

Organisational Characteristics and Accountability in Protecting Risk Exposures in Non-Profit Organisations

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Abstract

Non-Profit Organisations (NPOs) must rely on a variety of activities and resource providers to support their activities in achieving their goals. Thus, NPOs are accountable to various stakeholders that provide the funds and other resources. However, as NPOs are generally subjected to less stringent regulatory requirements, some NPOs are not acknowledging issues of accountability. Hence, the objective of this study is to examine the effect of organisational characteristics on the extent of accountability in NPOs. The organisational characteristics and the extent of accountability are obtained from the content analysis of annual reports of 224 societies registered with Registrar of Societies (ROS) for the financial period 2010. The level of accountability examined is based on two main components, transparency and compliance. Organisational characteristics used in this study consist of types of income received by NPOs, presence of auditor and size of NPOs. The overall results show that the level of accountability for NPOs in Malaysia is at a low level. Results show that only total income from generated funds and size of organisation has an effect on the level of accountability. Meanwhile, total income from charitable activities, total income from other income and the presence of auditor is insignificant to the level of accountability. This infers that lack of regulatory requirements or best practices with regards to accountability increases various risk exposures to NPOs including fraud risk. This is corroborated by the insignificant relationship between the presence of auditors and accountability, where auditors are generally more focused on compliance with mandatory requirements.

Keywords: Non-Profit Organisations, Accountability, Transparency, Compliance, Organisational Characteristics, Risk

1.0 Introduction

Accountability has been said to be one of the cornerstones of good governance. However, it can be a daunting task for scholars and even practitioners to navigate the myriad of different types of accountability. There has been a growing discussion within both the academic and development communities about the different measures of accountabilities. The notion of accountability is a concept that is difficult to define in precise terms. Broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions.

1.1 Accountability Issues

The definition and nature of accountability has changed over time. Traditionally, in its simplest form, accountability entails a relationship whereby some people are required by others to explain and take responsibility for their actions: "giving and demanding reasons for conduct" (Roberts and Scapens, 1985, p. 447). It focuses on 'who' is to be accountable to 'whom' and 'for what'. However, it has changed beyond its core sense of being called to account for one's actions (Mulgan, 2000) in such a way that it may have become a garbage can filled with good intentions loosely defined concepts and vague images of good governance (Bovens, 2005)

Of late, non-profit accountability, has become a topic of interest and concern for a number of reasons: scandals, fraudulent acts and accounts of wrongdoing among non-profit organisations (NPOs) relating to mismanagement of funds, questionable fundraising practices, fraud, embezzlement, conflicts of interest, and corruption (Cohen, 2007; Gibelman & Gelman, 2004); skepticism about nonprofit effectiveness, concerns about nonprofit efficiency (Salamon, 2005), money laundering activities and terrorism financing.

Non-profit accountability can be looked at from two different perspectives. From the donor's standpoint, donors understand that accountability means their donations will be used for what it is intended. Donors have a rational belief that their gift will be used appropriately to support the organisation's mission (Maehara, 2002). From a funder's perspective, funders are increasingly demanding for the detailed reports and statistics about the money that has been given to the NPOs. They want to be assured that their money is going where it should go and that someone is checking to make sure that NPOs are spending their money wisely. Therefore, it can be said that NPOs are under increasing pressures from funders to demonstrate that they are being effective, taking all measures to deter fraud and are achieving measurable outcomes.

Malaysia, a country with a vision to be a fully industrialised nation by year 2020, is not spared of such concerns. Too many issues regarding the accountability of NPOs, such as, who will ensure the money(s) given by the donor to these organisations be spent wisely, who will guarantee that these organisations will produce the desired outcome or are these organisations operating within the laws and obligations. In view of this, NPO accountability is said to be one of the hottest topics to accompany the rise of the civil society. The ongoing discussions and debates around accountability suggest that NPOs are seen to be accepted as a form of civic expression.

1.2 Organisational characteristics of NPOs

Non-Profit Organisations (NPOs) are generally set up for the purpose of providing social benefits, facilitating and coordinating for the joint benefits of society. They exist solely to perform public tasks that have been delegated to them by the state, to perform public tasks for which there is a demand that neither the state nor for-profit organisations (FPOs) are willing to fulfill and to influence the directions of policy in the state (Hall, 1987). Hall's (1987) definition of NPOs emphasizes the differences in the characteristics between NPOs with FPOs. The most common characteristics that can be taken into consideration in distinguishing between NPOs and FPOs is the non-distribution constraint as the primary reason for the creation of NPOs is to give expression to the social, philosophical, moral or religious values of their founders and supporters.

As suggested by Gordon et al., (2010), there are several factors that can influence donor's and grantor's decision to make charitable contributions and they include preference on the NPOs mission, discretionary income, personal belief and religious affiliation. Additionally, a study done by Trussel and Parsons (2008) found that the information disclosed in NPOs' financial report which includes efficiency, stability of financial reports and organisation's reputation can impact donor decisions. NPOs are subject to a different regulation than FPOs in terms of financial reporting.

In their efforts to ensure the sustainability of their organisations, NPOs should adopt an important strategy of communicating relevant information to their current and future donors. Arshad et al.(2013) state that the failure to communicate sufficient information can lead to negative perceptions regarding the organisation's effectiveness in managing their funds and will consequently lead to withdrawals of support by the donors and other stakeholders. In most parts of the world, NPOs are already subjected to reporting requirements such as the production of audited financial statements and even mandatory reporting to funders and donors (Bies, 2010). However, NPOs in Malaysia are subjected to a less stringent reporting requirement as such the information found in their financial reports might be inadequate. Similarly, characteristics such as size of NPOs, be they large or small, can also benefit from reporting on a regular and transparent basis to the stakeholders namely the donors and funders. However, just as NPOs vary in terms of size, complexity and resources, the extent of accountability will also differ. Hence, it is important to understand the factors that influence or affect the extent of accountability in NPOs.

This study therefore aims to examine the relationship between the organisational characteristics to the non-profit organizations' accountability. Organisational characteristics used in this study are the types of income received by the organisation, presence of auditor and the size of the non-profit organisation itself.

The level of accountability examined is based on two main components, transparency and compliance (Coleman & Porter, 2000; Ebrahim & Weisband, 2007). Transparency involves collecting information and making it available and accessible for public scrutiny. Transparency requires providing clear reasoning for actions and decisions so that they may reasonably be questioned. Compliance, on the other hand, involves the monitoring and evaluation of procedures and outcomes. This examination is expected to provide some insight into the potential motivations for transparency and accountability among the NPOs and consequently contributes to the deliberations of enhancing accountability of NPOs by various regulatory authorities.

1.3 NPOs in Malaysia

NPOs in Malaysia with revenue of less than RM1 million are required to register their organisations with the Registrar of Societies (ROS) and are held accountable under the Societies Act 1966. NPOs with revenue of more than RM1 million can be registered as companies limited by guarantee with the Companies Commission of Malaysia (CCM) and be held accountable under the *Companies Act* 1965.

NPOs registered under the *Companies Act* or *Societies Act* may apply for tax exemption under the *Income Tax Act* 1967. The Inland Revenue Board stipulates two conditions that registered institutions must comply with in order to qualify for tax exemption. These conditions are: (1) it must be established in Malaysia for charitable purposes only and (2) the organisation must spend at least 50% (or such percentage as may be determined by the Director General) for its income including donation received in the previous year for the activities which were approved to achieve its objectives for the basis period for a year of assessment. In relation to disclosure and reporting requirements, there is no specific accounting standard for the NPOs. Nevertheless, NPOs are encouraged to comply with the International Financial Reporting Standards issued by International Accounting Standard Board and adopted by the Malaysian Accounting Standard Board or reporting standards applicable for private entities in the preparation and presentation of their financial statements. NPOs registered with ROS are required to submit Form 9 that consists of the statement of receipts and payments of the last financial year, together with a balance sheet showing the financial position closely of the last financial year to the ROS within sixty days after holding its annual general meeting.

1.4 Organisational Characteristics and Accountability- Development of Hypotheses

NPOs dependence on public donations, government fundings and other types of funds reflect that NPOs are accountable to multiple stakeholders. The increasing number of NPOs indicates that the competition for funds is constantly growing. Hence, it is paramount that an NPO is seen as accountable in order to maintain the trusts of the various stakeholders. Loss of trust can potentially reduce an organisation's ability to attract or maintain donors, communicate with other organizations and reputation as a legitimate NPO. This infers that NPOs need to be concerned with the issue of accountability to their various stakeholders. As accountability means different things to different stakeholders (Doyle, 2005), it is only possible for NPOs to fulfill their obligations in ensuring that the organisation is accountable to the multiple stakeholders.

Trussel and Parsons (2008) find that certain characteristics of NPOs are associated with donations decisions. This in turn suggests that NPOs must be accountable in order to maintain the trust of the stakeholders that provide the needed funds for NPOs to achieve their mission. This study focuses on three types of organisational characteristics namely types of income, presence of auditor and size of organisations, and the extent of accountability of NPOs.

1.4.1 Types of Income and Accountability

NPOs receive income mainly through funds generated by specific activities such as membership fees and rental income, funds donated by external organisations, such as from the governments and other institutions and funds not generated from these two categories as funds from other activities. The initial existence of NPOs is more towards serving the community therefore they are not profit oriented. However, the non-profit sector had now grown not only in terms of size but also in terms of their objectives. More and more NPOs are starting to engage in the trading services thereby blurring the lines that divide the for-profit and the non-profit sector. NPOs nowadays do not only focus on the traditional types of charity activities but they have also included other services such as sports, cultural groups, education and etc. Hence, NPOs do not only focus on the traditional ways of generating funds for their organisations.

According to Andreasen and Kotler (2003), all of these changes happening in the NPOs sector had brought implications for the NPO's management that have increasingly engaged in marketing activities and therefore developed a market mindset. With that, NPO managers believe that their missions now do not merely involve on how to influence the donors to give contributions, looking for volunteers and clients to seek help but also to take into consideration the marketing activities and marketing mindset in ensuring the success of their organizations. All of these changes that happened in NPOs sector nowadays, have led to the demand for accountability and transparency in the financial reporting of NPOs. This is because the main objective of NPOs is not only to focus solely on providing services to the society but much more, such as promoting cultural activities, improving social values and others.

Froelich (1999) and Trussels and Parson (2008) state that NPOs generating large amount of funds from specific activities such as membership fees are more likely to be managed like a for-profit organisations. As such, it is expected the non-profit managers are more likely to comply with the requirements imposed by the regulators by disclosing more comprehensive information in their annual reports to signal their organisations are accountable. Based on this argument, the following hypothesis is developed:

H1a: Income generated from NPOs' activities is significantly positively associated to the extent of accountability of NPOs

Funds generated from donations can also be contributed from large institutional donors such as private companies, government agencies as well as individual donors. As such, these institutional donors are more likely to demand NPOs to be more compliant and transparent. On the other hand, small individual donors are less likely to demand such. Nevertheless, the presence of large donors can give assurance to the small donors that these NPOs are credible and reputable organisations. Following this argument, the following hypothesis is developed:

H1b: Income generated from donations is significantly positively associated to the extent of accountability of NPOs

This study expects a positive relationship between funds generated from other activities and the extent of accountability as this is based on the premise that donors demand adequate information to make donation decisions. The increasing calls for transparency in the non-profit sector indicate that donors need information that provides assurance regarding the reputation of NPOs. Hence, the following hypothesis is developed:

H1c: Income generated from other activities is significantly positively associated to the extent of accountability of NPOs

1.4.2 Presence of Auditor

According to Gordon et al (2010), complete audited and reviewed financial statements are considered as best practice. According to previous studies, auditors play a significant role in the preparation of financial statements. This is due to the fact that preparers would be more cautious in preparing the financial statements as it will be reviewed by others. It is believed that by subjecting NPO's financial statement to audit requirements, it will increase the accountability of these organisations in the public's eyes and at the same time enhance regulators enforcement powers to prevent financial fraud from occurring in non-profit sector (Calabrese, 2011).

From the above argument, the following hypothesis is developed:

H2: The presence of auditor is positively significant associated with the extent of accountability of NPOs.

1.4.3 Size of Organization

The impact of size on other organisation's characteristics has been broadly discussed (Meyer, 1972). Ball and Foster (1982) states that firm size has been considered to be an adequate proxy for the costs and benefits linked to the provision of information. According to Trussel and Parsons (2008), size may influence a NPO's ability in achieving its mission and attracting funds. Froelich (1999) believes that larger organisations have more resources as compared to smaller organisations. Past literatures provide that organisations that are larger in size tend to perform better and are more accountable when managing their organisations (Charles, 1999). Larger organisations provide assurance to their donors that their donations will be used appropriately and that these organization are reputable NPOs. Hence, this leads to the following hypothesis:

H3: The size of organization is significantly positively associated with the extent of accountability of NPOs.

2.0 Method

2.1 Samples and Data Collection

The sample used in this study consists of 224 societies registered with Registrar of Societies (ROS) for the financial year end 2010. The 224 samples of registered NPOs are from three states of Malaysia which are Selangor, Kuala Lumpur and Terengganu. The data were obtained from the NPO's Annual Society's Information which is known as Form 9. The research approach involves the content analysis of societies' annual reports. Content analysis has been widely employed in prior studies to measure voluntary and mandatory disclosures in annual reports (e.g. Hackston & Milne, 1996; O'Donovan, 2002; Clemens & Douglas et al., 2006).

2.2 Extent of Accountability

The extent of accountability (ADI) in this study is measured using a self-constructed index. The accountability disclosure index refers to the dimensions of accountability that is transparency and compliance which was developed by previous researchers (Ebrahim, 2007 & 2010; Wood, 2001). The identification of items to be included in the index is guided by the review of prior studies relevant to accountability of NPOs (Beck, et.al., 2010; Molina-Azorin, et.al., 2009), mandatory disclosures as required by the Societies Act 1966 and recommended practices by various regulatory authorities. Recommended practices in relation to governance and accountability of NPOs are based on Financial Action Task Force (FATF) report, Asia Pacific Group (APG) *Mutual Evaluation 2007, APG Typology 2011*. Established in 1989 as a policy making body, is responsible to generate political will in the development of legislative and political reforms in the areas of anti-money laundering and terrorism financing. The APG is being tasked to assess member countries' compliance with the recommended practices by FATF in the Asia Pacific region. As a member country since 31 May 2000, Malaysia is required to implement and comply with the FATF's recommendations with regards to anti-money laundering and terrorism financing. A member country will be blacklisted and subject to various sanctions e.g. economy sanction, trade restriction, higher level of scrutiny if they fail to comply.

A list of items to be included under accountability practices is identified and this is based on the review of previous literatures and recommended practices. This is followed by discussions with several officials from ROS so as to gain input on the types of information considered by ROS accountability for NPOs. The level of ADI is measured by comparing the contents of each annual report to the items in the index and coded as below:

Table 1: Score points for items listed in ADI

Scores	Descriptions
0	Not disclosed
1	Disclosed
2	Disclosed with quantitative and qualitative information

As in previous studies, disclosure item considered as not applicable to an organisation will not be penalized. In assessing the applicability of a particular item, the entire annual report will be read to ascertain that no similar information can be found in any part of the annual reports before a judgment is made on this matter.

For each society, the ADI index score is calculated as a ratio of the actual score awarded to the organisation divided by the maximum potential score awarded to that organisation. The ADI index used for each organisation is calculated as follows:

$$ADI_j = \frac{\sum_{i=1}^{n_j} X_{ij}}{n_j}$$

Where n_j = number of items expected for j^{th} society, n_j is ≤ 53 ,

X_{ij} = 1 if i^{th} item disclosed, 2 if i^{th} item disclosed includes quantitative and qualitative information and 0 if i^{th} item not disclosed, so that $0 \leq I_j \leq 1$

The total score ADI_j represents the number of points awarded to society j and it is an ordinal measure of the level of ADI for each company. The score is additive and unweighted. The use of unweighted index eliminates the assignment of weights to reflect the importance of certain types of information (Chow & Wong-Boren, 1987). Chow & Wong-Boren (1987) suggest that the use of weighted or unweighted disclosure index is interchangeable because they find almost equivalent results using either one of the index.

2.3 Measurement of Variables

There are three independent variables in this study, income generated from NPOs' activities, income generated from donations, income generated from other activities, presence of auditor and size of organisation. The definition and measurement of variables used in this study are listed in Table 2.

Table 2: Definition and Measurement of Variables

Variable Acronym	Definition	Measurement
ADI	Extent of Accountability	Self- constructed accountability index.
GF	Income generated from NPOs' activities (e.g. membership fees)	Total income from NPOs' activities.
FD	Income from Donations	Total Income from Donations
OI	Income from other activities	Total Income from other
AUD	Presence of auditor	Dummy variable (0=No, 1= Yes)
SIZE	Size of organisation	Total assets

3.0 Results and Discussion

3.1 Descriptive Statistics

Table 3 presents the descriptive statistics on the dependent variable, ADI. The results of descriptive statistics for continuous independent variables and control variable are presented in Table 4.

Table 3: Descriptive Statistics for Dependent Variable

(%)	Minimum Statistic	Maximum Statistic	Mean Statistic
Accountability	0.23	0.74	0.36
Transparency	0.00	0.34	0.10
Compliance	0.19	0.42	0.26

There are three dependent variables used in this study which are accountability, transparency and compliance. Table 3 shows the descriptive statistic for Accountability, Transparency and Compliance. From 224 samples selected, accountability ranges from minimum of 23% to 74% for year 2010 and the mean value for accountability was 36%. It means that, the level of Accountability is at a low level. In relation to transparency, Table 2 reported that some NPOs have 0.00 % level of Transparency while some NPOs have 34% level of Transparency. The mean value of 10% indicates relatively low level of Transparency. This means that most NPOs are not transparent to the users. Besides that, Table 3 also reported that the level of Compliance is relatively low with a mean value of 26%. The minimum level of Compliance for NPOs is 19% and the maximum level is 42%.

Table 4: Descriptive Statistic for Independent Variables

	Minimum Statistic	Maximum Statistic	Mean Statistic
TI_GF (RM)	0.00	7,151,164.00	166,469.44
TI_FD (RM)	0.00	8,558,171.00	109,508.20
TI_OI (RM)	0.00	1,009,825.00	14,988.93
AUD	0	1	0.88
SIZE (RM)	0.00	17,904,924.00	574,607.44

Legend: TI_GF represents the total income from generated fund; TI_FD represents the total income from charitable activities; TI_OI represents the total income from other income; AUD represents the presence of auditor and SIZE represents the size of the NPOs.

Table 4 presents descriptive statistics for independent variables such as total income generated from NPO activities (TI_GF), total income from donations (TI_FD), total income from other activities (TI_OI), presence of auditor (AUD) and the size of NPOs.

The minimum value for TI_GF is RM 0.00 and the maximum value is RM 7,151,164.00. The result indicates that there are some NPOs from the samples that do not have sources of income generated from membership fees and rental. The average value of TI_GF for NPOs is RM 166,469.44. In relation to TI_FD, the minimum value is RM 0.00 and the maximum value is RM 8,558,171.00. The average value for TI_FD is RM 109,508.20. The minimum value for TI_OI is also RM 0.00 and the maximum value is RM 1,009,825.00. The average value for TI_OI is RM14, 988.93. In comparisons with other types of income, TI_OI has the lowest maximum average value. This indicates that not many NPOs receive this type of income. As for the presence of auditor, dummy variables (0=NO, 1=YES) is used to measure this variable. From Table 4, the result shows that the average value for AUD is 88%. This indicates that most of the NPOs in Malaysia used audit services in preparing and assuring the completeness of their annual report. Finally, for size of NPOs, the minimum value is RM 0.00 and maximum value is RM 17,904,924.00. The average mean value for size of NPOs is RM 574,607.44.

3.2 Accountability and Organisational Characteristics

Table 5: Multiple Regression Analysis

Dependent Variable	Accountability			Transparency			Compliance		
	Beta	t	Sig	Beta	t	Sig	Beta	t	Sig
R ²	0.282			0.121			0.446		
Adjusted R ²	0.265			0.100			0.433		
F	16.889			5.899			34.665		
Sig	0.000 ^b			0.000 ^b			0.000 ^b		
Model	Beta	t	Sig	Beta	t	Sig	Beta	t	Sig
(Constant)		-0.205	0.838		-0.018	0.986		-0.405	0.686
TI_GF	0.218	3.053	0.003***	0.191	2.422	0.016**	0.155	2.480	0.014**
TI_FD	0.065	1.092	0.276	0.059	0.893	0.373	0.073	1.394	0.165
TI_OI	0.039	0.555	0.580	-0.059	-0.752	0.453	0.131	2.113	0.036**
AUD	0.034	0.565	0.573	0.023	0.346	0.730	0.026	0.497	0.620
SIZE	0.321	3.946	0.000***	0.205	2.279	0.024**	0.454	6.353	0.000***

3.3 Multivariate Analysis

This study used linear multiple regression as the basis of analysis to test H1 to H3. The hypothesized relationships for H1 to H3 respectively are modeled as follows.

Model :

$$ADI = \beta_0 + \beta_1B_GF + \beta_2B_FD + \beta_3B_OI + \beta_4AUD + \beta_5SIZE + \epsilon$$

In the above regression models, multicollinearity was tested using the variance inflation factor and tolerance levels, and found to be well within the satisfactory range. The results of the regression analysis are presented in Table 5 and are now discussed in terms of tests of each of the hypotheses.

Results of the multiple regression analysis in Table 5 reported that the adjusted R2 for Accountability is 0.265. While for Transparency and Compliance are 0.100 and 0.433 respectively. The results from Table 5 revealed that all H1a is significant positively associated with the extent of accountability. Hence H1a is accepted. As NPOs are not concern on making profit, their income solely rely on resources providers and variety of activities (Froelich, 1999). It is possible that income generated from NPO activities comprise of subscription fees and income from trading transaction. As these types of income are the main income, the organisation will disclosed in their report as being compliant and transparent so that the members of organisation know how their contributions are being utilized as the organizations are accountable to report so.

Besides that, Table 5 revealed that there are relationships between total income from donations activity and extent of accountability. These types of income are generated from corporation, grants from government and individuals' donations. Hence, NPOs are accountable to disclose the information to the public. Disclosure of

information is important since it can influence the donor's decision to donate to the organisation (Parsons, 2007; Zainon, et al., 2011). However, this research found insignificant relationship between total income from donations and extent of accountability. Thus, H1b is rejected. The insignificant result is possibly due to that donations are not the main source of income of NPOs in the sample selected. Other possible explanations can be that if the sample size is small, the organisations are in start-up phase and the administrative or fund-raising ratios are too low to be plausible.

As for TI_OI, Table 5 revealed that there is a relationship between total income from other activities and extent of accountability. These types of income are rental of assets, interest and etc. The results show the TI_OI is insignificantly associated with accountability and transparency but is significantly positively associated with compliance. This indicates that the organisation as being more compliant to disclose information about other income. Therefore H1c is partly accepted.

H2 test the relationship between the presence of auditor and the extent of accountability. According to Rainsbury, et al. (2009), the presence of auditor can strengthen the quality of reporting. This is due to the fact that donors are willing to contribute more to the organisations aligned with the presence of quality auditor (Kitching, 2009). However, Table 5 reveals that the presence of auditor is insignificantly positively associated with the extent of accountability. Possible explanations will be that the organisation does not have qualified staff to undertake the accounting tasks and that the organisation appoint an auditor to perform both the accounting and auditing task. This can lead to a bias judgment on the part of the auditor (Nasir, et al., 2009). As such, NPOs are not performing their accountability to the public.

Larger organisations are expected to possess the capacity to be more accountable. As organisations grow, they become more visible. Therefore, they will attract greater attention of external constituencies (Saxton et al. 2011). H3 predicts that SIZE is significantly positively associated with the extent of accountability. The results in Table 5 reveal a significant relationship. Hence, H3 is accepted.

4.0 Conclusion and Limitations

This study examines the relationships between organizational characteristics and the extent of accountability of NPOs. The significant positive relationships between some organisational characteristics and ADI indicates that some characteristics are important indicators to the NPOs. For example, the significant positive relationships between size and ADI indicate that larger organisations can potentially enhance the accountability of NPOs. Hence, smaller organisations need some guidance so as to enhance the extent of accountability in NPOs.

The significant relationships between certain types of income and the extent of accountability suggest that more comprehensive regulatory requirements or at the very least, the existence of best practices with regards to accountability can be a useful mechanisms in enhancing the accountability of NPOs. This is particularly important as there are many current and future stakeholders who have contributed significant time, efforts and money to the NPOs efforts are interested to know that their contributions are used efficiently (Behn et al., 2010).

The presence of auditors does not have any effect on the extent of accountability as auditors place more emphasis on mandatory compliance whereas the extent of accountability items focus more on voluntary practices.

In summary, the findings in this study provide useful information and practical implications to various regulatory authorities in their continuous efforts on improving the monitoring, transparency and accountability of the non-profit sector. NPOs should be seen to take measures in curbing and deterring fraud. This in turn can enhance the NPOs credibility to a wide range of stakeholders as NPOs.

However, there are some limitations in this study. First, this study focuses only on the level of accountability based on information disclosed in annual reports of the NPOs. Future research may consider the use of questionnaires or interviews with board members or trustees of the NPOs in gauging the items considered as measurement for accountability as well as other issues related to accountability of NPOs. Finally, this study focuses only on three organisational characteristics, namely types of income, presence of auditor and size of organisation. Future research may also consider the use of questionnaires or interviews with the broader types of board members or trustees in gauging their influence on the extent of accountability as well as other issues relating to accountability of NPOs.

Despite these limitations, this study provides useful insights in understanding the relationships between various organisational characteristics and extent of accountability of NPOs in reducing various risk exposures including fraud risk.

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