs (research question 1.3)

External reporting is an inevitable and invaluable part of the operations and continued funding ecosystem of COs. Hielscher et al. (2017) emphasises the importance of external reporting for donors to satisfy themselves with the CO's performance. The importance of external reporting for COs is driven by the increasing importance and impact of these organisations as they take on duties that were, arguably, the responsibility of governments (Gray et al., 2006). This is supported by C1, who feels strongly that it is the role of the state to provide for the people and the environment. When governments are unable to do so, COs need to address those gaps. The goals of these COs are largely funded by external donors, who require external reports to make funding decisions. The operations of COs often require private funding. This is evidenced by the below statement made by a large corporate donor.

> "First of all, COs are doing the most profoundly important work in the country, often in areas where they are never, ever going to be able to make any money. And so, I do believe that there are very important reasons for backing them to do that work. I think particularly when it comes to the welfare space, like in the education space, often you know those kinds of entities *are not going to generate their own money, nor should they have to*. I mean, when you take care of the most vulnerable people in society like the elderly or orphans" (D3, emphasis added).

D3 feels strongly about the worthiness of COs obtaining funding, whether the CO is a small, under-resourced, or large well-funded organisation. The consensus among interviewees was that external reporting is significant primarily for larger, more sustainable COs and that the reports are specifically important to donors of larger amounts, whether they are corporate or individual donors (all interviewees). These reports are important for donors to make capital allocation decisions. The consideration of external reporting and the choice of reporting framework for COs depend on their size, resources, and the nature of their operations (Gazzola et al., 2021).

When asked whether it would be more valuable to invest resources in preparing financial statements based on existing profit-oriented frameworks, or allocate resources to the preparation of tailored CO-specific reports, P4 responded:

> "I think a combination will be great because some form of template or guidance will be helpful. But it needs to be tailored, every organisation will be unique in a certain way, but some sort of template or framework I think will be helpful." (P4).

The interviewee sees more value in potentially following a specific CO reporting framework as opposed to what can currently be prepared simply by following the traditional reporting standards. A framework developed specifically for COs could help navigate the challenges experienced where too many donor-specific reports are required from COs and enhance comparability between COs (P1, P2, P4, Cabedo et al., 2018).

Efficient use of resources is especially important in the CO space as they have limited resources and aim to minimise spending on administrative tasks and maximise spending on charitable tasks (D1, D2, D3, D4, P1, P2, P4, A1, C1). The development of a single reporting framework providing guidelines on what information to report would assist in providing relevant information about the CO efficiently that may help donors select more efficient and effective COs, maximising the impact of each rand and hour donated.

In summary, CO reports are important to illustrate the efficiency of the CO and identify COs whose causes are aligned with donors' CSR (see Section 4.5.1). They also enhance the comparability, and provide some benefits in the form of more efficient allocation of funding to COs. This is both in the form of reduced costs to identify and monitor funding-worthy COs and in separating well-performing from poor-performing COs during capital allocation considerations.

4.4 Challenges in preparing external reports (research question 1.4)

The recognition and measurement principles provided by IFRS (International Financial Reporting Standards) reporting, for example, are aimed at entities seeking profits and provide less relevant comfort on the performance of COs (P1, P2, P4, D1, A1, A2, C1, Gray et al., 2006). Broadly, the key challenges facing COs in preparing external reports include (1) the lack of a context-specific reporting framework to guide external reporting and multiple customised templates required by donors; (2) attracting and remunerating highly skilled governance and accounting staff; (3) distinguishing between and reporting on outputs, outcomes, and impacts; (4) challenges related to reporting donations; and (5) determining if and when the CO's financial statements and other external reports should be externally assured. These challenges are discussed in more detail in the sections that follow.

4.4.1 Reporting template constraints

The lack of a purpose-made reporting framework together with larger donors requesting information, leads to having to prepare and maintain multiple customised reporting templates. All interviewees emphasised this as being a significant weakness in their external reporting requiring attention. One issue is that donors, during initial meetings, may request information that COs never thought to keep track of and now cannot report on. The lack of readily available information can dissuade potential donors:

> "it [a reporting framework] will make their decisions easier as well because for them [donors] to engage in meetings and to ask for additional information, which is most of the time where they will lose interest" (P4).

Although users require useful information for decision-making, it is important to consider the cost of providing information, particularly by COs, where resources are generally constrained (D1, D2, D3, D4, P1, P2, C1). At present, large donors spend resources creating customised reporting templates to gather the information they think is necessary to make relevant decisions (Gazzola et al., 2021). The COs must then use already limited resources to gather and complete each donor's bespoke template (P1 - P4). Additionally, some COs may lack systems for collecting the specific information requested by potential donors, or too many different information requests make systems difficult to put in place, affecting the organisations' chance of securing funding. The result is a highly uncertain and frustrating reporting environment that can negatively impact COs' morale (P1 - P4). This is inefficient for both donors and COs. In addition, there is a risk that donor templates do not request key information or waste CO resources by requesting unnecessary information as described by P3.

> "…obviously, we first listen to them and then pitch in the response to what their requirements are. And in some cases, they produce weird ideas…" (P3).

Interviewees discussed the stress and anxiety that these templates and the lack of a standardised reporting framework can cause to secure or maintain funding sources (P1 - P4). Preparers of reports often do not know where to start when going to search for funding (P1 – P4). This pressure and lack of clarity create indecision around where to spend scarce resources. This anxiety becomes worse when COs are given templates to complete and only

realise then that they do not have the systems in place that gather the requested information (P2, P4). In turn, transparency and efficiency are hindered when information is not reported. This limits the ability of users to evaluate the operations, outcomes, and impacts of the CO (D2 – D4, P2).

P4 admitted that when they need to go look for funders, they put together a basic business plan that often falls short of what donors are looking to see, leading to a back-and-forth of information requests. The current reporting process results in considerable time and resource consumption for both donors and COs, with a risk that bespoke templates are not capturing all necessary and useful information in a suitable format (D1 - D5, P1 - P4). The need for a standardised reporting framework was evident, emphasising the importance of including information that donors find useful in a consistent and comparable format (all interviewees).

Donors are often not experts in the objective that the CO pursues (P1, D2, D4, P4). For example, a bank wanting to invest in rhino conservation would not know what the key drivers of success are, what to spend resources on and how to evaluate success (D2, D4). Consequently, it would be difficult for the bank to develop a reporting template that would include all the key success drivers of COs. They are likely to leave out necessary detail or include too much unnecessary detail. There is also the question of whether COs can provide additional information over and above the template or whether that will waste time and irritate donors.

> “Everything [each CO] is unique. There is no box-ticking thing. Each is looked at on its own merits…” referring to the information requested in the proposals from each of their partners and items included in the contracts with their partners (D2).

Many important variables require systems to gather the underlying information for reporting (P1 – P4). COs may not have reporting experts, meaning they do not inherently know what systems to put into place to gather the information (P1 – P4). Having a standardised reporting framework alleviates some, but not all, of this pressure (all donor and preparer interviewees). Any CO can use the standardised reporting framework to identify and develop the systems necessary to gather relevant information. In addition, the standardisation may make it feasible for software development companies to develop solutions specifically for the CO context.

Templates also take time to develop and tweak. It is highly likely that, just as a CO becomes accustomed to the format of a template, the donor may need to amend templates which then

require information where no system is currently in place to collect and process the underlying data. CO operations are not static. Information requests are also likely to change over time. As a result, prescriptive templates may provide less valuable information over time unless the template is regularly updated and changed (P1 – P4, D2, D4).

Donors may have unrealistic requests for information that the CO may not be able to provide such as documents from government departments (P1, P3, P4). For example, certificates from the Department of Social Development:

> "I can tell you that the biggest headache and nightmare for the MD in terms of trying to secure funding and what we have been trying to do for years now is Lotto funding. And that has just proved to be an impossible exercise in terms of getting the documents they require. It just literally is not possible to get some of those things. We have camped outside the Department of Social Development, we have tried getting contacts in there, they [the Lotto] want things that do not exist" (P1).

In the competitive funding landscape, the absence of a standardised reporting framework can trigger unintended consequences, one being a type of "arms race" (P1, P2, P4). The lack of standardised reporting means that larger companies with more resources can invest more time and attention to the development of attractive, informative reports that aim to out-compete their peers. The result is that these larger companies can attract the funding of larger donors, to the detriment of worthy, smaller organisations that do not have the resources to provide similar reports (P1 – P4). The primary objective remains to ensure comparability across COs, facilitating funding allocation to the most efficient and impactful organisations. Another result may be that COs can end up spending a disproportionate amount of time preparing reports as opposed to spending time and resources on their charitable objectives (D1, D4, P1 – P4). Including too much information may distract users from considering whether the CO is meeting their stated objectives (P1).

P1 sheds light on this phenomenon:

> "If something becomes mandated and it is required, you know, just to even be an entry point into being accessible to corporate donors, then you're just going to find people going over and above that to try and differentiate themselves. So, then you are kind of just setting the bar higher for everybody" (P1).

In summary, the absence of a standardised reporting framework for COs and customised templates may lead to inefficiencies, stress, and a competitive "arms race" among organisations, resulting in disproportionate resource allocation.

4.4.2 Attracting and remunerating highly skilled governance and accounting staff

Attracting and compensating highly skilled governance and accounting staff poses challenges for COs due to limited budgets, public scrutiny of administrative expenses, perceived lack of career advancement, mission misalignment, and the complex regulatory environment (D1, D3, D4, P4, C1). Overcoming these challenges requires a focus on building a compelling organisational culture, emphasising impact, and finding creative ways to offer competitive compensation and professional development within budget constraints (D1 – D4, A1, P1, P2, P4, C1).

> “There's a lot of competition…if we don't pay market-related salaries, they will just go and work at [a private profit-orientated company]” (P4)”

Transparent communication in external reports regarding the importance of skilled professionals for effective governance can also help garner support from donors and stakeholders. Gazzola et al. (2021) notes that reporting plays a key role in attracting and maintaining the desired employees, which in turn, can attract sustainable donor funding. In other words, there is a feedback loop where more experienced and qualified staff facilitate new and continued donations that can justify and sustain these employees’ salaries. The opposite is also true.

Another paradox is that, while interviewees agree that having appropriately qualified and skilled staff increases the efficiency, sustainability and effectiveness of COs, donors generally do not want to fund salaries. They want their contributions to finance the charitable work (D1, P1, P2, P4, C1).

> “Well, I'm if I'm a sponsor, I mean I would prefer the one [CO] where there's a lot of volunteer hours in its name because I don't want to pay salaries” (P4).

C1 highlighted that part of the tension is because there is a risk that salaries are being used for self-enrichment as opposed to supporting charitable work:

> "is this not better spent fulfilling the purpose of the NGO as opposed to, you know, being used as a vehicle of self-enrichment" (C1)?

The hesitance to donate towards salaries may be because one of the defining elements of COs is seen to be the acts of voluntarism and selflessness (Lehman, 2007). P4 provides an example of restrictions placed on salaries by providing the example of a government donation that was limited on how much of a nurse's salary could be paid with their donation. Often this was short of the market rate, leaving the CO to find private donors to fund the shortfall to ensure they can retain quality nursing staff. P4 felt strongly that in COs they want the best, most competent people working with their funds and supporting the CO in achieving its goals and in saying that COs should pay competitive salaries. D4 supported this idea noting that it makes a large impact on a CO's social goals when they pay competitive salaries to ensure staff retention and loyalty and have the desired social impacts. It also assists in attracting new employees when needed (D4, P4). P1, P2, P4, C1 and D1, however, noted that donors do not want to fund salaries, perhaps as there is a perception that it should operate off volunteer time. P4 noted that donors often do not want to fund salaries as there is a trust issue when paying salaries as there is room for manipulation and donors feel more comfortable paying for something tangible or funding a specific project. Another interview supports the view of fair remuneration for employees of COs:

> "Look at my personal views. You know, if you decide to work for an NGO, you should do it for the love of contributing to the NGO and not for your benefit. But this is employment. Permanent employment, you know, so she needs to pay bills and she needs to feed her family" (A1):

> "you need sufficiently skilled people to run the organisation… You know people can't work for below market-related amounts" (C1).

There are many challenges in attracting and retaining qualified and experienced operational, finance and governance staff. Creating a standardised CO reporting framework may help reduce these challenges in two ways. Firstly, less time and financial resources may need to be spent on gathering, processing and preparing reports leaving more money for operations. Secondly, COs may require fewer skills if a standardised reporting framework is present as

the systems, processes and reporting can also be standardised meaning these functions can be adequately performed by less skilled staff.

4.4.3 Reporting output, outcomes and impacts

Saxton and Guo (2011) mention two dimensions of accounting, accounting for finances and accounting for performance. Accounting for finances largely relates to recordkeeping and reporting on financial resources. Accounting for performance involves demonstrating performance through evidence of meeting predetermined goals that are not necessarily financial. C1 explains this as the visibility of “tangible impacts”. Accounting for performance brings increased challenges as performance is defined differently in the CO context. D4 spoke of how people often get confused between output, outcomes, and impact.

Output is simply the physical work completed, where outcomes are the immediate achievements realised because of the CO’s outputs (D3, D4). Outcomes and outputs have a largely short-term focus. The impact then, is how the outcome affects the beneficiaries in the long term (D2 – D4, P1 – P4, C1). D4 used high school tuition as an example. Suppose a CO set out to provide English and mathematics lessons to underprivileged school learners. The output would be X number of lessons or Y number of hours to Z number of students. Outputs do not imply that any goals have been achieved or that the organisation has made a difference to any of the students. The outcome would be a certain number of students passing or achieving distinctions in English and mathematics at the end of the year in comparison to historical statistics of that school. The impact would be how many learners obtained university entrance and what kind of degrees those students pursued. For example, after the CO’s extra lessons, 10 learners became doctors and five became engineers, which perhaps would not have been without the CO’s efforts. That is the impact of the CO’s effort. Determining and distinguishing between outputs, outcomes and the impact of the CO’s work is important. If the CO led to more distinctions but those learners ended up unemployed, then it is unlikely that the COs activities made an impact on those learners (D2 – D4, C1).

Similarly, different impacts can be seen in a student achieving an arts degree versus a medical degree if the COs goal, like in the case of D4, was to create more and stronger active economic participants. The economic activity of the doctor with a higher earnings potential may have a greater impact than that of someone with a degree who has a lower earnings potential. The former may facilitate the upliftment of the entire family with a compounding positive effect over time. Often a single tertiary degree has the impact that an entire family is uplifted as there are

the financial resources to support other members' education. Beyond that, if one sibling earns financial resources that increase the family's LSM (Living Standard Measure), the other siblings may have access to not only better education but also better nourishment, environment and future success creating a cycle of positive impacts that go beyond the initial outputs (van Zijl, 2024).

A similar example could be if an animal-related CO were to neuter and set free 10 stray cats in an area. The output is 10 operations performed by the veterinarian. The outcome is the 10 cats that will not have more kittens that would have become stray cats, and each have litters of their own. The impact, however, could be measured as preventing 2000 – 4000 stray kittens[3] from being born from the original 10 cats within 2 to 3 years. Determining the impact of a CO can only be effectively done over time.

Importantly, many donors emphasised that they seek COs whose charitable causes align with their (the donor's) business and CSR strategy. Consequently, having a standardised format to report on a CO's outputs, outcomes and impacts was seen as vital. These should align with a CO's vision and plan for the custodianship of their activities through different partners (D2, D3, D4, C1). To illustrate, D4 spoke about how their business requires many different types of highly skilled professionals. Consequently, their CSR strategy focuses on supporting education and they seek CO partners that can demonstrate *impact* in terms of not only secondary education but that ultimately leads to professional tertiary qualifications.

Impact reporting closely links with similar evidence found by Gazzola et al. (2021), which emphasises the advantages of sustainability-type reporting for COs, underscoring both the social and financial benefits. Where COs report sustainability impacts or long-term value-added, the literature highlights that enhanced sustainability practices in their external reporting led to increased accountability and fostered a competitive environment in which COs are viewed as more credible. This thesis' supports those findings and notes that COs should embrace impact reporting.

Interviewees stressed the importance of not merely, for example, spaying a certain number of cats and dogs or providing a certain number of English lessons, but also on how their work impacts the underlying cause in a broader sense of society and/or the environment.

[3] Based on cats having 3 litters of kittens per year of 6 to 8 kittens in each litter

> “I think that CSR strategies shift with the weather and according to whatever is sexy at the time. … It is people trying to do good, often with no background in understanding true development. Often, they come from HR or marketing, and they just love the idea of doing something good. … Often, they are trying to address similar issues, but there's no strategy. … So how do we do that more strategically and use COs to deliver those services for us? And that is where I think as a country, we are not doing very well at all, … It is just lots and lots of people throwing money at stuff, changing their minds, changing their strategies every 5 minutes, not documenting anything, and saying, OK, what impact are we having? Let us move on to the next thing” (D3).

The culmination of a CO's efforts is tied to the broader concept of impact, with a specific focus on addressing the information needs of significant donors. The outcome of their work serves as a tangible and immediate indicator that a particular task has been successfully completed. In this context, the term "impact" extends beyond the mere completion of tasks; it means the broader ramifications and transformations brought about by the concerted efforts of these organisations. It represents a tangible measure of success that resonates with report users, especially significant donors, who seek not just a demonstration of activities but a clear articulation of the achieved results over time (D1-D4, P1 – P4, C1).

> “So that [impact reporting] was highlighted as a big requirement for seeking funding through external donors. So, we are well aware that any kind of external funding requires all of those sorts of impacts. And as a smaller NPO, it is quite difficult to get to the sort of larger corporate donors, and the only way we can do that is actually by displaying that impact as best as we can” (P1).

It becomes clear that the existing available financial reporting frameworks, such as IFRS place an emphasis on accounting for finances, with little focus on any other performance accounting.

> “The objective of general-purpose financial reporting is to provide *financial* information about the reporting entity that is useful to existing and potential *investors, lenders and other creditors* in making decisions relating to providing resources to the entity…” (IASB, 2018, emphasis added).

While IFRS, and similar financial reporting frameworks, have their place, they provide an incomplete picture of COs. They do not provide information that is most relevant to users of CO reports, such as outputs, outcomes and impact.

4.4.4 Recognition and measurement of donations

Many interviewees discussed the various ways in which both financial and non-financial donations can be reported. For example, financial donations can be separated into those with and without conditions as well as those that are ad hoc or recurring. Non-financial donations can be measured in financial terms at a replacement cost, fair value or in non-financial terms. Pet food donations, for instance, can be reported in terms of kilograms while volunteer hours can be reported in aggregate or disaggregated by the level of service provided (governance, financial or operational). The concept of materiality is also difficult to interpret with no additional guidance provided. The result is that many COs feel overwhelmed and do not know which method is most appropriate (P1 – P4, A1, A2). More detail on key aspects is discussed next.

4.4.4.1 Materiality

As with all corporate reports, complexity and length are key considerations for preparers as they impact the understandability of the resultant reports. Materiality is an important tool to ensure the balance between complexity and length on the one hand and completeness and transparency, on the other hand, is maintained. For an animal shelter receiving an ad hoc donation of 10 hours in total for a single year is likely immaterial and does not warrant being reported. Conversely, SANParks benefit from hundreds of thousands of hours of volunteer ranger time which is, intuitively, important and warrants presentation or reporting (D1). The difficulty lies in understanding where, between these two extremes, these non-cash donations become material (all interviewees).

The challenge most COs face is limited resources. Interviewees often felt that some small donations, whether it was cash, small items, or volunteer time, were not worth the time and effort to recognise (D1, P1, P2, P4, A1, A2). While this may be true, they did acknowledge that if more of those same donations were received, and taken together, the total receipt would be significant if left unrecognised. This concept is supported by the guidance that traditional financial reporting frameworks provide around the materiality of transactions (P1, P2, P4, A1, A2).

> “Information is material if omitting, misstating or obscuring it, could reasonably be expected to influence decisions that the primary users of general-purpose financial

statements make based on those financial statements which provide financial information about a specific reporting entity" (IASB, 2018).

While volunteer time may be material from an hour's point of view because they are provided for no consideration, their financial impact, in this sense, is immaterial. Moreover, if the volunteer hours were converted into financial terms using (a) the charge-out rates of each volunteer or (b) a market-related rate for similar services could impact the materiality determination (see Section 4.4.4.3 for more details). Materiality serves as a crucial factor in creating balanced reports as exemplified by the challenge faced by COs in determining the significance of various donations, from insignificant ad hoc contributions to substantial volunteer hours, in their reporting.

4.4.4.2 Recognition in financial terms

A key challenge is determining whether non-cash donations should be recognised in financial terms. Accounting frameworks, such as IFRS and IFRS for SMEs, were not created for use by COs and, consequently, do not provide sufficient guidance for COs to make this decision and lead to consistency among COs. Auditors express concern regarding the completeness of donations that are documented within the financial reports of COs. Auditors consistently provide disclaimers regarding the completeness of cash donations (A1, A2, P3, P4). Specifically, they are troubled by the potential omission of donations in the form of time and services contributed by volunteers or incorrect values of goods and services received (A1, A2, P1 - P4).

Donor contributions, specifically non-cash contributions, have historically faced difficulties meeting the prescribed recognition criteria for revenue, primarily due to the inherent challenges in accurately measuring and valuing these non-monetary contributions. Revenue recognition relies on the ability to reliably measure the consideration received or expected to be received in exchange for the provision of goods or services (IASB, 2018). In the case of volunteer time or services, several challenges prevent these contributions from meeting the typical revenue recognition criteria.

Determining whether donations to COs align with the criteria for revenue recognition under IFRS 15 introduces another challenge. According to IFRS 15, revenue is defined as income arising *from* an entity's ordinary activities. The traditional understanding of a customer involves an exchange of consideration for goods or services. However, in the CO sector, donors

contribute funds, or time, without expecting direct reciprocation in the form of goods or services. The absence of a straightforward exchange complicates the application of IFRS 15 to COs, raising questions about whether to treat donations as revenue or other income and how to measure them. The following subsection elaborates on some measurement challenges experienced.

4.4.4.3 Valuation

As no consideration is received in exchange for donations in the form of goods and other services, there is a challenge in measuring these donations accurately. This is largely attributable to the absence of a clear, universally accepted standard for reporting for COs. The result is a very subjective approach to valuing donations, with many organisations failing to value non-cash donations (P1, P2, P4, A1, A2, D1). The varying skills and expertise among volunteers further complicate attempts to establish a consistent basis for valuing the services they provide.

The value of goods received can often easily be determined with a simple market comparison, for example checking the price of a donated bag of dog food to a similar brand in a local supermarket. However, should an animal shelter receive a cash donation for that value and use that to purchase dog food, they may have bought a less expensive brand to allow for a higher volume of food to be purchased. Consequently, the market price might be misleading if the item is recognised at that value and the value of the replacement item the CO would have purchased themselves might reflect a more useful value in the context of the CO.

Other items, for example, a painting by a famous artist, may be more difficult to value, and when considering the value in use, the painting would have to an animal shelter, it would be almost worthless unless they intend to sell it on auction to realise its true value. Here the value of the item is driven by the intention of the CO and how they chose to realise that value. Additionally, valuing these types of assets is difficult even for experienced professional valuers.

Valuation of goods may be further complicated when the true value of an item does not reflect the value that it has to the purpose of the CO. D5 explained a situation where an anti-poaching CO received a “super-drone” as a donation. The drone has a monetary value that could easily be determined but if the CO had the cash, they would not have spent it on a super-drone. They are, however, extracting huge value out of the drone, far beyond its monetary value,

since it can fly over the nature reserve, detect human movements with infrared ability, zoom in, and send live clear video footage to the rangers, all without being detected since it flies over 1km in the sky. The drone has been instrumental in the detection of poachers and in saving the lives of many rhinos and hippos in conservation. The challenge is what value to recognise the drone at, if at all. The question is: since the CO could not afford to buy this, and if they were given its value in cash, would not buy this, and use the money on other priorities, does it mean the value is:

- Zero value since they would not spend money on a drone,
- It is replacement value, or
- It is value in use, which in this case is extremely hard to determine.

P4 works with a CO that runs a charity shop as part of their organisation and mentioned that their auditors raise the issue of completeness and valuation of the donations every year. They receive many bags of items as donations, mostly clothing and shoes, which get sorted and tagged, and sold in the charity shop. Some of the items need to be thrown away, some can be donated to poor communities, and only a select few can be used for reselling. As second-hand clothes are extremely difficult to value, the CO has developed the idea of weighing the clothes and reporting the trend of kilograms of donations received. Going a step further, the clothes can be sorted into bags of different values based on the quality of the clothing adding additional insights. Reporting trends could be useful to illustrate the prominence of the organisation and the willingness of the community to support it. This information could be a KPI or benchmark for this CO (see Section 4.5.2 for benchmarking discussion). The challenge remains how to value the donations and whether to value all their receipts or only the items that are of use to them. The community's support here represents qualitative information that may be as useful to the users of reports even without a monetary value. In some cases, it could be argued, that not including a value would be better than including an incorrect value.

4.4.4.4 Disclosure suggestions for donations

Due to the difficulties COs encounter in recognising and valuing donations, as well as applying a measure of materiality, this research explores diverse disclosure approaches that may be implemented by a CO to meet the information needs of its users.

While monetary value is a common metric, it may not always be the most comprehensive means of conveying the significance of a donation (D1 – D4, P1 – P4, C1). There are situations where it is more important to provide detailed descriptions of the received goods and services,

explaining their utilisation and discussing their contribution to the overarching objectives and impact of the CO.

> “I think it boils down to comprehensive due diligence and what has the impact been and if it is a genuine impact, can you show us how you did it, verify that what they're saying is genuinely true? And so, for me, it's about the track record and demonstrated impact. It's about how well they manage their finances, and how well they manage their activity as an organisation” (D3).

Reporting does not necessarily have to be exclusively expressed in financial terms; rather, there is merit in encouraging COs to furnish information in alternative formats that offer distinct utility. COs should be encouraged to disclose the unique value or usefulness that a particular item, service, or concept provides, setting it apart from others. A descriptive type of disclosure could overcome a reporting challenge when the recognition and thereafter valuation prove overwhelmingly challenging (D1 – D4, P1 – P4).

A CO-specific reporting framework could offer a basis to address challenges in recognising volunteer time. The hourly wage equivalent method assigns a value by considering prevailing local wage rates for comparable services, periodically adjusting to economic changes. If a veterinarian provides free medical care at the dog shelter, the medical fees would be reasonably valued at the standard veterinarian procedure rates. Comparable services provide a benchmark by comparing volunteer tasks to the cost of hiring individuals for the same duties. An example would be if a brain surgeon provides services to an animal shelter to groom dogs. It would be unreasonable to value his donation at the rate he charges to perform brain surgery per hour. A more reasonable rate would be the hourly rate of a dog groomer.

Alternatively, the value of outputs, such as completed projects or goods, offers a tangible basis for valuation, estimating their market value or cost savings achieved. A practical example would be if a famous designer, who charges R50 000 labour per wedding dress, made dog jerseys for the animal shelter, to value his donation at that of a dog jersey and not what he normally charges for custom-made items.

To summarise, the research has led to the consideration of four alternatives:

- Charge out rate of the person providing the non-cash service,
- Use the market rate of the equivalent service,

- The value of the outputs, or
- Presented in a non-currency format.

A standardised reporting framework for COs, offering disclosure or valuation options, can be advantageous for several reasons. Just as IFRS allows flexibility in accounting policies where it allows the user with a policy choice, a similar approach in the CO sector recognises the diversity of their activities, sizes, structures, and geographical locations within limits to promote comparability. Tailoring reporting options to an organisation's specific mission and stakeholders ensures that the information presented is both meaningful and relevant. This allows COs to address evolving standards, meet user-specific needs, and enhance transparency. Overall, a standardised, yet flexible reporting framework strikes a balance between consistency and accommodating the unique characteristics of different COs.

Including this information in CO reports provides stakeholders with a better understanding of the organisation's operations and the impact of volunteers on the organisation's activities. It also contributes to presenting a more holistic picture of the true size of the organisation in instances where volunteers perform a lot of the work. Reporting on the number of volunteer services received, also illustrates the COs' credibility and ability to continue to perform their activities. COs who are problematic in the sense of not delivering on their outputs or not effectively using their donations are unlikely to receive significant and continued support from volunteers (A1, A2, D1, P4). A standardised reporting framework, like CORP, should guide on determining the value of donations in kind, particularly the time donated by volunteers (see Appendix 7.2.3 for an example).

4.4.5 Deciding whether external assurance should be obtained

Another challenge experienced by COs in external reporting involves the auditing and assurance process. Obtaining external assurance can be costly and requires expertise in adhering to a stated framework so that assurance providers can provide an opinion on whether the reports are fairly presented (A1, A2). An audit of the financial performance of these COs cannot convey the social performance of the organisation (Henriques, 2001). Some donors are requesting COs to be audited and in some instances, COs are required by law to be audited. Determining the appropriate threshold for obtaining an audit is a key issue (P1 – P4). At what point does an organisation become sizable, or impactful enough to warrant an audit or some form of external assurance? Consideration also needs to be given to what value assurance adds to the perceived credibility of the CO or the comfort that stakeholders get

when looking at reports that have been subjected to an external review to assess if it translates into the reports being more useful.

> "As a donor, you would feel a lot more comfortable if there is some sort of assurance or audit being done on it, even if it is just an independent review…" (D1).

Axiomatically, small COs, including a small operation where a single individual manages informal activities, do not merit the costs associated with an audit. Such an operation could not even benefit from preparing any reports in the first place (P1, P2). Similarly, large and multinational COs should be audited because of the significance of both the donations they receive as well as the impact and importance of their charitable work (P3, P4, A1, A2). The problem lies in determining where along the spectrum COs should start being audited if not legally mandated. (P1, P2, D1, D4). Therefore, the challenge lies in defining the criteria that draw the line between organisations that require audits and those that do not.

When discussing the need for external assurance and requests for assurance from donors, P1, who is involved in a relatively small CO that helped underprivileged children with practical dog training, using dogs from shelters, noted:

> "To be truthful, no, we have never been asked to verify, we have never been asked to do anything in terms of that. All I am aware of is just that when we were asked to build a classroom, we sent proof of expenditure in terms of what we did spend on the classroom. But other than that, there has not been any [requests for external assurance]" (P1).

Many considerations could impact the CO's need for assurance. Establishing useful thresholds includes the complexity of the CO and its operations, the value of donations received, the number of donors involved, and the number of beneficiaries (D1-D4, P1-P4). Factors such as the vulnerability of beneficiaries could perhaps warrant getting external assurance, such as comparing a CO involved in beach cleanup versus caring for and feeding abused animals or children. This prompts the need for a thoughtful examination of these variables to establish a fair and practical threshold for mandatory audits within the charitable sector.

Auditing smaller entities presents unique challenges for auditors due to the limited resources, expertise, and controls of COs (A1, A2). Small COs often lack robust internal control systems, leading to a heightened risk of errors or fraud and making it difficult for auditors to satisfy themselves about the completeness of transactions, segregation of duties and other audit matters (P1, P2, A1). Auditors must strike a balance between thoroughness and cost-effectiveness for COs with already limited financial resources, adapting their approach to suit the scale and complexity of the entity. Communication with management is vital in clarifying expectations and addressing potential limitations (A1).

For the most part, auditors are only concerned with the financial reporting of the COs (D2, P1 – P4).

> “They don't even ask us for the contract [with the partner]. They will just say to this much went out; can we see the invoice? ... So purely a financial audit” (D2).

However, auditors are sometimes challenged by requests to provide assurance over non-financial reports and the outputs, outcomes, and impacts of the CO. These kinds of reports are customised to the context of the specific CO, and the items reported in these reports will almost always differ from one CO to the next. The auditor is not an expert in this area and there are no frameworks to guide the auditor on the work they are required to perform to provide assurance over these types of reports (A1, A2). Despite these challenges, auditors play a crucial role in providing assurance and enhancing the credibility of these entities (D1, P3, P4). Unerman and O'Dwyer (2006) supports a similar idea when explaining how larger COs use high-profile auditors to review their reports, not because it makes content more useful, or the auditor is better than another, but simply to impress donors by providing more comfort in using their reports.

In conclusion, while it may be challenging to pinpoint an exact threshold for when a CO should undergo external assurance, several key factors can guide this determination, like the number of donations or beneficiaries, but rather than solely focusing on financial metrics or a strictly quantitative approach, a qualitative assessment that considers various aspects of the CO's operations and impact is crucial.

4.5 What constitutes useful information for COs (research question 1.5)

A lack of disclosure of sufficiently useful information has an impact on the credibility of the CO and the resultant funding (Gazzola et al., 2021). Understanding what constitutes useful information in the context of COs requires not only consideration of what *types* of information are useful but also how information should be formatted and presented to assist in decision-making (D1 – D4, P1 – P4, C1). On the one hand, providing too much information can overwhelm users and reduce understandability. The inclusion of irrelevant information may also allow report preparers to hide negative information that is material among the immaterial information. On the other hand, providing too little information may mislead users and result in "incorrect" donor decisions about which COs to support and which to decline. Poorly formatted and presented information can lead to misunderstandings and frustration or simply lead to donors losing interest (P4).

> 'I mean it took me a long time to figure out what is important for companies on the other side [donors]. So, I think one can fast-track a lot of time if you have a good template [framework] or good process that you can start with" (P4).

During interviews donors often combine their conversations about financial information with information about impacts, outcomes, and credibility, proving how these types of information must go hand-in-hand (D1 – D5). Like how an income statement prepared in accordance with IFRS needs to be read in conjunction with other statements and reports for it and the activities of the entity to be understood, the results of COs need context for it to have meaning and be useful to the users (D1, P2, P3, P4).

Section 4.5 discusses useful information under five broad themes. While not the objective of this study, these themes also form the structure of the draft CORP provided in Appendix 7.2 to illustrate what a standardised CO reporting framework could look like.

While each donor will have bespoke information requests, the results reflect that there are many common information needs. The common needs are (1) strategic alignment, (2) financial attributes, (3) information that reflects the CO's credibility, (4) the CO's outputs, outcomes and impacts, and (5) summarised (flash) results.

4.5.1 Strategic alignment

Donors evaluating COs seek information enabling them to understand the organisations' operational as well as financial effectiveness (D2, D3, C1). They prioritise demonstrated impact, seeking proof of a CO's tangible results and outcomes as evidence of their success (D1 – D5, C1). Donors want to support causes that in some way or form align with their business (D2, D3, D4, C1). This is a critical step in establishing lasting partnerships (D2, D3, D4). While financial data is important, donors primarily rely on non-financial information to gauge the strategic alignment between their CSI strategy of the donor and the goal of COs (D1 – D5, C1). Consider the example made by D4:

> "If we talked to the formulation of a CSI strategy and if you missed that step of how you formulate it, then one of the biggest pieces is that: alignment. Because what is this about? Who are we now? I often make an example: Who's better placed to worry about food security? Tiger Brands or [bank]" (D4).

D3 and D4 emphasised that corporate funding of COs is often tied to specific projects that align with the company's charitable goals. Donor entities formulate clear CSI strategies that drive the decisions around which COs they are willing to consider when initiating these partnerships with COs (D2, D3, D4, P1, P2, C1). P1, P4, and D3 repeatedly referred to donors looking for COs that are "sexy", meaning they want to be seen as partners to very specific social causes. Some interviewees went so far as to look for COs whose impact is linked to their business operations. For example, while not an animal-related charity, D4 discussed how they need people and their expertise to successfully run and support their business. Consequently, education is one of their primary focus areas and they want to support COs that align with those objectives. The track record in achieving goals, in addition to effective financial management, and the potential for scalability are crucial factors for donors making this evaluation about strategic suitability (D3, D4, C1).

> "We play in the space, and we have for a good number of years now, as you know, ours was a vision to support programs that enable people to become active economic participants at the heart of things. Because when you are active economically, the sense of the word, the sense of purpose, the sense of contribution, the ability to put bread on the table, that returns to you. The choice of this vision does not mean that we are oblivious to the other needs that exist outside, but it is just really to bring focus to what we do and, indeed, if this is what we want to try and achieve. We must take stock

> and say what that outcome is. Our focus is undeniable: education is one way of enabling people to become active participants in society. Equally, entrepreneurship is another way of enabling people to become active in economic society because in the growth of an entrepreneur's life, comes the growth of many other people. And that is really at the heart of our CSI strategy" (D4).

COs can enhance their attractiveness to donors by clearly articulating their cause and which donor-CSI strategies their work aligns with and supports. Clearly articulating their goals and the CSI strategies that their goals serve, for example, "rehoming domestic animals" or "preventing poaching of rhinos" as opposed to just stating that they protect animals, will allow them to target very specific donors who are interested in and well placed to support their goals (D2 – D4). For example, a dog food company may wish to align with the CO that rehomes domestic animals rather than rhino conservation efforts.

For smaller contributors, the same principle holds: the person giving to the cause seeks alignment between their convictions and social service values with those of the CO. This alignment guides their choice to donate to one organisation rather than another (C1, D1, P1, P2, P4).

By highlighting their goals and impact in their reports, COs can engage potential donors and foster long-term relationships with their partners, and this may also help COs obtain more stable and predictable funding (D2 – D4). Effective reporting serves as a conduit for conveying the organisation's mission and impact, ultimately contributing to its long-term viability and ability to enact positive change.

4.5.1.1 Scalability and self-sustainability

Scalability and self-sustainability are paramount considerations for donors when assessing the strategic alignment. Donors indicated their interest in the COs' ability to demonstrate potential for growth and financial independence (D2, D3, D4, D5, P3, P4, C1).

> "And can they scale? Do you think that this organisation can scale? … You must do comprehensive due diligence to understand, and that involves site visits, involves interviewing beneficiaries. So, if I were going to get into a long-term relationship, I would seriously do my homework" (D3).

Donors want comfort that they are partnering with COs that can make large impacts. Therefore, donors want to know that the operations of the CO are scalable to complement their CSI strategy alignment (D2 – D5, P4, C1). Scalability is linked to the issue of self-sustainability and being innovative and entrepreneurial (D3, D4).

> “Yeah, so it is, it is more than providing funding. We would inevitably like to see any of our partners running these programs as self-sufficient. We would like that they never have to ask for another cent” (D3).

Among the donors and preparers who were interviewed, the scalability of the COs' impact and financial sustainability emerged as a prominent theme when assessing strategic alignment. Donors seek scalability and the potential for COs to generate income, possibly even turning a profit to sustain their operations and social objectives (D1 – D5, P4). They aim to collaborate with COs capable of achieving self-sufficiency through scalable, innovative, and entrepreneurial ideas (D3, D4, P4, D5). In this context, D3 emphasised their criteria for evaluating a CO, saying:

> “We look at the business model, can this thing sustain itself over time? We look at innovation, whether there is innovation, and whether is it doing something new, and we look at whether we think can solve a problem at scale if it grows. Do we think that there's job creation potential? And remember, we are looking at them as entrepreneurs” (D3).

However, when discussing the scalability of operations, D4 advised COs to focus their energy on their core principles, goals, and expertise and warned them not to become large at the cost of their cause:

> “My advice is to say this. Please be careful of a drive for quantity versus quality” (D4).

By considering the CO’s capacity to attract funding from large corporations and institutions and recognising these users as the primary users of reports, a standardised reporting framework must aim to identify organisations that have the potential to make a more substantial and sustainable impact on the lives of the beneficiaries they serve (all interviewees). Reporting should acknowledge the importance of strategic partnerships and

financial support from influential entities in maximising the organisation's reach and effectiveness (D2 – D4). This comprehensive approach enables donors to ensure that their support contributes to meaningful, lasting change in the communities served by these COs.

Strategic alignment between COs and CSI strategies of the donors is pivotal for a lasting partnership. The CORP draws on this when providing recommendations for reporting (see Appendix 7.2.5). Articulating clear goals, scalability, and self-sustainability are key for attracting and maintaining donor support.

4.5.2 Financial attributes

Many interviewees admitted that they have never been asked to supply a set of Annual Financial Statements (see Section 4.1) (P1 – P3). This could imply that donors find other types of reports more useful or relevant for their purposes, or that the financial results of the CO, in isolation, do not provide the information required for donors to make decisions (D1, P2, P4, C1). These findings suggest a preference for alternative forms of reporting that may provide more comprehensive insights into the operations, impact, and outcomes of COs than financial statements. Certain financial aspects are of importance to some interviewees, but this information is not necessarily required in the form of AFS (D1 – D5, C1).

> “I'm much less concerned about the conventional: what is income, what is expenditure? I'm more interested in physical inflows and outflows, how much physical money did you get and what did you physically payout” (C1).

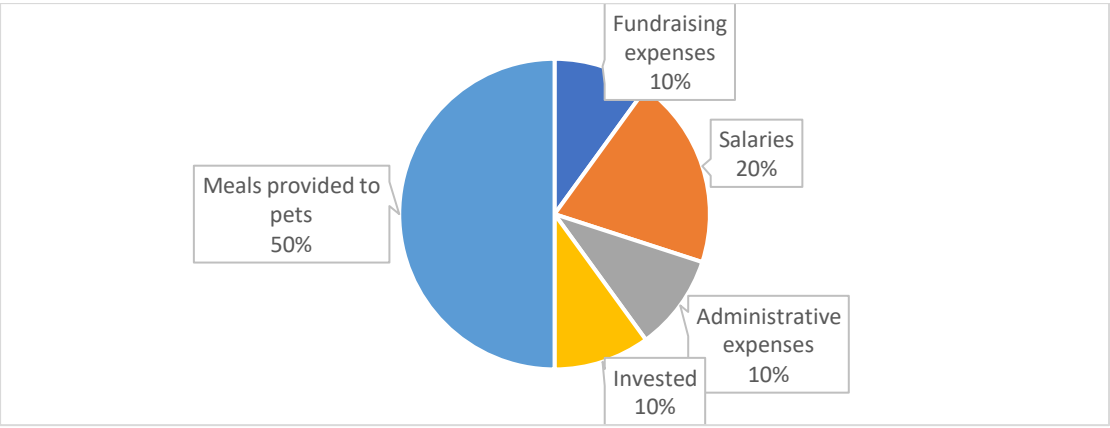
This is because the purpose of the CO is not to generate a profit or improve financial position to maximise returns for investors. Consequently, items such as profit are not fundamental in assessing whether to support a CO or not.

> “I would like to see if you're looking at a balance sheet for some period of time or at a specific time, an opening [cash] balance in the account for the year, funds raised thus far, reserved funds, unreserved funds, and sort of a closing balance and a reference to different projects that that the monies are reserved for” (D1).

Examples of financial information that donors identified as useful for decision-making included: donations received, salaries and administrative or fundraising expenses paid, cash available

and asset balances, if significant (D1, P1, P2, P4, C1). C1 explained that when the layperson looks at the reports, they should get an understanding of the operations and that could be achieved through a simple pie chart showing that for every R1 of donations, expenses are made up as follows, for example:

Figure 1: Illustration of expenditure in COs



It is also useful for donors to understand what operational expenses are paid to continue serving the purpose of the CO. This information may provide insight into how long the CO can still operate if no further funds are donated or raised (D1 – D4, P2, P4, A1, C1).

> "It's happened a few times [run out of cash reserves], especially with COVID. Borrowing from a financial institution would be difficult because we have no assets…So, I think besides a small overdraft on the credit card, there wouldn't be much available, but the funders extended us interest-free credit…" (P1).

Providing details on the CO's current financial status, including assets, liabilities, and available funds, allows users to understand the organisation's financial health and immediate needs.

> "Whoever the person is [the CO] knows best how to spend the money, but they've got to acknowledge that we're [the donor] not helping you buy a property. We are very focused on the impact that the program has" (D2).

Reporting on how effectively the CO has utilised funds helps users assess the organisation's efficiency and impact (D1, D2, P1 – P4, C1). This could include detailing outcomes achieved and outputs delivered alongside reporting the expenses and other financial metrics (D1, D2, D3, C1). COs could also consider reporting their expenses as a percentage of total donations

and implementing KPIs where they strive to achieve the lowest possible expense % for each expense category, or implementing maximum expense percentages, that would still allow them to have the same operational efficiency and impact. This could give donors comfort that expenses are always under scrutiny. Users would benefit from information on whether the CO is financially self-sufficient or working towards achieving self-sufficiency (D1, D3, D4, P4). This could involve reporting revenue and expenses, sources of funding, and efforts to diversify income streams (D2, D3, D4). Users could also benefit from insights into the nature of donations, including whether they are linked to specific projects, or whether they are conditional or unconditional. Reporting on the proportion of ad-hoc and repeat cash donations, average donation sizes and any long-term commitments offers transparency on the organisation's funding patterns and stability (D1, P1, P2, P4). Detailing expenses related to salaries, overheads, and other operational costs helps users understand how funds are allocated and whether resources are effectively managed (D1, D2, D3, P1 - P4).

By including these financial details in their reports, COs can provide users with a comprehensive understanding of their financial position, past performance, and future sustainability, enhancing transparency and accountability.

The CORP framework (see Appendix 7.2) refers to a Statement of Activities and a Statement of Financial position and Cash movements as a guide to COs on the specific financial information that users, specifically donors, find relevant (also see Section 4.5.2.1 and 4.5.2.2). It also proposes the use of a Flash report that provides donors with a more recent snapshot of events and the status of affairs of the CO. This is discussed separately as this interviewee noted that it would be useful to prepare this summarised report on a more regular basis than annually (refer to Section 4.5.5).

4.5.2.1 Statement of activities

COs are mandated by IFRS, or similar financial accounting frameworks, to present their financial performance information in a manner consistent with the Statement of comprehensive income. However, for COs, the emphasis should be directed towards highlighting the social impact of their activities. While adhering to the fundamental principles of financial reporting, COs are encouraged to highlight the significance of various categories of income and expenses in terms of their contribution to the organisation's societal objectives (D1, D4).

Interviewees were especially interested in measuring performance by assessing the categories of income and expenses, looking at how money was raised and spent, rather than whether a net profit or loss had been earned for the year. This is summarised in D1's statement below:

> "The goal is to spend the profit and to help out the needy." (D1).

This concern for the focus of the performance is echoed in literature when Gazzola et al. (2021) explains the problem that COs face is to report success in a way that is not profit related. Existing financial reporting standards that guide reporting do not empower COs to report information that effectively highlights their functions and assists their users in capital allocation decisions. In this context, a Statement of Activities serves as a vital platform for transparently communicating the output and outcomes of the organisation's endeavours. COs should underscore the correlation between financial performance and the social outcomes and impacts achieved. Reporting should highlight how resources are channelled to fulfil the COs mission over the short term as well as the longer term (D1 - D4, P4). The following aspects were noted by interviewees as worthy of being included in a standardised reporting format and are included in CORP 2001 – 2003 as an example (see Appendix 7.2).

Revenue / Income categories

CORP 2001 (see Appendix 7.2) provides an example of how COs can recognise and account for various forms of revenue and income, with a primary objective of ensuring transparency, consistency, and comparability in financial reporting. The suggested guidance applies to all organisations that receive revenue from diverse sources, including monetary donations, donations in kind, donations in the form of time or services, government grants, and income from operations.

This standard provides specific guidance for different types of income. Monetary donations should be recognised as revenue when legally promised, with reasonable collectability. Donations in kind (non-monetary assets like goods and equipment) should be recognised when their fair value is reliably determined and when they align with the organisation's social goals or can be realised to align with its social goals. Donations in the form of time or services by volunteers are also recognised as revenue to enhance transparency, completeness and comparability (D1, D3, A1, A2).

For volunteer time the hourly wage equivalent method assigns a value by considering prevailing local wage rates for comparable services, periodically adjusting to economic changes (D1, A1, A2, P4). Comparable services provide a benchmark by comparing volunteer tasks to the cost of hiring individuals for the same duties. Alternatively, the value of outputs, such as completed projects or goods, offers a tangible basis for valuation, estimating their market value or cost savings achieved. For example, if the volunteers physically constructed dog kennels, the value of the kennels could probably be more reasonably recognised than the labour of the volunteer constructing a kennel.

Where donations of any kind are immaterial, or the cost outweighs the benefit of recognising and valuing the donation, the CO should consider alternative disclosure such as detailed descriptions of the donation that will allow the user of the report to understand the type of donation and the value it brings to the CO (D1, P4, A1, A2).

Including this information in CO reports, provides stakeholders with a better understanding of the organisation's operations and the impact of volunteers on the organisation's activities. It also contributes to the true size of the organisation in instances where a lot of the work done in the community is through the volunteer network, adding to the credibility and transparency of the reports (A1, A2, D1, P4). A standardised framework developed should guide on determining the value of donations in kind, particularly the time donated by volunteers. Detailed documentation, consistency in valuation methods, and comprehensive comparative disclosure should be emphasised.

Expense categories

CORP 2002 (see Appendix 7.2) is an example of how a reporting framework can guide COs in recognising and accounting for different types of expenses, promoting transparency, fairness, and reasonableness in expense reporting. Operational expenses, including program costs, rent, and utilities, should be recognised when incurred or reliably estimated. Employee costs should be allocated to relevant functions, and director/management compensation should be detailed in financial reports, and compared with market-related salaries (D1, D2, D3, A1, A2, P4, C1).

Fundraising expenses should be recognised when incurred and disclosed separately to show resources used for fundraising activities (D1, P1, P2, C1). Expenses paid to related parties require detailed disclosure, assessing fairness and reasonableness, and expressing payments as a percentage of market values (D1, A1, A2). Interviewees particularly focussed

on the related party transactions. Auditor interviewees felt that these were high risk in these kinds of organisations and donor interviewees were also concerned about payments made to directors or companies owned and managed by the management of COs (A1, A2, D1, D2, C1).

A standard should emphasise transparent presentation and classification of all expenses in financial reports, aiding stakeholders' understanding. Adhering to these guidelines enhances transparency, comparability, and accuracy in financial reporting, fostering trust and accountability with stakeholders.

Internal benchmarking and performance Indicators

CORP 2003 (see Appendix 7.2) includes benchmarking and KPIs in the proposed CORP framework. Many interviewees identified benchmarking and providing standard measures for comparison as an important tool for effective CO reporting and understandability (D1, D2, P1, P2, A1, D3, P4, C1).

> “They all have different KPIs and metrics. How would you then find something that speaks to sustainability reporting…whereas if I think about the KPIs that are being set on our partners in the conservation space, they are so, so, so different” (D2).

> “to see and sort of gauge have they made a sufficient impact, what projects have they been involved in, what services have been supplied to the people, how many meals have been provided and what is the extent of funding that's being provided? These are important metrics that I kind of use to gain an understanding of what is happening in the entity” (C1).

Internal benchmarking involves comparing an entity's current performance with past performance and/or industry standards to assess efficiency and progress. The process of identifying benchmarks and KPIs (key performance indicators) is a subjective one and the CO must take great care when this task is performed. The CO must then collect the data to measure these KPIs accurately and report on them including comparative information, comparing the result to prior periods and possibly even competitor COs (D1, P1, P2, A1, D2, D3, P4, C1).

COs must revisit their benchmarks and KPIs regularly to ensure that the measures remain relevant and representative of key success factors for the CO. COs should create and communicate internal benchmarks, with management and executive compensation benchmarked against for-profit companies and other COs (D1, P1, A1, A2, C1). Performance indicators cover financial and non-financial aspects, including revenue growth and social/environmental impact. Entities should disclose chosen indicators, calculation methodologies, changes, and explanations for significant variations, fostering transparency and stakeholder understanding. The inclusion of benchmarking exercises and tracking of key performance indicators strengthens the credibility of the presented social impact, especially when compared to past performance and other COs with similar social objectives (D1 – D5, A1, A2, P4, C1).

4.5.2.2 Statement of financial position and cash movement

CORP 3000 (see Appendix 7.2) outlines principles for a tailored Statement of financial position (Balance sheet) and Statement of cash movements for COs (Cash flow statement), drawing from the IFRS framework. This standard targets COs that are not asset-intensive and have limited borrowing or lending activities, providing a condensed financial statement with essential elements only. The Statement of financial position highlights key items such as net cash balances, receivables, payables, prepaid expenses, and net assets (unrestricted, temporarily restricted, permanently restricted). Interviewees emphasised these elements as the most significant line items considered by donors when looking at the reports (D1, P1, P2, D2, P4, P2). D1 explains the importance of seeing whether funds / net assets have been reserved for special projects:

> "I would like to see, let us call it an opening balance for the year…and a closing balance…and in the reserved fund's section maybe a reference to different projects that that the monies are reserved for" (D1).

As the primary purpose of the statement of financial position and cash movement is to provide stakeholders with comfort that financial matters are not being overlooked, the statement may be condensed to include only the sections that are directly relevant to the CO's operations as noted above and not be presented in the amount of detail that other accounting frameworks suggest (P1 – P4, D1, D2).

The Statement of cash movements should reveal cash inflows and outflows, emphasising the closing balance and descriptively disclosing the duration that the operations could continue based on that balance, if no further donations are received (P1, P2, P4, D1, D3).

> “So, the biggest risk in terms of operation is just having enough money to pay salaries and continue [with operations]” (P1).

Adherence to this standard ensures stakeholders grasp the CO's financial health and sustainability, concentrating on pertinent details and aligning with IFRS principles. Interviewees revealed a focus on these key balance sheet items, deeming other elements less significant (D1 – D5).

4.5.3 The credibility of the CO

One major theme that emerged from the interviews was the idea of being able to assess a CO’s credibility. Information regarding the operations of a CO needs to be reported to create social value and to be seen as credible by society (Cabedo et al., 2018).

> “Credibility is developed in the minds of others from your actions” (C1).

Credibility within the context of CO reporting refers to the trustworthiness and reliability of the information provided by these organisations (Gray et al., 2006). As COs aim to fulfil their societal missions, accountability becomes paramount, reflecting their commitment to transparency and effectiveness (all interviewees).

> “for me, credibility just comes back to have you used the resources appropriately” (C1).

To maintain credibility, COs resort to producing additional informal reports tailored to various stakeholders' needs, including donors, beneficiaries, and governments (see Section 4.4.1) (P1, P2, P4, C1). However, ensuring credibility through transparency poses complexities, as it may lead to resource-intensive practices and may not always guarantee the completeness or reliability of the information (Cordery et al., 2019).

COs are the stewards of donated funds that do not yield profits or returns for the donors (C1).

Donors have noted that when the reports demonstrated the credibility of the CO, they were considered more useful (D1 - D4, P4, C1). In response, donors indicated the need to include governance information, including the controls in place to prevent the misappropriation of funds and ensure that the stated objectives of the CO are achieved. Examples of success stories, or even stories that were not as successful but helped the CO grow in their learning and experience, added to their perceived credibility of the CO (D1 – D5, P3, P4, C1). Some interviewees mentioned that a wishlist of resources required to facilitate the goal would be useful information to have access to and provide a sense of credibility towards the spending of donated funds (D1 – D5). This reflects that the CO is organised and has clear and detailed plans to achieve its goals and remain in operation in the foreseeable future (D1 – D4).

Other information that was considered supportive of the COs credibility included details about the accounting systems used by the organisation, offering insights into its financial management practices and ensuring transparency and accountability in handling funds (D1, P1-P3). Similarly, information about the qualifications of the staff responsible for preparing reports instils confidence in the accuracy and integrity of the financial information provided (D1, D5, P1, P1, P4). Additionally, disclosing the CO's tax relief status and any potential incentives for donations demonstrates its compliance with regulatory requirements and transparency in financial operations (P1 – P4, A1, A2, C1).

Knowledge about donor-imposed restrictions or conditions on contributions further enhances transparency and accountability in resource utilisation (D1, P4, A1, C1). P4 explained that donors care particularly for their specific implied conditions or restrictions. For example, always maintaining a certain percentage occupancy rate at this government-funded wing of a palliative care unit and there were certain restrictions on what portion of donations were to be spent on salaries. P1 had an example where a donation was only to be used for constructing a classroom and not any of their other charitable initiatives.

The organisation's engagement in reporting activities on social media reflects its commitment to open communication and engagement with stakeholders, fostering trust and credibility (P2, P4, A1, A2, C1). Furthermore, implementing assurance mechanisms for financial and non-financial information reinforces the reliability and accuracy of the data presented (D1, D2, D3, D4, A1, A2, C1). Collectively, these elements form a comprehensive spectrum of data that addresses the informational needs of users, enabling them to make informed decisions and trust in the credibility of the CO. The prior literature supports this notion in acknowledging the need for transparent and valuable information is vital for COs to establish and uphold their

credibility (Gray et al., 2006). The absence of such disclosure significantly impacts the credibility as well as the funding capabilities of these organisations (Gazzola et al., 2021).

Some interviewees acknowledged that assurance over financial and non-financial reports is not always required by donors to demonstrate credibility (see Section 7.2.5) and can be onerous on the CO (P1, P2, D3, D4). Another interviewee feels strongly that if a donor wants assurance over the spending of their donations to gain comfort in the CO's credibility, they should also be covering the cost of the assurance to not take away from the COs' resources and distract them from their goals. D4 states that credibility is not affected by the lack of assurance provided (D4).

A preparer of reports, however, thought that reporting additional requirements such as some of the items discussed above, could not necessarily satisfy the user of the organisation's credibility, as explained by P2:

> "What I am worried about is, that we already have an issue with getting funding from corporates who only really want to deal with big COs to begin with. It is largely because of this credibility issue, right? Yes, to convince somebody to give you money as a starting-up CO is a nightmare, and getting credibility is difficult. Now whether a report is going to give me credibility, I mean it is very easy to tick items off a report. How often my employees are there, how many employees I have got, for example. I mean, I could give you all that information, but I do not think it necessarily makes me credible" (P2).

The credibility of COs is fundamental to their success and impact. Stakeholders, including donors, prioritise transparency, accountability, and reliability in reporting practices to assess a CO's credibility. While certain aspects like financial management systems and staff qualifications contribute to trust, the absence of assurance mechanisms can pose challenges. Nonetheless, maintaining credibility remains pivotal for COs to secure funding, achieve their goals, and foster trust among stakeholders.

4.5.3.1 Statement of credibility

The CORP framework offers the Statement of credibility (see CORP 4000 in Appendix 7.2) as a critical aspect of CO reporting. This statement serves as an example of the guidelines the COs can use for their activities, practices, and achievements to be reported in a consistent,

transparent manner, aiding them in gaining credibility. When properly prepared, it should enable corporate donors to effectively compare different COs to one another as well as compare a COs performance to its past performance and make informed decisions about funding allocation. The goal is to determine which CO is more deserving of funding and demonstrates the most efficient utilisation of funds to create a significant impact in the communities they serve (D1 – D5, C1).

The components of the Statement of Credibility include items such as assurance and controls for risk management, impacts, success stories, and a wish list, which contribute to increased credibility (D1, D2, D3, P4). The disclosure of lessons learned, details about the accounting system and staff qualifications, and information on tax relief and incentives for donations all enhance the organisation's transparency and reliability (D1, P1, P2).

When considering success stories, all interviewees agreed that sharing those in reports would add to the perceived credibility of the CO. When posed with the opposite thought, conflicting views arose. D1 thought that if he was made aware of fraud in the organisation that he donates to, he would be more compelled to assist them in fixing the controls to prevent theft and reach their social goals (as explained in Section 4.2). P4, however, shared an instance where money was stolen from a charity shop, and they reported this information to their donors. For the following two years, two of their largest donors would not donate because of lost trust. The lost donations amounted to almost one million rands lost each year. This example reinforces the fact that large donors use the reports to base capital allocation decisions but also that more research is to be done on the reporting of fraud, theft, or failed attempts at reaching social goals. If this information is reported, it should be done in the context of what control has now been put in place to prevent this from taking place again and what lessons were learned (D2 – D4, P4).

Social media presence and reporting, along with considerations for self-sufficiency and scalability, are vital aspects that contribute to a CO's credibility (D3, D4, P4). A framework should acknowledge that there are two distinct types of COs. Some COs have the potential to become income-generating and self-sufficient entities by incorporating business-like strategies and diversifying their funding sources. On the other hand, certain COs may primarily serve the most vulnerable populations and may not have immediate opportunities for income generation from their core activities (D3, D4, A1, A2). The credibility assessment of COs should also highlight their ability to achieve self-sufficiency and sustainability. This not only

adds to their credibility but also enhances their scalability and long-term impact. The Statement of credibility should include a consideration of self-sufficiency (D3, D4, D2).

While both types of COs are essential for addressing societal needs, those with the potential for income generation have an opportunity to work towards self-sufficiency and long-term sustainability. However, it is important to note that even COs that might not directly generate income from their activities can still explore innovative approaches to maximise their impact and consider long-term strategies for financial stability (D3, P4, A1, A2). By incorporating the idea of self-sufficiency and seeking to become partners with donors rather than just being their beneficiaries (D3, D4), COs can enhance their credibility, attract more sustainable funding opportunities, and create a more significant and lasting impact in the communities they serve. P4 explained how their largest donor has encouraged them to partner with at least 3 or 4 other large corporate donors and has stated that they feel more comfortable partnering with COs that have multiple long-term sponsorship relationships with significant donors.

An Outlook statement within a Statement of credibility report is a crucial component that provides stakeholders with management's anticipated trajectory for the entity's future (D1 – D4). It serves as management's informed projection of what lies ahead, based on an analysis of various factors such as prevailing economic conditions, industry trends, regulatory environment, and other pertinent variables. The Outlook statement offers a glimpse into management's strategic vision and expectations (D1, P4, A2). Firstly, it should address economic and market expectations, including GDP growth, inflation rates, and consumer spending patterns, alongside industry-specific trends like demand and pricing dynamics. Secondly, it should articulate organisational goals and strategies, such as expansion plans and cost-saving measures, aimed at driving growth and increased impact. Thirdly, it should candidly acknowledge anticipated challenges and opportunities, demonstrating a proactive approach to risk management and opportunity exploitation. Fourthly, it should discuss the impact of external factors such as government policies and technological advancements on operations and outlook.

4.5.4 Output, outcomes and impact

Another key information requirement that emerged from the interviews was the provision of information about the output, outcomes and impacts of the CO (also refer to Section 4.4.3). This may be viewed as the equivalent of net profit for a profit-orientated company (all interviewees). To ensure that COs provide reports that are relevant to donors and other

stakeholders, they must include comprehensive information regarding their output, outcomes, and impacts.

4.5.4.1 Relevant information

When assessing the relevance of CO reports, donors seek transparency and clarity regarding the organisation's activities and their impact. Therefore, CO reports should include information about activities and outputs, including information on the work completed, for example in the case of an educational program, this could include the number of lessons conducted or the number of students reached or in an animal-related CO it could be the number of volunteer hours donated to an animal shelter or anti-poaching unit or the number of operations performed on animals at a shelter (D4, D3, P1 – P4, C1). This information should also be translated into the outcomes that were achieved, for example, the increase in the average matric pass rate as a result of the lessons conducted (D3, D4, C1).

The impacts should be reported as the long-term effects of the organisation's efforts on beneficiaries and communities. Impacts are harder to measure as they take time to take effect. It also becomes hard to quantify what the direct impact of COs activities was on a person or animal's circumstances years later. Impact assessment should go beyond immediate outcomes and consider broader societal changes, such as improved economic prospects or reduced environmental degradation. This could include the number of students that went on to successfully pursue professional careers if the CO can manage to stay connected with all the students over the years, or the number of stray cats and dogs that were prevented through a neutering program (D2 – D4).

4.5.4.2 Comparable information

While outputs, outcomes, and impacts may not always be directly comparable across different initiatives, standardised reporting formats may facilitate efficient, informed decision-making. For example, comparing the impact of saving five rhinos versus neutering five hundred cats and dogs might involve assessing factors such as ecological balance, reduction in stray populations, or societal benefits derived from each intervention (D2 - D4). Non-financial metrics can be utilised to portray these impacts effectively, enabling donors to evaluate the information and support the CO that aligns most with their objectives and CSI strategies (D1 – D5).

By providing reports that communicate output, outcome, and impact, COs can demonstrate their effectiveness and relevance to donors, allowing greater comparability between COs.

4.5.5 Flash reporting

During the interview with D1, the idea of a flash report came to light. It would be a summarised report including financial and non-financial highlights and would be prepared more regularly than annual external reports.

> "But you know if I was a donor from that perspective looking at the reporting. Most people are not accountants and do not even see the accounts and I guess do not want to look too deeply into it. They want just a quick overview. At a previous business, we called it a flash. It is a one-page summary and maybe something like that could give a good enough indication of where you are" (D1).

During this interview and the interviews that followed, this idea was posed to every interviewee and the response was positive. The consensus among all interviewees was that it was a good concept and could satisfy the interim reporting needs of users on a more frequent basis than annual reports without being as resource intensive as the annual reports (all interviewees). The interviewees were invited to add specific items and key features that they thought would be valuable in this report.

> "Sure, I think it [flash report that includes financial and non-financial information] will be more useful in terms of a monthly/bimonthly report or something like that to evaluate the state of NPOs…" (P1).

An example of what an accounting framework can look like that governs Flash reporting can be found in CORP 5000 (see Appendix 7.2). This report expects COs to create a succinct and insightful report on their financial and operational performance during a specific reporting period. Key features of the Flash report could include:

- Opening and closing cash balances for the year-to-date. This offers a clear view of the cash flow position and financial stability, detailing reserved and unreserved amounts (D1, P4, A1, A2, C1).

- Donations received for the year-to-date which categorises donations from various sources, highlighting income stream diversity and fundraising effectiveness (D1 – D4, P1 – P4, A1, A2, C1).
- Expense breakdown for the year-to-date, presenting significant expense categories, contributing to stakeholder understanding of resource allocation (D1 – D4, P1 – P4, A1, A2, C1).
- Employee costs and continuity for the year-to-date which highlights major employee costs and key staff members' years of service, evaluating organisational stability and continuity (D1, D5, P1 – P4, A1, A2, C1).
- Asset balances if the CO is asset-intensive, providing a summary of asset balances by category, and offering insight into the organisation's operational capacity (D1, A1, A2).
- A summary wish list that offers a summary of upcoming projects or funding needs, providing stakeholders with a clear understanding of priorities and plans (all interviewees).
- Success stories, follow-ups with beneficiaries, and lessons learned which highlight positive impacts, updates on beneficiaries since leaving a specific program or after having accomplished a certain outcome of the CO, and lessons learned, demonstrating adaptability and a commitment to improvement in controls and operations (all interviewees).

The flash report should be prepared quarterly or semi-annually, with flexibility for more frequent reports as deemed necessary (all interviewees). It should include comparative data for all items presented as far as practical (D1 – D4, P1, P2, A1, A2). It should be concise and limited in pages for focus and readability (D1, D2, A1, A2). Adhering to this standard enables COs to provide timely updates, fostering transparency, accountability, and stakeholder engagement, ultimately contributing to the organisation's mission and long-term success.

4.6 A standardised reporting framework

This report has explained the need for a reporting framework that is specific to COs, as the current existing accounting frameworks do not allow them to communicate their operation’s effectiveness efficiently (all interviewees).

> “Stewardship underpins what should go into an NGO reporting framework” (C1).

The proposed CORP, which serves as an example of a standardised reporting framework, includes the key aspects that interviewees expressed a desire to have reported by COs to communicate to stakeholders, specifically donors effectively. Whilst grounded in the prior literature, existing reporting frameworks, and the data from interviews, CORP cannot be finalised and perfected based on this study alone. It should be taken as the first step towards addressing the current CO reporting deficiency and future researchers may want to explore the topic further and let this study serve as a cornerstone for the establishment of a universally accepted standard for CO reporting. This may potentially lead to the more efficient allocation of funding to the most deserving COs since donors can directly control CO reports by controlling access to funding (Cordery et al., 2019).

In line with the diverse nature of animal-related COs, and other COs, the proposed framework is not a rigid structure, but rather a set of adaptable guidelines. While certain core elements, such as financial transparency and clear impact reporting, remain consistent, the framework includes optional components that can be modified based on the size, focus, and donor requirements of individual COs. This adaptability ensures that the framework is inclusive and applicable to a wide range of organizations, while still addressing the key issue of inadequate reporting practices across the sector.

Benefits of a reporting framework include standardisation, which ensures consistency and comparability, streamlining reporting processes and saving time and resources (D1 – D5, P1 – P4). Transparency is enhanced, fostering trust and accountability among stakeholders (all interviewees). The framework's accessibility empowers donors, regulators, and the public to make better-informed decisions. Benchmarking against industry standards facilitates continuous improvement, enabling COs to gauge their performance and identify areas for growth (P1, P4, A1, A2). However, a lack of flexibility may overlook unique aspects of CO operations, while oversimplification can obscure the complexity of their work. Compliance burdens and costs may increase, particularly if significant changes to existing processes are required. Moreover, standardised reporting risks losing the specific context in which COs operate, limiting stakeholders' understanding. Resistance to change may also arise, with some organisations wary of perceived constraints (P1, P2, A2).

Based on the findings of this study, it was noted that a standardised report would be most useful to large organisations, receiving substantial donations. With this in mind, an interest score is suggested that may assist COs in determining whether applying a standardised

reporting framework results in benefits for the organisation that outweigh the costs. This is discussed in the section that follows.

4.6.1 Interest Score

A standardised reporting framework should include an interest score (see Appendix 7.2.1.7) guiding COs on when to implement the framework. The following considerations were identified by interviewees as important indicators of an organisation's social impact, as well as its size and could be used to determine whether a CO should be required to implement a standardised reporting framework like the CORP (all interviewees).

Number of employees: D1 notes that a larger workforce often signifies a substantial entity that caters to the needs of many users. Organisations with more employees are more likely to have complex operations that require detailed reporting to various stakeholders (D1, D2, D3, D4, P4, A1, A2). Assessing this factor can provide an understanding of the organisation's capacity to manage and conduct charitable activities efficiently (D1, D4). The number of employees also results in more people being affected by the results of the organisation and more people being impacted if the organisation does not perform well.

The total amount of funds (donations) received: The total funds received directly correlate with the financial capabilities of the organisation. Larger donation amounts indicate a higher potential for implementing impactful projects and initiatives and creating self-sustainable economic participants that still achieve their social goals (D3, D4, A1, A2). This factor can be examined to gauge the organisation's ability to allocate resources effectively toward its mission (D1, P2, A1, D2).

The total number of donors and donor types: The number of donors, both individual and institutional, highlights the organisation's ability to attract diverse support. A higher donor count signifies a broader base of backing, reflecting the organisation's credibility and appeal. Evaluating this factor helps assess the organisation's reach and influence within its community (D1, D2, A1, P2). P2 notes that it would also be useful to assess whether government funding is received and therefore the type of donor is included in this factor consideration.

The total number of beneficiaries: Measuring the total number of beneficiaries gives a clear picture of the organisation's outreach and the scope of its programs. A larger beneficiary count

implies wider positive outcomes and impact on the community and a larger number of impacted parties if the CO ceases its operations. Understanding these metrics aids in comprehending the organisation's efforts in reaching those in need (D1 – D4, P2).

Vulnerability of beneficiaries: By delving into the vulnerability of the beneficiaries, you can assess the organisation's targeted impact on the most at-risk members of the community (D1, D2, D3, D4). This factor provides insights into the organisation's commitment to addressing critical social issues and serving those who require the most assistance and could also help donors assess alignment with their chosen CSR strategy (D2 - D4).

Overall impact on the cause: Evaluating the overall impact of the organisation involves examining how the organisation's efforts have led to sustainable and positive changes for its beneficiaries. Understanding this factor helps determine the effectiveness of the organisation's programs in creating meaningful and lasting transformations (all interviewees). This consideration is a subjective factor and could result in different outcomes when assessed by different individuals. For example, P4 faced a challenge when presented with this question: Which cause has a more significant impact, safeguarding abused children or preserving endangered animal species? After thoughtful deliberation, he ultimately concluded that prioritising human life is crucial, while acknowledging the importance of all life forms and recognising that others posed with the same question may hold differing perspectives.

Social impact can be multifaceted, and a reporting framework may allow users to consider other relevant factors not explicitly listed, if they contribute to the overall assessment of the organisation's significance and effectiveness in creating a positive change in beneficiaries' lives, they could be included, and the reporting framework may be applied.

If a CO does not meet the criteria of compulsory application of a reporting framework, as proposed by an interest score, it may still choose to apply the framework voluntarily if the CO feels that the implementation of a framework is practically possible and could be beneficial (D1 – D4, A1, A2). The research conducted thus far struggles to definitively delineate whether a CO should be mandated to adopt a framework. While offering valuable guidelines, it fails to establish a concrete boundary. Future investigations could delve deeper into this issue.

Determining the necessity of external assurance for CO reports poses a similar challenge (see Section 4.4.5). When assessing entities like the small-scale puppy fostering scenario versus the SPCA, the need for external assurance might seem trivial for the former but imperative for

the latter. Pinpointing the precise juncture where external assurance transitions from optional to mandatory is subjective and warrants additional investigation.

A principles-based framework that offers some flexibility could offer the following guidance:

- Small COs, especially those with limited resources, may find it impractical and unnecessary to produce extensive external reports. For these organisations, a pragmatic approach would be to focus on maintaining essential financial records, including cash accounts, and basic documentation of their activities. This simplified reporting structure ensures compliance with the minimum legal requirements without overburdening the organisation with resource-intensive reporting processes (P1, P2, A1, A2, D1).
- Medium-sized COs with a moderate level of resources should assess their reporting needs based on donor expectations and the scale of their operations. They could consider adopting a standardised CO reporting framework that strikes a balance between comprehensiveness and practicality. This might involve implementing select aspects of formalised reporting frameworks based on their context and needs (D1 – D5).
- Large and well-established COs, such as the SPCA, should prioritise comprehensive external reporting to uphold transparency, accountability, and stakeholder trust. Implementation of reporting frameworks is advisable for such organisations with sufficient resources as interviewees showed support for a standardised framework (all interviewees).

5. Conclusions and suggestions for future research

The landscape of COs presents a unique challenge to traditional financial reporting frameworks due to their non-profit nature and focus on social or environmental goals. Despite their contributions to society, there is a lack of understanding about how to measure and report the performance of COs. This research aimed to address these issues through a comprehensive study involving interviews with stakeholders involved in CO reporting. The purpose of this research was to explore these challenges and propose solutions through an in-depth investigation involving interviews with stakeholders actively engaged in CO reporting practices.

The research suggests that the principal users of CO reports are large donors, who prioritise transparency and credibility in their decision-making processes. The principal-agency theory sheds light on the importance of accountability and performance assessment in the CO sector, despite its unique operational model where donors are not aiming to maximise their returns

but the value added by the CO. Understanding the rising prominence of COs highlighted the socio-economic factors driving their proliferation and the consequent need for tailored reporting mechanisms (Lehman, 2007).

COs encounter various challenges when preparing external reports, including the absence of context-specific reporting frameworks tailored to their unique needs. Additionally, attracting and retaining skilled staff, defining outputs, outcomes, and impacts, treatment of non-cash donations, and deciding on external assurance present significant hurdles. The lack of purpose-made frameworks forces COs and donors into time-consuming, uncertain, and often inefficient reporting processes, exacerbating stress and resource constraints.

This research set out to address these challenges and contribute to the body of knowledge by investigating the reporting practices of COs, particularly within the animal-related sector. The findings highlighted the need for a standardised reporting framework tailored to the unique needs of COs. An illustration of what a standardised reporting framework could look like is proposed in Appendix 7.1 and 7.2. A standardised reporting framework should consist of various components, highlighting information that is important to users of CO reports. This includes information related to the income and expense categories of the CO and should highlight performance through assessing output, outcomes, and impact reporting. Brief financial position elements should be included and the focus throughout should be on communicating the credibility of the organisation and its commitment to its stated goals. Useful information for the users of CO reports includes strategic alignment, financial health and evidence of credibility. Donors prioritise alignment with their CSI strategy, scalability, and self-sustainability, while financial data such as cash flow, expenses, and donation details offer transparency. Formats like flash reports aid in regular evaluations, enhancing donor engagement and decision-making. The research introduces innovative reporting practices such as success stories, wish lists, and benchmarking, which aim to provide donors with timely, relevant, and concise information on CO activities, achievements, and their financial and non-financial performance. By incorporating these practices into their reporting processes, COs can enhance their credibility, attract sustainable funding opportunities with long-term partners, and make a more significant and lasting impact in the communities they serve.

To address the research question of how animal-related COs can improve their external reporting, the research considered several themes. While COs are required to produce financial statements like profit-driven entities, their reporting often focuses on demonstrating

their charitable impact rather than financial performance. This necessitates a shift towards reporting frameworks that incorporate both financial and non-financial information to provide a comprehensive view of their operations and outcomes in a more qualitative and descriptive format. However, it is important to note that the focus on animal-related COs was a deliberate delimitation due to the wide variety of charitable sectors. Attempting to address all types of COs in one study was beyond the scope of this research.

Future research may deeper into the practical challenges of implementing the CORP framework, particularly for smaller or less significant COs. Investigating how these entities can adapt the framework to their scale and resources would provide valuable insights. Researchers may also want to consider investigating the interest score to refine it to the point where it draws a clear line between when COs should adopt a standardised reporting framework. The same research may be applied to the score that governs whether COs should be externally assured and to what extent.

Further exploration into the limitations of this study, such as the focus on animal-related COs, is also necessary. While this focus was justified by the need to keep the scope manageable, future research could expand the investigation to other types of COs to validate the broader applicability of the findings.

Conducting pilot studies to test the effectiveness of, and make necessary modifications to, the CORP framework in real-world settings is a crucial step toward addressing CO reporting issues. Quantifying the changes in donation patterns, financial transparency, and stakeholder trust resulting from the implementation of a standardised reporting framework would provide empirical evidence of its value and identify areas for further optimisation. Researchers can utilise feedback from stakeholders to iteratively improve the framework. Examining the limitations of the framework is essential for its continuous improvement. By pursuing these avenues for future research, scholars can contribute to the ongoing evolution of reporting practices within the charitable sector, ultimately advancing the overarching goal of promoting transparency, accountability, and stakeholder trust in COs worldwide.

6. References

ALVESSON, M. 2003. Beyond neopositivists, romantics, and localists: A reflexive approach to interviews in organizational research. *Academy of management review,* 28**,** 13-33.

BEHN, B. K., DEVRIES, D. D. & LIN, J. 2010. The determinants of transparency in nonprofit organizations: An exploratory study. *Advances in Accounting,* 26**,** 6-12.

BENGTSSON, E. 2011. Repoliticalization of accounting standard setting—The IASB, the EU and the global financial crisis. *Critical Perspectives on Accounting,* 22**,** 567-580.

BUSHMAN, R. M. & SMITH, A. J. 2003. Transparency, financial accounting information, and corporate governance. *Financial accounting information, and corporate governance. Economic Policy Review,* 9.

CABEDO, J. D., FUERTES-FUERTES, I., MASET-LLAUDES, A. & TIRADO-BELTRÁN, J. M. 2018. Improving and measuring transparency in NGOs: A disclosure index for activities and projects. *Nonprofit Management and Leadership,* 28**,** 329-348.

CARRUTHERS, B. G. 1995. Accounting, ambiguity, and the new institutionalism. *Accounting, organizations and society,* 20**,** 313-328.

CORDERY, C., BELAL, A. R. & THOMSON, I. Year. NGO accounting and accountability: past, present and future. *In:* Accounting forum, 2019. Taylor & Francis, 1-15.

COSTA, E. & PESCI, C. 2016. Social impact measurement: why do stakeholders matter? *Sustainability Accounting, Management and Policy Journal*.

GAZZOLA, P., AMELIO, S., PAPAGIANNIS, F. & MICHAELIDES, Z. 2021. Sustainability reporting practices and their social impact to NGO funding in Italy. *Critical Perspectives on Accounting,* 79**,** 102085.

GEORGIOU, O. & JACK, L. 2011. In pursuit of legitimacy: A history behind fair value accounting. *The British Accounting Review,* 43**,** 311-323.

GRAY, R. 2000. Current developments and trends in social and environmental auditing, reporting and attestation: a review and comment. *International journal of auditing,* 4**,** 247-268.

GRAY, R., BEBBINGTON, J. & COLLISON, D. 2006. NGOs, civil society and accountability: making the people accountable to capital. *Accounting, Auditing & Accountability Journal*.

HENRIQUES, A. 2001. Civil society and social auditing business ethics. *A European*.

HIELSCHER, S., WINKIN, J., CRACK, A. & PIES, I. 2017. Saving the moral capital of NGOs: Identifying one-sided and many-sided social dilemmas in NGO accountability. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations,* 28**,** 1562-1594.

IASB 2018. Conceptual framework for financial reporting. *IFRS Foundation.*

IŠTVÁNFYOVÁ, J. & MEJZLÍK, L. 2010. Accounting Standards for the Public and Non-profit Organization in the USA. *European Financial and Accounting Journal,* 5**,** 71-81.

KEATING, V. C. & THRANDARDOTTIR, E. 2017. NGOs, trust, and the accountability agenda. *The British Journal of Politics and International Relations,* 19**,** 134-151.

LEEDY, P. D. & ORMROD, J. E. 2019. *Practical research: Planning and design*, ERIC.

LEHMAN, G. 2007. The accountability of NGOs in civil society and its public spheres. *Critical Perspectives on Accounting,* 18**,** 645-669.

MURPHY, T. & O'CONNELL, V. 2013. Discourses surrounding the evolution of the IASB/FASB Conceptual Framework: What they reveal about the "living law" of accounting. *Accounting, Organizations and Society,* 38**,** 72-91.

PARSONS, C. 2019. The (in) effectiveness of voluntarily produced transparency reports. *Business & Society,* 58**,** 103-131.

QU, S. Q. & DUMAY, J. 2011. The qualitative research interview. *Qualitative research in accounting & management*.

RAVENSCROFT, S. & WILLIAMS, P. F. 2009. Making imaginary worlds real: The case of expensing employee stock options. *Accounting, Organizations and Society,* 34**,** 770-786.
ROWLEY, J. 2012. Conducting research interviews. *Management research review*.
SAXTON, G. D. & GUO, C. 2011. Accountability online: Understanding the web-based accountability practices of nonprofit organizations. *Nonprofit and voluntary sector quarterly,* 40**,** 270-295.
SOWA, J. E., SELDEN, S. C. & SANDFORT, J. R. 2004. No longer unmeasurable? A multidimensional integrated model of nonprofit organizational effectiveness. *Nonprofit and voluntary sector quarterly,* 33**,** 711-728.
STRIEBING, C. 2017. Professionalization and voluntary transparency practices in nonprofit organizations. *Nonprofit Management and Leadership,* 28**,** 65-83.
TONG, T. L. 2014. A review of IFRS 15 Revenue from contracts with customers. *Çevrimiçi) http://www. masb. org/my/images/2014-09-15% 20Review% 20of%-20IFRS,* 20.
UNERMAN, J. & O'DWYER, B. 2006. On James Bond and the importance of NGO accountability. *Accounting, Auditing & Accountability Journal*.
VAN ZIJL, W. 2024. The circular economy and sustainable soybean farming in Brazil: an integrated approach. Protecting natural capital and biodiversity in the agri-food sector. *J. Atkins. Cambridge, UK, Burleigh Dodds Science Publishing.*
VAN ZIJL, W. & MAROUN, W. 2017. Discipline and punish: Exploring the application of IFRS 10 and IFRS 12. *Critical Perspectives on Accounting***,** 44, 42-58.
WHITTINGTON, G. 2008. Fair value and the IASB/FASB conceptual framework project: an alternative view. *Abacus,* 44**,** 139-168.
ZHANG, Y. & ANDREW, J. 2014. Financialisation and the conceptual framework. *Critical perspectives on accounting,* 25**,** 17-26.

7. Appendices

7.1 Appendix 1: CORP: A customised reporting framework

Recognising that external reporting plays a pivotal role in ensuring transparency, accountability (Hielscher et al., 2017), and the efficient allocation of funds, this research endeavours to construct the CORP to equip COs with a structured framework for reporting their activities. CORP should be seen as a tool accommodating the comprehensive reporting of both financial and non-financial information. The importance of considering financial and non-financial information as a unified exercise for COs arises from the intrinsic interdependence of these two aspects in gauging the impact and outcomes of their activities (Gray, 2000; Cordery et al., 2019). Non-financial information reflects the alignment of COs with their mission and goals, often more so than financial information only (Gray, 2000).

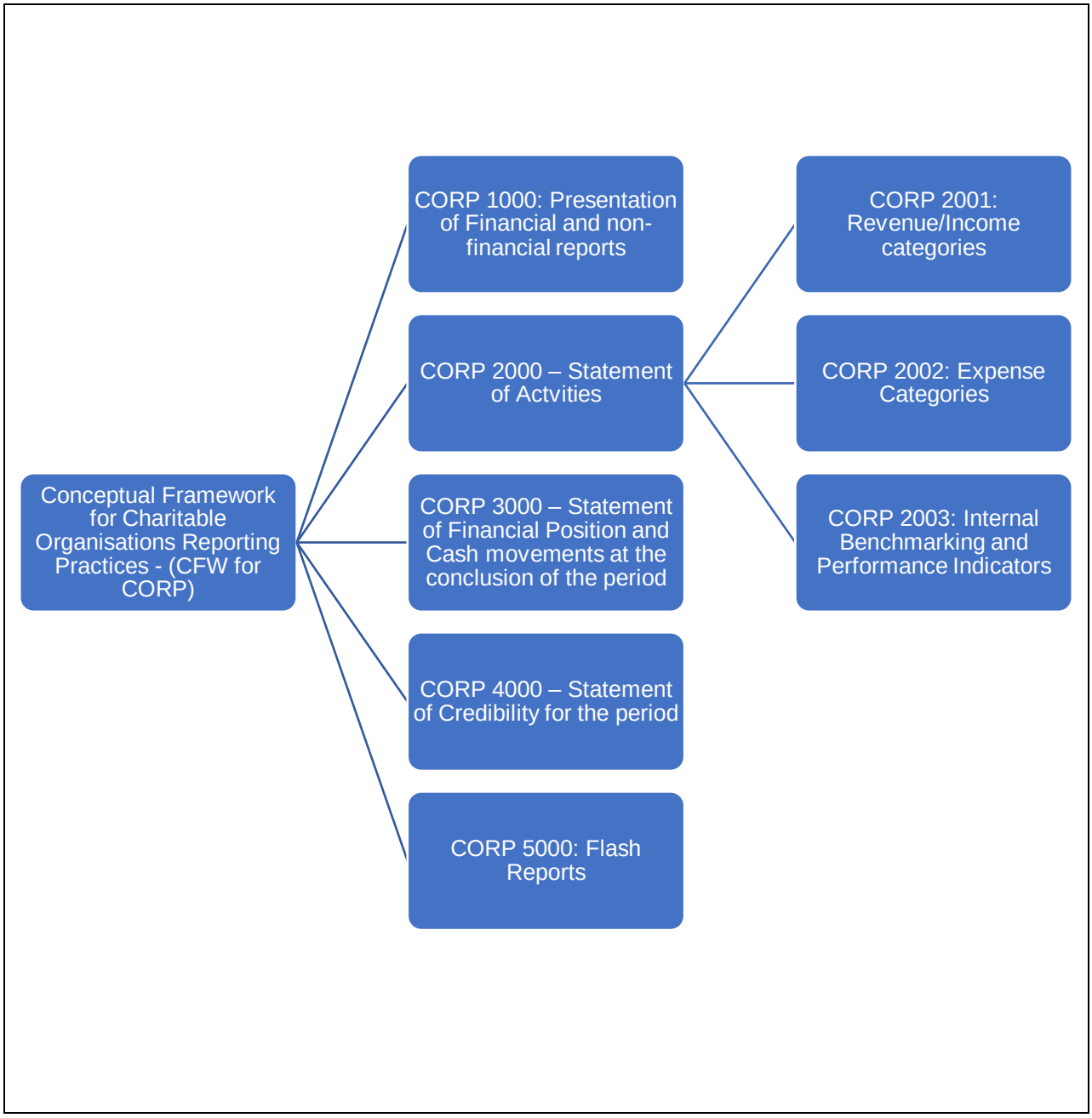
7.1.1 CORP implementation and elements

The CORP's implementation seeks to enhance the accountability and credibility of COs, creating a stronger sense of trust between these organisations and potential funders. In so doing, it strives to bolster COs' capacity to attract capital for furthering their mission and making a tangible and lasting impact on the causes they support. The goal of CORP is for COs to have a common reporting framework that allows consistent, reliable, and comparable reports across all COs. CORP focuses on external reporting. It does not provide an accounting framework. COs should use the accounting framework they are required to adopt by regulation or other influence. In the subsequent sections of the appendices, the research explores the components and principles of the proposed CORP to achieve the above-mentioned goals and overcome some of the challenges that COs face in their current reporting environment.

The purpose of the CORP Framework is to support COs, which choose to implement CORP, registered or unregistered, regardless of the form it takes on, in streamlining their external reporting process. COs that consider themselves too small to benefit from the implementation of CORP or instances where the cost of implementation outweighs the benefits, will not be forced to implement. These COs are still encouraged to implement the parts of CORP that are practical for them to apply. By using CORP, COs will be able to report their activities, and information more consistently and standardised among themselves.

While the proposed CORP framework aims to address the information needs of stakeholders, it does not encompass specific legal requirements tied to maintaining legal status. Trying to accommodate various jurisdictions' legal requirements within a standardised reporting framework risks creating unnecessary complexity and may result in reporting that is not universally applicable or understandable. As such, the CORP framework prioritises meaningful reporting that enhances stakeholder engagement and decision-making, recognising that legal compliance is a separate matter that COs must address by local regulations.

Figure 2: Illustration of CORP standards



7.1.2 Limitations of the Framework

The problem or limitation of the framework revolves mostly around the potential challenges faced by smaller COs with limited resources. The limitations have the following implications:

Smaller COs may struggle to meet the reporting requirements due to limited resources, which could place them at a disadvantage compared to larger organisations. Smaller organisations may face difficulties in allocating their already constrained budgets and staff resources to meet the reporting standards set by the framework (P1, P2). This might result in them struggling to adhere to the standardised reporting, potentially affecting their ability to access funding and support.

While the goal is to create consistency in reporting, the framework may unintentionally hinder the accountability of smaller COs. If the reporting requirements are too demanding for these organisations, they may resort to shortcuts or even avoid reporting altogether, leading to a lack of transparency, and hindering external evaluation of their impact and operations (P1, P2).

COs may not have the necessary expertise or awareness to fulfil all reporting requirements (A2). Smaller organisations might lack the knowledge and qualified staff required to complete certain aspects of the reporting. This knowledge gap can lead to incomplete or inaccurate reporting, which can hinder the framework's effectiveness.

While a certain length for reports might be preferred, it may also pose challenges (P1, P2). While brevity and conciseness in reporting are generally desirable, adhering strictly to this length might force organisations to omit critical information or oversimplify complex programs and outcomes. Striking a balance between providing meaningful insights and adhering to a reasonable length is crucial to avoid diluting the value of the reports.

Larger COs with more resources can produce more extensive and visually appealing reports, potentially overshadowing smaller, equally deserving COs. Interviewees who were preparers were particularly concerned that larger organisations may have the financial capacity to invest in data collection, analysis, and design, leading to more comprehensive and visually impressive reports (see Section 4.4.1) This can create an unintentional bias in favour of larger

COs, as their reports may be perceived as more credible and substantial, potentially affecting funding allocation decisions.

To address these limitations, the framework could consider the following strategies:
COs should adapt reporting standards based on the size and resources of the CO to determine the depth in which they report and attempt to apply the framework as far as practically and financially possible.

Providing training, guidance, and technical assistance to smaller COs can help them improve their reporting capabilities and meet the reporting requirements of the standards effectively. Encouraging larger COs to collaborate with smaller organisations fosters knowledge exchange and resource-sharing, helping smaller organisations improve their reporting practices. Small and larger COs can also collaborate and partner with corporate donors to leverage the resources and knowledge that they have available (D3, D4).

Allowing some flexibility in the report length based on the complexity and scope of the CO's activities can enable organisations to present comprehensive information without unnecessary constraints. Implementing standardised reporting templates can level the playing field by limiting the space available for reporting. This would encourage COs, regardless of size, to focus on presenting essential information within a set structure. The framework emphasises the core elements of the report that are essential for evaluating a CO's impact and effectiveness. This approach would allow all organisations to address critical aspects without requiring excessive length.

Emphasising the collection and reporting of essential data and impact metrics can help streamline the reporting process while still providing valuable insights. However, it is important to note that this approach will require the use of professional judgment.

In summary, while the framework aims to promote consistency and accountability in reporting, it is crucial to be mindful of the varying capacities of COs. A more flexible and supportive approach can help address the challenges faced by smaller, or less-resourced, organisations and ensure that the reporting process remains valuable and inclusive across the sector.

Appendix 7.2 provides the Conceptual Framework for CORP and the illustrative standards that have been developed as an example of a standardised reporting framework.

7.2 Appendix 2: Conceptual Framework for CORP and Illustrative Standards prepared in line with the Conceptual Framework

7.2.1 Conceptual Framework for CORP – (CFW for CORP)

7.2.1.1 Introduction

1. The goal of CORP is that charitable organisations have a common reporting framework that allows consistent, reliable, and comparable reports across all charitable organisations. CORP focuses on external reporting. It does not provide an accounting framework. Charitable organisations should use the accounting framework they are required to adopt by regulation or other influence. To enhance transparency and provide a comprehensive view of the organization's financial and operational performance, COs could choose to include key aspects from CORP as detailed notes within their Annual Financial Statements (AFS). These notes should provide additional context for the figures presented, such as explanations of program costs, management expenses, fundraising efforts, and impact-related outcomes. By integrating this information, COs can offer stakeholders a clearer understanding of how resources are allocated, the efficiency of operations, and the tangible outcomes achieved, ensuring that both financial and non-financial metrics are aligned in a single, comprehensive report.

2. The Conceptual Framework (CFW) for Charitable Organisations Reporting Practices (CORP) sets out a comprehensive set of concepts for reporting and includes:
   2.1. the purpose and status of CORP.
   2.2. the objective of reporting for CO.
   2.3. a description of the defined users of CO reports.
   2.4. the qualitative characteristics of useful CO reports.
   2.5. a description of the CORP reports and identifying a CO as a reporting entity.
   2.6. the cost constraint.
   2.7. definitions

7.2.1.2 Chapter 1: Purpose and Status

3. The objective of general-purpose charitable organisation reports is to provide financial and non-financial information about the reporting organisation that is useful to large existing and potential donors in making decisions about providing resources to the organisation.

4. Those decisions involve decisions about:
   4.1. Starting or continuing to provide financial and other support to the organisation; and
   4.2. Exercising their power over the organisation (as a funder) to influence the organisation's actions that affect its performance.

Purpose

5. The purpose of CORP is that COs have common reporting rules that allow financial and non-financial information to be presented consistently, and comparably between COs with different outcomes and impacts in different locations from one period to the next.

Status

6. The conceptual framework provides foundational principles and directional support that form the basis for the decisions undertaken during the formulation of CORP Standards.

7.2.1.3 Chapter 2: The objective of reporting

7. The objective of reporting is to provide useful financial and non-financial information to assist users with their resource allocation decisions.

   7.1. This chapter defines the aim of general-purpose reporting for matters, and the essential information required to fulfill that aim. It identifies the key users of these comprehensive reports within the context of Charitable Organisations.

   7.2. Users require financial and non-financial information to determine whether and how they wish to initiate or continue their support towards the endeavours of the charitable organisation.

   7.3. Users require comprehensive information encompassing:
      7.3.1. The organisation's economic resources, obligations to beneficiaries, outputs, outcomes, and impacts, as well as the extent of management's efficacy and proficiency in fulfilling its duties to responsibly utilise the organisation's economic assets, along with the degree of accomplishment in furthering the organisation's objectives related to the supported causes and social impact.

8. To facilitate the decisions described in 7.3.1, users need information about:
    8.1. The economic resources of the CO, claims against those resources, and changes in resources and claims.
    8.2. The cash flows to and from the CO
    8.3. The credibility of the CO
    8.4. The processes and controls in place at the CO
    8.5. The level of assurance of the reports
    8.6. The outputs, outcomes and impacts achieved by the CO.

9. General-purpose reports cannot provide all the information required by users. Users must consider all other pertinent information available to them in conjunction with a CO's CORP reports.

7.2.1.4 Chapter 3: The defined users of CO reports

Primary users:

10. Corporate donors that donate significant amounts: Seek alignment with their corporate social responsibility (CSR) strategies and value transparent financial contributions.
11. Significant individual donors: Concerned about credibility and effective use of contributions in line with personal values.

Secondary users:

12. Smaller individual or corporate donors: Contribute based on convictions and value transparency in reports.
13. General public: The broader community, including potential volunteers, employees, beneficiaries, and supporters who assess CO effectiveness and alignment with values, seeking informative reports for engagement.
14. Government agencies and regulators: Ensure compliance with legal requirements and financial transparency for oversight and tax considerations.

7.2.1.5 Chapter 4: The qualitative characteristics of useful CO reports

15. Reports prepared by charities should exhibit several fundamental qualitative characteristics to meet their objective. Charities should include information about their social, environmental, and economic impact.

16. To be useful, CORP reports must have the following fundamental qualitative characteristics:

16.1. Relevance: Relevant information can make a difference in the decisions made by users. Information can be relevant even if users decide not to take advantage of it. Information can make a difference if it has predictive value, confirmatory value, or both.

16.2. Reliability: Information presented in reports should be, complete, free from error, and neutral. It should fairly represent that which the information purports to represent. Reliable information enhances stakeholders' trust in the organisation.

16.3. Transparency: This principle pertains to establishing an environment in which information concerning current conditions, decisions, and actions is made readily available, visible, and comprehensible to all participants within a market.

17. Each of the reports prepared by the reporting entity must comply with the fundamental qualitative characteristics of useful information. The quality of the reports prepared is enhanced through the application of enhancing qualitative characteristics.

18. Enhancing qualitative characteristics include:

18.1. Comparability: Reports should enable stakeholders to compare the CO’s performance and financial information across different periods or with other similar organisations. Consistent reporting methods and a clear presentation of data are crucial for meaningful comparisons.

18.2. Understandability: The information in reports should be presented in a clear, concise, and easily understandable manner. Complex terms should be explained to facilitate comprehension by a wide range of stakeholders, including those without specialised knowledge.

18.3. Timeliness: Reports should be prepared and published promptly, ensuring that stakeholders have access to up-to-date information. This is especially important for decision-making and for assessing the CO’s status.

18.4. Materiality: Information presented in reports should be material or significant enough to influence the decisions of stakeholders. This involves focusing on information that could impact stakeholders' understanding of the charity's operations and impact.

19. By adhering to these fundamental and enhancing qualitative characteristics, charities can produce reports that effectively communicate their activities, financial health, and impact

to their stakeholders, fostering trust and accountability, and assisting users in their resource allocation decisions.

7.2.1.6 Chapter 5: The CORP reports and identifies a CO as a reporting entity.

Reporting Entity

20. The choice of financial reporting framework depends on various factors, including the organisation's legal structure, size, funding sources, and regulatory environment and requirements. In addition to the chosen or required financial framework application, a CO can be required to or choose to implement the CORP.

21. The following COs should apply the CORP Interest Score to determine whether it is required to apply the CORP:
    21.1. Non-profit organisations: Charities, foundations, trusts, and other nonprofit entities that operate for charitable, educational, religious, or similar purposes.
    21.2. NGOs (Non-Governmental Organisations): Organisations that are independent of government control and work towards social, environmental, or humanitarian goals. They often need to report their financial activities to donors, grantors, and regulatory bodies. These include membership-based associations and societies, religious organisations, and community foundations.
    21.3. Foundations: Entities that provide grants, funding, and resources to support various causes.
    21.4. Charitable trusts: Legal arrangements that hold and manage assets for charitable purposes. Trustees of charitable trusts might need to provide financial and other reports to beneficiaries and regulatory authorities.
    21.5. Donor-advised funds: Funds managed by charitable organisations, where donors contribute funds and provide recommendations on how the funds should be distributed to other charitable entities. The managing organisation might need to report on the movement of funds and grants made.

7.2.1.7 Chapter 6: CORP Interest Score

22. To determine the applicability of the CORP standard, it is imperative to assess the CO’s interest score based on a structured evaluation of various key factors. These factors include the following:

22.1. Workforce evaluation: Allocate one point for each employed individual within the organisation.

22.2. Total donation amount: Allocate one point for each R100,000 of donated funds received by the CO.

22.3. Donor diversity: Allocate one point for each unique donor, whether individual or institutional, supporting the CO.

22.4. Beneficiary count: Allocate one point for each beneficiary served by the CO.

23. Calculate the total interest score by summing the points derived from the above-mentioned factors. If the cumulative interest score surpasses one hundred, the CO must initiate the application of the CORP standard.

24. It is important to note that smaller COs may also voluntarily apply the CORP framework if their interest score falls short of one hundred and they perceive that its practical implementation could yield benefits.

25. Furthermore, for a more comprehensive assessment of the CO's significance and effectiveness in creating positive change in beneficiaries' lives, the framework permits the consideration of supplementary factors, as indicated below:

25.1. Vulnerability of beneficiaries: By delving into the vulnerability of the beneficiaries, the CO's targeted impact on marginalised and at-risk members of the community can be assessed. This parameter provides valuable insights into the CO's commitment to addressing critical social issues and serving those most in need.

25.2. Overall impact on the cause: The evaluation of the overall impact of the CO's initiatives is pivotal. It involves a thorough examination of how the organisation's efforts have led to sustainable and positive changes in the lives of its beneficiaries, thereby determining the effectiveness of the CO's programs in creating meaningful and lasting transformations.

CORP Reports

26. These reports under the CORP necessitate comprehensive information encompassing donations, expenditures, assets, liabilities, and the societal effects of the organisation's endeavours.

27. This information is effectively conveyed through the following means:

27.1. The statement of activities, where income, inclusive of grants and donations, and expenses are recognised.

27.2. The statement of financial position and cash movement, which acknowledges and records assets, liabilities, and equity, including cash movement.

27.3. The statement of credibility and accompanying notes, which encompass the presentation and disclosure of information related to assurance, risk management, and impact reporting.

27.4. Flash report

28. All these components work in harmony to provide a comprehensive view of the standing of COs within the CORP framework.

7.2.1.8 Chapter 7: Cost Constraint on Useful Financial Reporting

29. The cost constraint is a fundamental consideration in shaping the scope of reporting. It recognises that the process of reporting information imposes expenses, and the allocation of resources for reporting should be justified by the resultant benefits.

30. Primary participants in reporting, such as providers of information, bear the bulk of the burdens associated with collecting, processing, verifying, and disseminating data. Yet, the users of this information, including donors and beneficiaries ultimately bear these costs in the form of diminished efficiency and social impact.

31. Input from various stakeholders should be considered, including information providers, users, auditors, academics, and others.

7.2.1.9 Chapter 8: Definitions, recognition criteria, and measurement bases

32. The definitions of financial elements (such as assets, liabilities, expenses, and income), recognition criteria, and measurement bases should be derived from the financial accounting framework utilised in constructing the financial information. Subsequently, CORP should be employed to regulate the presentation of both financial and non-financial data.

33. CORP defines the following additional element:

34. Social and environmental impact: the measurable and beneficial outcomes resulting from an organisation's actions and initiatives that contribute to the betterment of society and the preservation of the environment. This impact encompasses a wide range of positive changes, including:

    34.1. Well-being: Companies with a strong social and environmental impact often work to enhance the well-being of individuals and communities. This can involve initiatives that improve access to healthcare, education, or clean water, thereby increasing the overall quality of life for people and animals.

    34.2. Equality: Promoting equality and reducing disparities is a key aspect of social and environmental impact. Organisations may implement policies and practices that foster diversity and inclusion, support marginalised groups, and advance gender and racial equality.

    34.3. Community development: Businesses can have a positive impact by investing in and supporting the development of local communities. This may include creating jobs, providing training and education, and supporting community infrastructure and services.

    34.4. Environmental sustainability: Companies with a strong environmental impact often take action to reduce their carbon footprint, conserve natural resources, and protect ecosystems. This can involve sustainable sourcing, energy efficiency, waste reduction, and biodiversity preservation.

7.2.2 CORP 1000 – Presentation of reports

Objective

1. The primary aim of the Charitable Organisations Reporting Practices (CORP) Framework is to establish the foundation for presenting general-purpose reports. These include non-financial reports. CORP sets comprehensive requirements for the presentation of financial reports, offers structural guidelines, and outlines the minimum content required in the reports and supporting notes. It is important to note that specific recognition, measurement, and disclosure criteria for individual transactions are addressed in the financial reporting framework applied by the reporting entity.

Scope

2. The CORP Framework applies to all reports formulated and presented by Charitable Organisations (COs). General-purpose reports cater to users who cannot demand tailored financial information to suit their distinct informational needs.

The objective of reports

3. The central objective of general-purpose CORP reports is to provide comprehensive insight into an entity's financial position, financial performance, and social impact. This information holds significance for a diverse array of users, enabling them to make well-informed economic decisions. The reports encompass details concerning:
   3.1. Assets
   3.2. Liabilities
   3.3. Equity
   3.4. Income and expenses
   3.5. Cash flows
   3.6. Social and environmental outputs, outcomes and impacts
   3.7. Strategy and sustainability

Components of CORP reports

4. A set of CORP reports encompasses the following elements:
   4.1. Statement of Activities for the period,
   4.2. Statement of Financial Position and cash movements for the period ending,
   4.3. Statement of Credibility,
   4.4. Notes containing a summary of significant accounting policies and other explanatory details.

General alignment with CORP Framework

5. The information provided in alignment with the CORP Framework should adhere to principles of fair presentation and CORP compliance. It must be constructed with the underlying assumption that the organisation will continue its operations as a going concern. Reports should include comparative data for enhanced context.

Comparative Information Tailored to the Operational Cycle

6. Reports should exhibit comparability both across the organisation’s historical financial reports and with the financial reports of other entities.

7. In certain instances, the suitability of comparative information over a standard 12-month period might not align with the operational cycle of the organisation. Charitable

organisations often engage in projects and initiatives that extend beyond a year, necessitating a more encompassing approach to comparative data presentation.

8. Recognising the diverse timelines of different entities, the CORP guidelines emphasise the importance of tailoring comparative data to align with the operational cycle of the organisation. Rather than confining comparative information to a strict 12-month period, organisations are encouraged to extend their comparatives to cover the entirety of longer-term projects if the information would be more relevant if presented over a longer comparative period.

9. This approach is particularly relevant for organisations engaged in extended initiatives, such as charitable and development projects, where planning, execution, and evaluation span multiple years. By including comparative data that corresponds with the operational cycle, stakeholders are afforded a comprehensive view of the progression and outcomes of these endeavours. This extended timeline provides the context necessary to assess trends, challenges, and accomplishments accurately.

10. If comparative data cannot be presented for a specific reporting period, a comprehensive explanation should be included in the notes, explaining the rationale behind this omission. For instance, if the absence of comparative information pertains to a new initiative or project, such a footnote should delineate the pertinent reasons for the lack of comparison. This ensures transparency and clarity regarding the reporting landscape, offering stakeholders a robust understanding of the circumstances surrounding the absence of comparative data.

The materiality of events and transactions in reports

11. Materiality forms a fundamental concept within the CORP framework, influencing the inclusion of events and transactions in reports. Materiality refers to the significance of an event or transaction in influencing the economic decisions of stakeholders. In essence, materiality guides the determination of whether certain information should be included in reports, ensuring that the presented information remains relevant and meaningful to users. Information is material if the omission or misstatement of that information would affect the decisions made by the users of the financial reports.

12. When assessing the materiality of events and transactions for inclusion in reports, the CORP framework encourages organisations to consider both quantitative and qualitative

factors. Quantitatively, the monetary magnitude of an event or transaction is evaluated by the organisation's overall financial standing. However, the CORP guidelines emphasise that materiality is not solely defined by financial thresholds; it also encompasses the potential impact on non-financial factors, such as an organisation's mission, objectives, and stakeholder relationships.

13. Qualitatively, organisations should evaluate the nature of the event or transaction and its potential to influence stakeholders' understanding of the organisation's performance, financial position, and social impact. If an event or transaction has the potential to alter the assessments or decisions of users, it is considered material and should be included in the reports.

14. Furthermore, the CORP framework acknowledges that materiality can vary based on the context of each organisation and its stakeholders. Therefore, organisations are encouraged to exercise judgment in assessing materiality, considering the unique characteristics of their operations and the information needs of their users.

15. Regardless of size, all donations shall be deemed significant and accounted for in the financial reports. The CO recognises that the cumulative volume of small donations, as well as non-monetary contributions, can be substantial and contribute to the organisation's credibility and scalability. Therefore, accounting for all donations, including goods, services, and time from volunteers, helps portray the true size and impact of the CO's operations.

Conclusion

16. The CORP Framework serves as a comprehensive framework for the presentation of general-purpose reports for charitable organisations. This guideline draws inspiration from IAS 1 and lays out a structured approach to ensuring transparent, meaningful, and relevant reporting within the charitable sector.

7.2.3 CORP 2000 – Statement of Activities

1. CORP 2000 provides guidance on the presentation of financial activities and performance in the Statement of Activities (equivalent to the Statement of Comprehensive Income). This standard aims to ensure that revenue, expenses, gains, and losses are transparently reported while addressing the unique characteristics of COs.

Classification of revenues

2. COs must categorise their revenues into distinct sources, including contributions, grants, program service fees, membership dues, and investment income. Each revenue category must be presented separately in financial reports to provide stakeholders with a clear understanding of the organisation's funding sources. Refer to CORP 2001 for detailed requirements.

Presentation of Expenses

3. COs must present expenses according to their functions, namely program, management, and general, and fundraising expenses. Allocation of expenses to these functional categories should reflect resource utilisation, providing insights into fund allocation for various activities. In addition, COs are encouraged to implement benchmarks and key performance indicators (KPIs) for each expense category to ensure efficient use of funds. Where possible, COs should strive to achieve the lowest feasible percentages for management and fundraising expenses, and consider establishing maximum expense thresholds that still allow for effective operations and impact delivery. This approach can provide greater transparency and accountability to stakeholders. Refer to CORP 2002 for detailed requirements.

Internal benchmarking and performance indicators

4. COs are required to implement internal benchmarking using financial and non-financial indicators, including those assessing social impact. Financial indicators gauge economic health, while non-financial indicators evaluate operational efficiency and sustainability. Social impact indicators measure effects on society. These indicators must be regularly reported, with disclosure of calculation methods, changes, and variations, enhancing transparent reporting. Refer to CORP 2003 for detailed requirements.

Gains and losses

5. CO must report gains and losses resulting from various activities, such as investment returns or the sale of assets.CO must report gains and losses in a manner that reflects their nature. For instance, investment gains might be reported separately from gains or losses related to the sale of tangible assets.

Disclosure requirements

6. CO must disclose important accounting policies, use of estimates, and additional information to provide clarity to report users. COs are required to provide detailed information about the significant accounting policies they employ. Additionally, they must disclose any estimates made in preparing the financial reports and any additional information that helps stakeholders understand the financial position and activities of the organisation.

Fund accounting

7. CORP acknowledges the common practice of fund accounting in CO, which involves segregating resources for specific purposes. COs using fund accounting must properly report the activity and balances for each fund, for each fund individually and in aggregate. This includes presenting the revenue, expenses, and changes in net assets associated with each fund to provide a comprehensive view of their financial performance.

8. The Statement of Activities is prepared in line with the requirements of the International Financial Reporting Standards (IFRS), or other applicable financial accounting framework as far as possible and practical, tailored to meet the specific needs of the organisation. It aims to provide a comprehensive breakdown of income and expense categories, including detailed reporting of donations received in cash and all other forms, to ensure transparency and accountability in the financial reporting of the CO activities.

9. Overall, CORP 2000 is designed to help charitable organisations present a clear and comprehensive view of their financial activities in the Statement of Activities, making it easier for stakeholders to understand the organisation's financial performance and mission impact. CORP 2000 draws inspiration from the Accounting Standard FASB ASC 958-205.

Conclusion

10. CORP 2000 provides clear guidelines for charitable organisations to transparently report their financial activities in the Statement of Activities. By categorising revenues, presenting expenses functionally, and implementing internal benchmarks, CORP 2000 enhances transparency and accountability in financial reporting. Adherence to international standards ensures clarity for stakeholders, promoting trust and support for COs' missions.

CORP 2001: Revenue / Income Categories in Charitable Organisations

Objective

1. The objective of this accounting standard is to guide COs in recognising and accounting for various types of revenue and income to ensure transparency, consistency, and comparability in financial reporting. This standard addresses the recognition of monetary donations, donations in kind, donations in the form of time or services provided, government grants, and income from operations like the sale of goods or services.

Scope

2. This standard applies to all COs that receive revenue and income from different sources, including but not limited to monetary donations, donations in kind, donations of time or services, government grants, and income from operations.

Income / Revenue categories

3. Regardless of size, all donations shall be deemed significant and accounted for in the financial reports. The CO recognises that the cumulative volume of small donations, as well as non-monetary contributions, can be substantial and contribute to the organisation's credibility and scalability. Therefore, accounting for all donations, including goods, services, and time volunteered, helps portray the true size and impact of the CO's operations.

Monetary donations

4. Monetary donations should be recognised as revenue when there is a legally enforceable promise to donate, and collectability is reasonably assured. Revenue should be recognised at the fair value, as determined by the applicable accounting framework employed, of the donation received. Revenue should be disclosed in the period in which it will be received, and future receipts of revenue may be disclosed as contingent revenue. Any restrictions on the use of donated funds should be appropriately disclosed.

Donations in kind – non-monetary physical assets

5. Donations in kind, which include non-monetary assets such as goods, and equipment, but exclude services and time volunteered, should be recognised as revenue when the fair value of the donated items can be reliably determined, and they are likely to be used for the organisation's social goals. The fair value of the donated items should be measured at the date of revenue recognition.

Donations in kind – in the form of time or services provided.

6. Recognising the substantial impact of donations in the form of time or services by dedicated volunteers, it is imperative to accurately portray the organisation's true size and credibility. Therefore, such contributions should be recorded as revenue, enhancing the transparency and completeness of the financial representation. Additionally, their value should be disclosed in the reports to further illuminate the organisation's operational landscape for stakeholders.

7. In situations where it is challenging to determine the value of donations in kind, such as time donated by volunteers, COs should establish a reasonable and consistent basis for valuing such contributions. While assigning a precise value to volunteer time might be complex, using a systematic approach ensures transparency, comparability, and reliability in financial reporting.

8. The user should use the following guidance as an accounting basis for valuing volunteer time:

9. Hourly wage equivalent:

   Assign an hourly wage equivalent to the value of volunteer time based on roles and responsibilities. This can be determined by considering prevailing wage rates for similar services in the local job market. The organisation should periodically review and adjust the hourly wage equivalent to reflect changing economic conditions.

10. Value of outputs:

    If an hourly wage is not appropriate, this fact shall be disclosed in the notes and the following method will be followed. Where volunteer contributions result in tangible outputs, such as completed projects or services provided, the value of those outputs can be used as a basis for valuation. This approach might require estimating the market value of the outputs or the cost savings achieved.

Implementation and consistency

Documentation:

11. Regardless of the chosen basis, charitable organisations should maintain detailed records of volunteer hours worked, tasks performed, and the basis used for valuation. This documentation supports transparency and accountability in financial reporting.

Consistency:

12. Once a valuation basis is selected, it should be consistently applied over time to ensure comparability of financial information. Any changes to the valuation basis should be explained in the financial reports along with the reasons for the change.

Disclosure:

13. In the financial reports, provide clear disclosure about the chosen basis for valuing volunteer time and the resulting impact on revenue. Explain any assumptions made, methodologies used, and any limitations associated with the valuation approach.

Sensitivity Analysis:

14. Judgment will be exercised in valuations of donations amongst other assumptions. A sensitivity analysis for these items is required in the financial reports. This analysis can illustrate the potential impact of variations in the valuation basis on the reported revenue.

15. Where the value of a donation, particularly in-kind donations, or volunteer time, becomes impossible to determine, the CO shall make the best estimate possible and provide comprehensive disclosure of the complexities of the valuation and the valuation method employed.

Government grants

16. The user should refer to existing accounting frameworks that govern the recognition of government grants. If the accounting framework employed by the CO does not have a standard or policy that can guide the user, the government grants should be recognised as revenue when there is reasonable assurance that the organisation will comply with the conditions attached to the grant and the grant will be received. Revenue should be recognised systematically over the period in which the organisation recognises related expenses that are necessary to comply with the conditions of the grant.

Income from operations - sale of goods or services

17. Income from the sale of goods or services should be recognised when control is transferred, and the risk and rewards are no longer with the CO, or the services are provided to the beneficiary and the consideration can be reliably measured. Revenue should be recognised at the fair value of the consideration received or receivable, net of any discounts, returns, and allowances, following the relevant financial accounting framework employed.

Presentation and Disclosure

18. Charitable organisations should disclose the nature of each type of revenue recognised, including any donor-imposed restrictions, significant accounting policies applied, and any uncertainties related to the recognition of revenue. Additional information regarding volunteer services, government grants, and revenue from operations should be disclosed to provide a clear understanding of the organisation's financial performance.

Conclusion

19. This accounting standard guides recognising and accounting for revenue and income in charitable organisations. Adhering to this standard will help ensure transparent financial reporting and enhance the consistency and comparability of financial reports across charitable organisations.

CORP 2002: Expense Categories

Objective

1. The objective of this accounting standard is to provide guidance on how COs should recognise and account for various types of expenses, including operational expenses, administrative expenses (including employee costs and director/management compensation), fundraising expenses, and expenses paid to related parties. The standard also emphasises the importance of transparency, fairness, and reasonableness in expense reporting.

Scope

2. This standard applies to all charitable organisations in their financial reporting.

Expense categories

Operational expenses

3. Operational expenses, which include costs incurred to fulfil the organisation's outcomes, should be recognised when they are incurred and can be reliably measured. If they cannot be reliably measured, they should be reliably estimated. Examples of operational expenses include program costs, rent, utilities, and supplies. Expenses should be classified appropriately based on their nature and disclosed transparently.

Administrative expenses

4. Employee costs: Employee costs, such as salaries, wages, benefits, and related payroll taxes, should be recognised as expenses in the period in which the employees provide services to the organisation. These costs should be allocated to the relevant functions, such as program or administrative, based on the employees' roles and responsibilities.

5. Director or management compensation: Compensation paid to directors and top management should be recognised as expenses in the period in which the services are rendered. In the notes to the financial reports, provide a breakdown of the compensation, correlate it to market-related salaries for similar roles, and explain how the value added by these individuals contributes to the organisation's mission and objectives. The breakdown of compensation should include basic salary, bonuses, fringe benefits, long-term benefits, salary from last year, salary for a similar position at a competitor, and salary similar position at a profit entity at least. Further analysis and disclosure are encouraged.

6. Other administrative expenses: Expenses related to administrative functions not covered under the above categories should be classified as "Other Administrative Expenses." These expenses should include but are not limited to, office supplies, utilities, communication expenses, and other overhead costs.

Fundraising expenses

7. Expenses related to fundraising activities, such as events, campaigns, and promotional efforts to solicit donations, should be recognised as expenses when incurred. These expenses should be disclosed separately to provide transparency regarding the resources utilised for fundraising efforts.

Expenses paid to related parties.

8. Disclosure: Expenses paid to related parties, including key management personnel and entities with significant influence over the organisation, should be disclosed separately in the financial reports in comprehensive detail. Amounts paid to related parties should be expressed as a percentage of the market value of payments for similar products or services. Detailed disclosure required in the notes includes the total amount of expense paid to related parties and terms related to the transaction.

9. Assessment of fairness and reasonableness: COs should assess and document the extent to which expenses paid to related parties are fair, reasonable, and market-related, along with any actions taken to ensure fairness and reasonableness.

Presentation and Disclosure

10. COs should transparently present all expenses in the financial reports, providing appropriate classifications and detailed notes. In addition to the specific requirements mentioned above, expenses should be disclosed according to their nature and significance to aid stakeholders' understanding of the organisation's financial performance. COs are also encouraged to incorporate benchmarks and maximum expense percentages to promote efficiency and accountability.

Conclusion

11. This accounting standard outlines the guidelines for recognising and disclosing various types of expenses in charitable organisations. Adhering to this standard enhances the transparency, comparability, and accuracy of financial reporting, ultimately fostering trust and accountability with stakeholders.

CORP 2003: Internal Benchmarking and Performance Indicators

Objective

1. Effective financial reporting is essential for stakeholders to assess the financial health and performance of an entity. To enhance the quality and relevance of financial reporting, this standard introduces the concept of internal benchmarking and the use of performance indicators, both financial and non-financial, including those that measure an entity's social impact and outcomes. The purpose of internal benchmarking is to enable entities to track their performance over time, identify areas for improvement, and provide stakeholders with a comprehensive understanding of the entity's progress toward its goals.

Scope

2. This section applies to all entities that are subject to the accounting standards outlined in the CORP Framework.

Internal benchmarking

3. Internal benchmarking involves comparing an entity's current performance with its past performance and/or with industry-specific or best-practice standards. The intention is to gauge the effectiveness and efficiency of an entity's operations and assess its progress over time. Internal benchmarking aids in identifying trends, patterns, and areas of success or concern within an entity's operations.
4. COs must create internal benchmarks, gather data to evaluate the effectiveness of each benchmark and communicate the status of each benchmark to users in their Statement of Activities.
5. Management and executive compensation should specifically be benchmarked against for-profit companies and other COs.

Performance indicators

6. Entities shall develop and implement a set of performance indicators that cover both financial and non-financial aspects of their operations. These indicators are intended to provide a comprehensive view of the entity's overall performance and its impact on various stakeholders. Performance indicators may include, but are not limited to, the following categories:

    6.1. Financial performance indicators

        Entities shall establish financial performance indicators that measure the entity's economic success and viability. These may encompass indicators such as revenue growth, profitability ratios, liquidity ratios, and return on investment. These indicators enable stakeholders to evaluate the entity's financial health and sustainability over time. An entity shall specifically include admin fees as a percentage of donations received.

    6.2. Non-financial: social/environmental performance indicators

        Entities shall define and track non-financial performance indicators that reflect their operational efficiency, environmental responsibility, and social impact. These

indicators may include measures related to resource utilisation, energy efficiency, employee satisfaction, diversity and inclusion, and customer/beneficiary engagement. Non-financial indicators provide insights into the broader value created by the entity beyond financial returns. Entities are specifically required to include their outputs and outcomes and as far as possible, their impacts, in their non-financial performance indicators.

Frequency of reporting

7. Entities shall report on their selected performance indicators in their financial reports at regular intervals, consistent with the reporting requirements outlined in this standard. The frequency of reporting should be sufficient to enable stakeholders to track progress evaluate trends and align with the comparative information provided in the other reports produced by the organisation.

Disclosure requirements

8. Entities shall disclose their chosen performance indicators, methodologies for calculation, and any changes made to these indicators over time. Additionally, entities shall provide explanations for significant variations in performance indicators and describe the measures taken or planned to address areas of concern.

Conclusion

9. Internal benchmarking and the incorporation of diverse performance indicators, including financial, non-financial, and social impact indicators, are essential components of comprehensive and transparent financial reporting. These practices empower entities to demonstrate their commitment to sustainable and responsible business practices, foster stakeholder trust, and facilitate informed decision-making.

7.2.4 CORP 3000 – Statement of Financial Position and Cash Movements

Objective

1. CORP 3000 outlines the principles for preparing a tailored Statement of Financial Position (Balance Sheet) and Statement of Cash Movements for the period for Charitable Organisations (CO) by drawing inspiration from the International Financial Reporting Standards (IFRS) framework. The standard aims to present relevant financial information that accurately reflects the CO's financial position and cash flow activities while focusing on key aspects that are essential for stakeholders' understanding of the organisation's financial health and sustainability.

Scope

2. This standard applies to COs that are not asset-intensive and do not heavily engage in borrowing or lending activities. The standard guides the preparation of a condensed financial statement that includes essential elements from the Statement of Financial Position and the Statement of Cash Flows, as would be prepared in accordance with the applicable financial reporting framework.

Statement of Financial Position (Balance Sheet)

3. The Statement of Financial Position presents a snapshot of the CO's financial position at a specific point in time. It highlights the following key elements:

4. Assets:
   - 4.1. Cash and Cash Equivalents: Includes cash on hand and highly liquid investments with short-term maturities.
   - 4.2. Receivables: Accounts receivable from donations, grants, and other sources.
   - 4.3. Prepaid expenses: Any expenses paid in advance for future periods.
   - 4.4. Other current assets: Other short-term assets relevant to the CO's operations.

5. Liabilities:
   - 5.1. Accounts payable: Liabilities arising from goods and services received but not yet paid.
   - 5.2. Accrued liabilities: Liabilities for expenses incurred but not yet paid.
   - 5.3. Other current liabilities: Other short-term obligations related to the CO's activities.

6. Net Assets (Equity):
    6.1. Unrestricted net assets: The residual interest in the assets after deducting liabilities, representing resources available for general use.
    6.2. Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that will be released over time or upon fulfilment of specified conditions.
    6.3. Permanently restricted net assets: Net assets subject to donor-imposed restrictions that must be maintained in perpetuity.

Statement of Cash Movements (Cash Flow Statement)

7. The Statement of Cash Movements provides insights into the CO's cash inflows and outflows during a specific period but most importantly highlights the cash balance at the end of the period.

8. Cash inflows and outflows are systematically summarised and reconciled through the formula: Starting balance plus inflows, minus outflows, resulting in the closing balance.

Cash coverage

9. The entity is required to give disclosure as to how long it can continue operations based on the closing balance and elaborate on the sustainability of the operations should donations cease, thus how it can continue to exist independently of donor funds.

Contingency plans

10. Discuss strategies for continuing operations during cash shortages.
11. Identify potential sources of emergency funding or support.

Conclusion

By adhering to this tailored accounting standard, CO can prepare financial reports that focus on essential aspects of their financial position and cash movements. This approach ensures that stakeholders gain a clear understanding of the CO's financial health and sustainability without being overwhelmed by irrelevant information. The standard maintains alignment with IFRS principles while accommodating the unique characteristics of COs that are not asset-intensive and have limited borrowing or lending activities, placing focus on its social impact endeavours.

7.2.5 CORP 4000 – Statement of Credibility

Objective

1. The Statement of Credibility serves to enhance relevance, reliability, and transparency by documenting the organisation's activities, practices, achievements, and long-term sustainability efforts. It assists users of reports in making informed funding decisions aligned with philanthropic goals and corporate social investment mandates.

Scope

2. This standard applies to all charitable organisations, required to implement CORP. seeking to enhance their credibility and transparency.

Components of the Statement of Credibility

3. Assurance and Controls for Risk Management
   - 3.1. Disclose whether reporting undergoes external audits or assurance checks.
   - 3.2. Disclose the outcome of the audit/review.
   - 3.3. Provide the name of the auditing firm or assurer.
   - 3.4. Provide details of the controls in place to mitigate common risks associated with COs, such as theft, misappropriation, and related party transactions.

4. Impacts and success stories
   - 4.1. Present evidence of community impact and outcomes through success stories and quantifiable results.
   - 4.2. Measure outputs (immediate activities completed), outcomes (short-term goals) and impacts (long-term effects of outcomes) as often as practical.
   - 4.3. Clearly state what the goals and objectives are that the organisation meets and fulfill and which CSI strategies it aligns with.

5. Summary wish list
   - 5.1. Provide a summary disclosure of items or projects the organisation intends to pursue or needs funding for.

6. Lessons learned

6.1. Present insights gained from experiences during the reporting period, elucidating lessons learned and highlighting a dedicated commitment to perpetual enhancement and the integration of adaptive strategies to address past challenges.

7. Accounting system and staff qualifications

7.1. Provide information about the CO's accounting system and staff qualifications.

7.2. Highlight staff expertise responsible for preparing reports.

8. Tax relief for donations

8.1. Entities must disclose the eligibility of received donations for tax relief and, if applicable, provide information regarding the authorised, registered, or certified donations for tax relief purposes. This information serves to inform stakeholders, including donors, about the tax benefits associated with their contributions.

9. Incentives for donations

9.1. Disclose any incentives offered to donors or employees, including commissions.

10. Donation restrictions or conditions

10.1. Specify and explain if donations have specific restrictions or conditions.

11. Social media presence and reporting

11.1. Provide information about using social media for reporting and communication.

11.2. COs are encouraged to report as much information as practical using internet-based reporting tools such as their website and social media accounts.

12. Outlook statement

12.1. Management should make an outlook statement that includes key elements: economic and market expectations, organisational goals and strategies, anticipated challenges and opportunities, impact of external factors, financial projections, resource allocation, and stakeholder communication. This concise summary ensures compliance and transparency in reporting.

13. The Statement of Credibility should consider the following aspects to highlight the organisation's ability to achieve self-sufficiency and sustainability:
    13.1. Assess whether operations aim to become self-sufficient over time by generating revenue or support to cover operational costs and projects and form meaningful partnerships with donors that could become profitable through a collaborative approach for expertise, resources, and sustainable support.
    13.2. Assess scalability by determining whether the CO can be self-sufficient and positioned for scalability through innovation for broader impact.

Conclusion

14. By adhering to this accounting standard, charitable organisations can enhance credibility and comparability. The Statement of Credibility becomes a vital tool for corporate donors to assess a CO's performance and make informed funding decisions aligned with their philanthropic goals, resulting in more significant and lasting impacts in the communities served. The consideration of self-sufficiency and sustainability further enhances a CO's scalability and credibility.

7.2.6 CORP 5000 – Flash Report

Objective

1. This accounting standard provides guidelines for a flash report for COs, offering stakeholders a succinct and insightful snapshot of the organisation's financial and operational performance during a specific reporting period. The flash report enhances transparency, accountability, and informed decision-making among users of reports. The report is intended to complement the information presented in the annual financial and non-financial reports and other formal reports.

Scope

2. This standard applies to COs applying CORP, which wish to provide regular updates on their financial and operational performance and achievements through a flash report that enhances credibility.

Elements of the Flash Report

3. The flash report should effectively summarise the information that would be presented in the annual report as guided by CORP 1000 to 4000 and be available for use more frequently than those reports. Highlights of a flash report include:

3.1. Opening and Closing Cash Balances year-to-date

3.1.1. Provide the opening and closing cash balances for the reporting period. This information offers stakeholders a clear view of the organisation's cash flow position and its financial stability.

3.1.2. Detail the closing cash balance by segregating amounts reserved for specific projects or purposes and unreserved amounts. This breakdown ensures transparency in fund allocation and demonstrates responsible stewardship of donor contributions.

3.2. Donations received year-to-date.

3.2.1. Categorise donations received during the reporting period based on different sources, such as annuity income, fundraisers, ad hoc donations, grants, etc. This categorisation reveals the diversity of income streams and the effectiveness of fundraising efforts.

3.3. Expense breakdown year-to-date

3.3.1. Present the most significant expense categories, including salaries, related party payments or expenses, and large expenditures. This overview highlights how funds are utilised, contributing to stakeholder understanding of resource allocation.

3.4. Employee costs and continuity year-to-date

3.4.1. Highlight major permanent employee costs and years of service of key staff members. This information contributes to evaluating the organisation's stability and its capacity to maintain continuity.

3.5. Asset balances

3.5.1. If the organisation is asset-intensive, provide a summary of asset balances by category. This insight elucidates the organisation's asset base and its impact on operational capacity.

3.6. Comparatives

3.6.1. Include comparative data for the reporting period of the flash report. For longer-term projects, provide comparatives for periods longer than one year. This historical perspective allows stakeholders to assess progress and trends over time.

3.7. Summary wish list

3.7.1. Offer a summary of upcoming projects or funding needs. This provides stakeholders with a clear understanding of the organisation's priorities and plans, encouraging informed support.

3.8. Success stories, follow-ups, and lessons learned

3.8.1. Highlight success stories and provide updates on beneficiaries. This section highlights the positive impact of the organisation's efforts and underscores the importance of ongoing support.

3.8.2. Include a section discussing lessons learned during the reporting period. Demonstrating a commitment to learning and improvement adds depth to the report and reflects the organisation's adaptability.

Frequency and Limitations

4. The flash report should be prepared no less frequently than quarterly or semi-annually. However, organisations have the flexibility to create more frequent reports, such as monthly or even weekly, as deemed necessary and useful by the management and other stakeholders. The report should be concise and limited in pages to ensure its focus and readability.

Conclusion

5. The flash report serves as a valuable tool for charitable organisations to provide timely and insightful updates on their financial and operational performance. By adhering to the guidelines outlined in this accounting standard, organisations can foster transparency, accountability, and engagement among their stakeholders, ultimately contributing to the organisation's mission and long-term success.

7.3 Appendix 3: Information sheet for participants and consent form

INFORMATION SHEET FOR PARTICIPANTS

Ethics clearance number: SOA-2022-07-01

Title: Exploratory study on NGO reporting requirements

Dear Sir/Madam

My name is Madelein Stagman, and I am doing my Masters in Commerce (Accountancy) at Wits University in Johannesburg. As part of my studies, I must undertake a research project. I am evaluating the reporting requirements of animal-welfare-related NGOs and the information needs of the users of the reports.

We would like to invite you to participate in this research project. You should only participate if you want to; choosing not to take part will not disadvantage you in any way. Before you decide whether you want to take part, you need to understand why the research is being done and what your participation will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask us if there is anything that is not clear or if you would like more information.

- This research seeks to explore NGO external reporting.
- If you agree to participate, a time will be scheduled for an interview that is expected to take between sixty and ninety minutes to complete.
- There are no material risks posed by participating. Your identity and place of employment will be kept confidential.
- There are no right or wrong responses – this research is only interested in your own experiences and impressions involving NGOs.
- Interviews will be audio or video (if MS Teams / Zoom) recorded, subject to your permission. The interview will be transcribed and kept on file by the researcher but your identity and that of your employer and/or clients will be kept confidential and will not be referred to directly in the final research report.
- You will not receive any compensation for participating in the research. There is no direct benefit from participating or not participating in the research.
- Should you be interested, a copy of the final report will be available to you on request.

It is up to you to decide whether to take part or not. If you decide to participate you are still free to withdraw at any time and without giving a reason. In addition to withdrawing yourself from the study, you may also withdraw any data/information you have already provided up until it is transcribed for use in the final report.

If this study has harmed or offended you in any way, you can contact the University's Human Research Ethics Committee (non-medical), telephone +27(0)11 717 1408, email hrec-medical.research@wits.ac.za Shaun.Schoeman@wits.ac.za. If you require further advice and/or information, the researchers can contact using the details below:

Details	Researcher 1	Researcher 2	Researcher 3
Name	Madelein Stagman	Kayleigh Greenslade	Wayne Van Zijl
Contact number	+27 (0)72 406 8717	+27 (0)17 717 8045	+27 (0)11 717 8245
Email address	2586129@students.wits.ac.za	Kayleigh.greenslade@wits.ac.za	Wayne.VanZijl@wits.ac.za

Kind regards,
Madelein

▪ CONSENT FORM FOR PARTICIPANTS IN RESEARCH STUDIES

Please complete this form after you have read the Information Sheet and/or listened to an explanation about the research.

Title of Study: Exploratory study on NGO reporting requirements

Ethics Clearance:

Details	**Please tick or initial**
I agree that my participation will remain anonymous	
I agree that the researcher may use anonymous quotes	
I understand that if I decide at any time during the research that I no longer wish to participate in this project, I can notify the researcher involved and withdraw from it immediately without giving any reason. Furthermore, I understand that I will be able to withdraw my data up to the point of submission of my responses.	
I understand that the information I have submitted will be published in a thesis and/or publication and that I can request a copy of the final article.	
I understand that my personal information will be collected. My identity and that of my employer and/or clients will be kept confidential and will not be referred to directly in the final report.	
I agree that the information I provide may be used anonymously in other research projects	
I consent to my interview being recorded and to my data being used in the research.	

Participant's Statement:

I_____, agree that the research project named above has been explained to me to my satisfaction and I agree to take part in the study. I have read both the notes written above and the Information Sheet about the project and understand what the research study involves.

Signed_____ Date_____

7.4 Appendix 4: Interview Agenda

The following discussion points will be used in the interviews with the participants; the interviews will be transcribed, and the data analysed subsequent to the interviews being conducted.

Discussion points:

1. Please provide a brief professional background of yourself and your NGO.
2. Please take me through your external reporting process.
3. Who uses your external reports? Why?
4. How does your NGO fund your operations?
5. What other information would you like to report to external stakeholders?
6. Do you feel assurance (audit) is important in your context?

7.5 Appendix 5: Ethics clearance

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

SCHOOL OF ACCOUNTANCY ETHICS COMMITTEE
CONSTITUTED UNDER THE UNIVERSITY HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)

CLEARANCE CERTIFICATE **PROTOCOL NUMBER:** SOA-2022-07-01

PROJECT TITLE Exploratory study on NGO reporting requirements

INVESTIGATOR Madelein Stagman (2586129)

SCHOOL/DEPARTMENT OF INVESTIGATOR School of Accountancy

DATE CONSIDERED 25 July 2022

DECISION OF THE COMMITTEE Approved unconditionally

RISK LEVEL MINIMAL RISK

EXPIRY DATE 31 March 2023 (if extension is granted) at the latest must meet n + 2 rule as outlined by the CLM Faculty.

ISSUE DATE OF CERTIFICATE 15 August 2022

MCom Coordinator & Member of Ethics Committee (Roy Blumenthal)

cc: Supervisor: Wayne Van Zijl & Kayleigh Greenslade

DECLARATION OF INVESTIGATOR

To be completed in duplicate and **ONE COPY** returned to the Chairperson of the School/Department ethics committee.

I fully understand the conditions under which I am are authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee.

Signature **Date** ____/____/____

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES

7.6 Appendix 6: List of interviewees

Identifier	Type	Background, qualifications and experience
A1	Auditor	CA (SA), Audit Partner at an audit firm
A2	Auditor	CA (SA), Auditor at an audit firm
C1	Academics	CA (SA), BCompt, MCom, Associate Professor at a South African University
D1	Donor	CA (SA), Ranger at a South African National Park
D2	Donor	Head of CSR division at a large corporation
D3	Donor	Phycology, entrepreneurship and business science background, MBA, head of CSI at a large corporate
D4	Donor	Head of CSI at a corporate bank
D5	Donor	CEO of a sustainable energy company in South Africa, donor at rhino conservation in Africa
P1	Preparer	CA (SA), Completes accounts and AFS for an NGO offering animal interaction therapy to troubled children
P2	Preparer	CA (SA), Reporting for an NGO that runs a soup kitchen, the preparer is also a professor of accounting
P3	Preparer	CEO of an NGO that is a national bursary administrator for multiple large corporate donors
P4	Preparer	CIMA, offers his services to a hospice, the preparer is also an academic