

# Accountability of charities on websites

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## **Abstract**

**Purpose** – This research shows the extent of accountability and transparency of a charity on its web pages.

**Methodology** – A disclosure index is derived from recent literature on website transparency of not-for-profit organisations and used to test the accountability disclosure of a large international aid organisation on its website.

**Findings** – Financial information was easy to find on the website and comprehensive. A reasonable amount of governance and performance accountability information was accessible, but internal governance information relating to the board of trustees and future-oriented budgeting and performance information was lacking. Website design included most of the desirable web design features, but the search option was limited. Transactional accountability was enabled by the website design. Although there were few opportunities for relational interactivity on the website itself, the organisation's social networking sites provided opportunities for two-way communication.

**Originality** – This research extends the concept of accountability of charities, from financial and non-financial reporting in hard copy publications such as financial statements and annual reports, to the wider accountability that is enabled by the internet and by web page design.

## Introduction

Research on the accountability of charities has expanded from examination of financial and non-financial information contained in annual reports (Hyndman, 1990, 1991; Connolly and Hyndman, 2004) to other media through which charities can demonstrate their accountability, such as the annual review and websites (Connolly and Dhanani, 2009). In regard to internet disclosure, researchers have developed various measures of transparency and accountability of not-for-profit and charitable organisations on their websites – several of these are reviewed below. This research extends this prior research by focussing on accountability information on a particular international aid charity, showing how websites enable charities to not only be accountable by providing financial, governance and performance information, but also to be accountable through interactions and relationships with donors and other users of the websites.

Charities are a sub-set of not-for-profit organisations that can separate their purposes into one or more of four categories: advancement of religion, advancement of education, relief of poverty, or being in some way beneficial to the community (*Charities Act*, 2005). Charities are increasing not only in size (Connolly and Hyndman, 2004) but also in significance within the political, social and economic domains (Parsons, 2003), which has created pressure for accountability from key stakeholders. Pressure has been exerted on charities to be accountable for their use of funding from donors (Moxham and Boaden, 2007). Trust between charities and their stakeholders is compromised if charities are caught up in scandal or are wasteful with their resources (Ebrahim, 2003b) or if too much charitable giving is absorbed into fundraising and administration expenses (Wilson, 2009).

## ***Accountability***

Edwards and Hulme (1995) define accountability as "the means by which individuals and organisations report to a recognised authority ... and are held responsible for their actions" (p. 9). Similarly, the Charities Commission in the UK "interprets accountability in terms of providing information to stakeholders that is impartial, comparable, understandable and focused on their needs" (Connolly and Hyndman, 2017, p. 157).

Edwards and Hulme (1995) claim that "effective accountability requires a statement of goals ... transparency of decision-making and relationships, honest reporting of what resources have been used and what has been achieved, an appraisal process for the overseeing authority ... to judge whether results are satisfactory and concrete mechanisms for holding to account ... those responsible for performance" (p. 9). This accountability is multi-directional: " 'downwards' to ... partners, beneficiaries, staff and supporters; and 'upwards' to ... trustees, donors and host governments" (p. 9).

## ***Reporting accountability***

Dixon et al. (2006, p. 419) note that in many cases there is a need for a type of accountability which is "informal, unspoken, and/or unrecorded with few formal rules". Gray et al. (2006, p. 335) also argue that, because of the closeness of not-for-profit organisations to their stakeholders, informal accountability mechanisms are more appropriate, with transparency being the key requirement: "matters such as trust, emotion, conscience, social contracts, mutuality etc. all enter into the relationship" between the organisation and the stakeholders (see also Dixon et al., 2006).

Thus, accountability goes further than just using particular accounting procedures or reports. For example, Leat (1990, p. 144) lists four types of accountability particular to charities: fiscal accountability ("the proper use of money"); process accountability ("following proper procedures"); programme accountability (achieving the intended results); and accountability for priorities ("doing ... the right things"). Connolly and Dhanani (2009) split accountability into "fiduciary accountability, which emphasises probity, compliance, control and good governance; financial managerial accountability, which ... focuses upon the financial position, stability and success of the organisation; [and] operational managerial accountability, which addresses an organisation's achievements and performance in relation to its charitable objects" (p. 5). Dainelli et al. (2013) classify accountability into financial ("tracking and reporting on allocation and utilization of financial resources, using the tools of management control and auditing" (p. 654)); performance ("demonstrating and reporting ... in light of agreed-upon performance targets and [focusing] on inputs, outputs, outcomes, and impacts" (p. 655)); and political ("procedures and mechanisms that ensure the organization fulfills the public trust, engages and involves stakeholders, responding to their legitimate expectations and needs" (p. 655)). Rodríguez et al. (2012) refer to "transparency" about the organisation and its governance; the activities it carries out; and financial information about sources of funds and how they are spent. Saxton and Guo (2011) refer to accountability for finances (using accounting tools) and accountability for performance (focussing on services, outputs and results). Tremblay-Boire and Prakash (2014) not only modelled financial responsibilities to donors, but also responsibilities to beneficiaries, employees, the wider public and the community as well as responsibility for the environmental impact of the organisation.

Many of these types of accountability will not be in the form of accounting reports but more informal (Dixon *et al.*, 2006; Gray *et al.*, 2006). Ebrahim (2003b, p. 199) claims that, “for nonprofit organizations, mission statements play an important role in providing a focal point around which to develop internal accountability”. Employees and volunteers of charities are primarily action-oriented, and "gain legitimacy by helping" the beneficiaries of the charity (Ebrahim, 2003a, p. 817), that is, from achieving the mission of the organisation rather than from spending time on satisfying requests of donors. Dixon *et al.* (2006) show how downward accountability is built on relationships with beneficiaries. If there is frequent personal contact, the actions that a charity is performing can be seen: “the activity itself will be, in effect, the account of that action” (Gray *et al.*, 2006, p. 336). Thus, various stakeholders, such as employees and volunteers as well as beneficiaries, can receive an account of the performance of the charity through their own eyes, rather than through a formal, written report (Dixon *et al.*, 2006). Connolly and Hyndman (2017) found that measurement of the impact of a charity might only be possible in the medium to long term, and even then was really based on the measurer's judgement. However, their interviewees perceived that "reporting personal stories was a valid means of demonstrating 'impact' " (Connolly and Hyndman, 2017, p. 161). Information about a positive experience for beneficiaries shows stakeholders such as donors that the mission is being achieved.

Although Hyndman (1990, 1991) initially followed Bird and Morgan-Jones (1981) in looking at the content of financial reports of charities, he found that donors were more interested in non-financial performance reporting of charities in their annual reports, in particular, information about goals, the problem or area of need, the

charity's output, and its objectives. However, Connolly and Hyndman (2004) found limited performance reporting by British charities in their annual reports and even less by Irish charities.

As much of the less formal accountability information may be outside the annual report (i.e., the financial statements), Connolly and Dhanani (2009) also examined the annual review (a document promoted by the Charities Commission in the UK as a voluntary vehicle for discharging accountability) and the websites of 100 of the UK charities they studied. However, Connolly and Dhanani's evaluation of the websites concentrated mostly on website design (e.g., ease of navigation, layout, searchability); whether the annual report, the annual review, the auditors' report and other financial information is available and whether on the webpage or in pdf format; how financial and performance information is presented (e.g., numerically, in text, or graphically) and whether reports are of historical information or look to the future. They did include a short list (eight items) of accountability disclosures (e.g., description of the mission and activities; key organisational members, agendas and minutes of meetings), indicating simply whether or not the items were present on the webpages. Connolly and Dhanani (2009) interviewed 11 people involved in preparing the annual reports and the annual reviews, with the questions in the interviews concentrating on the concept of accountability and how the interviewees perceived that accountability could be demonstrated through the report, the review and the webpages. Connolly and Dhanani (2009) concluded that interviewees saw the annual report as a way of assuring larger donors "that funds were not misappropriated" (p. 49), whereas the annual review was a "more 'user-friendly' document ... that was more read and used and aimed at the smaller donors,

volunteers and supporters of the organisation, and beneficiary groups, where appropriate, and the public at large" (p. 50). As "the primary objective of the annual review was to provide general publicity for the organisation, the reviews emphasised case studies, individual stories and pictures to make 'live' the activities and impact of the organisations." (p. 52). The websites are seen as a "shop front" for the charities and "a critical mechanism of communication" (p. 56) to a wide audience.

### ***Website accountability***

As having a web presence has become pervasive, several researchers more recently have focussed particularly on not-for-profit organisations' accountability disclosures on the internet. Most of these researchers compiled a "disclosure index" of various items, scoring them "1" if the item is present on the webpages, and "0" if it does not appear. Dumont (2013) then carried out factor analysis, grouping the items according to their accessibility and whether they were related to the mission, performance, governance or engagement. Hazelton *et al.* (2014) ranked various "transparency" items by how long it took to find them either on webpages or on attached pdfs. They concluded that the easy to access webpages presented positive, mostly qualitative information, whereas the information that might worry the stakeholders, often in numerical form, was in the annual report and took longer to find. Rodríguez *et al.* (2012), Dainelli *et al.* (2013) and Tremblay-Boire and Prakash (2014) grouped the many items in their indices into categories according to the type of accountability: organisational, activities or economic transparency (Rodríguez *et al.*, 2012); financial, performance or political accountability (Dainelli *et al.*, 2013); and beneficiary, employment, financial/donor and public responsibility (Tremblay-Boire and Prakash, 2014).

Some of the disclosure index studies (Waters, 2007; Gandía, 2011; Saxton and Guo, 2011) have grouped the items according to the amount of interactivity between the charity and the internet user: some items are merely communicating information (Waters, 2007), such as disclosing financial and performance information (Saxton and Guo, 2011) – Gandía (2011) calls these items "ornamental" and "informational". Some websites allow "transactional" interactions with stakeholders, "such as e-donations, newsletter sign-ups, content downloads, or information uploads" (Saxton and Guo, 2011, p. 282; Hart, 2002). Very few are "interactive" (Waters, 2007; Saxton and Guo, 2011) and "relational" (Gandía, 2011); for example, soliciting stakeholder input through surveys, contact us buttons or tabs, and message forums, and providing two-way communication through "customizable donor/advisor extranet[s], interactive blogs, Web-enabled databases, online training, virtual conferences, and social networking applications" (Saxton and Guo, 2011, p. 282).

Most of the studies constructing a disclosure index surveyed websites and publicly available databases of a large number of a particular type of not-for-profit organisation so that the researchers could carry out statistical tests. For example, Dainelli *et al.* (2013) studied national museums, finding that the size of a museum and the level of funding it receives are the main determinants of the amount of internet accountability disclosure. Gandía (2011) found that development organisations in Spain had only an "ornamental" web presence; their websites were not interactive. Hazelton *et al.* (2014) tested the relationship between ease of finding accountability information and the size of the annual income and CEO salaries, but found no correlation.

The study reported on in this paper extends the prior research. As web-technology and design has significantly improved over the almost a decade since Connolly and Dhanani's (2009) study, the current research will focus on accountability on a charity's website, but not only looking for the existence of financial and managerial accountability, but also looking at how interactive and relational that accountability and transparency is. The results of that research are presented here.

A further step in the research programme will be to carry out interviews with key people in the chosen charity. Connolly and Dhanani (2009) did carry out interviews, but only with a few people, and they were concentrating mostly on accountability in the annual reports and the annual reviews. In the next stage of this study, interviews will be sought with people within the organisation who are making decisions particularly on what is included on web pages and the web design.

## **Method**

For this research, one of the largest charities in New Zealand was chosen – the international aid organisation, World Vision New Zealand. All the web pages found at <https://www.worldvision.org.nz/> were access between 12 and 26 July 2017, including all links to other pages, to videos and to other documents such as pdfs. It was necessary to choose a narrow time frame, as some pages of the website change frequently, particularly if natural disasters occur or humanitarian issues arise to which the organisation makes a very quick response.

A disclosure template was designed, based on the disclosure indices reviewed above. Each item in the sections on financial, governance and performance

disclosures were scored out of 3 thus: 3 if the item was easy to find and there were links to it from multiple places on the website; 2 if the item was easy to find but only mentioned in one place; 1 if the item did exist but was not easy to find; and 0 if the item was not found. For the three sections on accessibility – website design, and transactional and relational interactivity – the scores were 3 if an item was extensively used, 2 for a moderate amount of use, 1 for a little, and 0 if the item was not evident on the website. For each of the six sections, the scores were averaged and presented as a percentage of the maximum average score of 3.

Obviously, this method has the limitation of researcher bias, both in what items were included in the various section, and in the ratings awarded to each item. However, this initial part of the study is designed to uncover inclusions – and omissions – in the website content and accessibility, rather than being used for comparison with other organisations and for statistical testing. Therefore, the findings do provide an indication of areas to explore in further research.

## **Findings and discussion**

The financial, governance and performance accountability disclosures of World Vision New Zealand on its website are shown in Table 1. Each item was scored out of three, as explained above. It can be seen from the averages for each section that financial information was easy to find (average 2.57, i.e., 86% of a possible maximum average score of 3.00). The financial statements were provided in pdf format, and a lot of the financial and other information was provided both in the pdf of the annual report (similar to the "annual review" in Connolly and Dhanani's 2009 study) and in summaries and graphics on various web pages.

	<i>score</i>
<b>Financial</b>	average: 2.57 (86%)
financial statements (pdf)	2
annual report (pdf)	3
summaries of financial data	3
graphics of financial data	3
sources of funds	3
commentary from CEO	2
commentary from chair of board	2
<b>Governance</b>	average: 1.75 (58%)
mission	3
field of activity	3
who beneficiaries are	3
news & press releases	3
all members of board of trustees	2
professions or public positions of members of board	2
number of meetings of board members	0
issues discussed in meetings by members of board	0
procedures for selection and retirement of board members	1
remuneration for board members	1
name and CV of CEO	2
salary of CEO	1
<b>Performance</b>	average: 1.82 (61%)
organisational goals	1
description of programmes/activities	3
expected outcomes/impacts	3
annual budget of previous year	0
annual budget of following year with explanatory report	0
expenditures for fundraising	3
expenditures for administration	3
expenditures on programmes/activities	3
evaluation reports of programmes	3
performance measures/KPIs	1
information about activities that volunteers can perform	0

**Table 1: Website disclosure by World Vision New Zealand**

3=easy to find and links in multiple places;  
2=easy to find but only in one place;  
1=not easy to find but does exist;  
0=not found

There was less governance and performance accountability information available and/or accessible (averages 1.75/58% and 1.82/61% respectively). As in other studies, it is the internal governance information about the board of trustees and the forward-looking information such as budgets and key performance indicators that is lacking.

As is shown in Table 2, most of the desirable website design items are present (average score: 2.13/71%). The main deficiency was the search facility. There was a search button on the header, which showed on nearly every page, but searches usually only returned news-blog items and sometimes frequently asked questions (FAQs). For example, a search for "annual report" raised 3 FAQs, and several links to the "About Us" page and reports on activities – then on those pages the link to the annual report could be clicked on; that is, there was no direct link from the search to the annual report. Similarly, a search for "accountability" came up with two FAQs and many news items that had the word "accountability" in them, but did not link to the page with a one paragraph statement about "Our accountability" (<https://www.worldvision.org.nz/about-us/where-your-money-goes>). I could not find when the last update of the site was carried out. Because I have examined the site at various dates, and I observed some minor changes even between the first date of data collection and the last, I know that parts of the site are updated either regularly or when an unexpected disaster occurs. However, it is not possible to determine whether all or any of the pages are up-to-date.

	<i>score</i>
<b><i>Website design</i></b>	average: 2.13 (71%)
hyperlink system relating different areas of website	3
clear to users that links are clickable	3
internal 'search' option available on each page searched for:	3
annual report	1
accounts	0
financial statements	1
accountability	0
contact us:	3
postal address	2
phone	3
email/webmail	3
stories of beneficiaries	3
photographs of activities carried out	3
videos of activities	3
area for frequently asked questions	3
date of last update	0
<b><i>Transactional interactivity</i></b>	average: 2.60 (87%)
online donations	3
users can sign up for regular updates electronically	3
collection of e-mail addresses	3
feedback forms	3
information request form	1
<b><i>Relational interactivity</i></b>	average: 1.67 (56%)
contact us buttons or tab	3
online stakeholder survey	0
open forums for making suggestions, criticisms, or comments about work of organization	1
interactive blogs/chat	0
social networking sites	3
donor space of exclusive access to carry out administrative activities: obtain donation tax receipts, update data, make contributions, etc.	3

**Table 2: Accessibility of website**

3=extensive;  
2=moderate amount;  
1=a little;  
0=not evident

The transactional elements that enable users to make online donations and exchange information with the organisation are all present (average: 2.60/87%). There are not so many opportunities on the World Vision website itself for relational interactivity (1.67/56%). However, interactivity is available on the social networking sites whose logos appear at the bottom of every web page: Facebook, Twitter, Instagram and You Tube.

## **Conclusions**

Overall the website pages of World Vision New Zealand seem to have most of the features that enable them to communicate their accountability to stakeholders, particularly their donors and potential donors. It is probably unrealistic and "old-fashioned" to expect all necessary accountability information to be included in the annual financial report, or even in all printed reports (such as the financial statements and the annual report/review). The ubiquitous use of the internet allows much broader communication of not only financial, governance and performance accountability by charities, but also features of the internet developed by for-profit businesses and for social interaction can be utilised to provide transactional and relational accountability between the charity and its stakeholders.

## ***Further research***

This research has examined the presence or absence of various items that researchers have identified with the discharge of accountability and transparency between charities and their stakeholders. Further research in this area will involve interviews with people within the organisation who are involved with managing the

organisation and its performance; planning and budgeting; preparing financial statements and annual reports; designing and maintaining the web pages, preparing press releases and up-dating information; etc. Interview questions will explore how the interviewees perceive accountability to stakeholders of the charity and how they are involved in decisions regarding the reporting of that accountability.

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