THE PURSUIT OF ACCOUNTABILITY IN FIJI'S CHARITY SECTOR

Rusina Tekea Kaitarawa

BBus (PAU), MCom (USP)

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Master of Philosophy

Principal Supervisor: Dr Warrick Long

Co-supervisor: Associate Professor Dr Lisa Barnes

Avondale University

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I declare that the work contained in this thesis has not been submitted previously for a degree or diploma at this institution, an Australian or overseas university or any other institution of higher education. To the best of my knowledge and belief, this thesis contains no material previously published or written by another person except where due reference is made.

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ABSTRACT

Despite the significance of charitable activities, there is scant literature, and little is known about the accountability practices for South Pacific Island nations, particularly within Fiji's charitable sector. Drawing from the ethical branch of stakeholder theory and building upon previous research and recommendations concerning accountability practices, an index was developed to assess the quality and extent of financial and non-financial disclosure. A content analysis was conducted on the audited annual reports and online media platforms of 20 charities. Results revealed varying degrees of accountability practices. While most charities disclosed their statement of financial position, statement of financial performance, and notes to the financial statements, many did not disclose their cash flow statement, even though such disclosures are mandatory. Notably, following the legislative amendment in 2020, many charities improved their submission timeliness to the Registrar of Titles, and all engaged accounting firms to audit their statements. However, Fiji's charity sector exhibited limited voluntary non-financial disclosure, aligning more with the managerial branch of stakeholder theory. Based on these findings, recommendations were formulated to enhance accountability practices within Fiji's charity sector.

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ABBREVIATIONS

Abbreviation	Full Form
AASB	Australian Accounting Standards Board
ACNC	Australian Charities and Not-for-Profits Commission
ASRB	Accounting Standards Review Board
ATO	Australian Taxation Office
ESG	Environmental Social and Governance
FCCC	Fijian Competition and Consumer Council
FIA	Fiji Institute of Accountants
FYE	Financial Year End
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GT	Grounded theory
IFRS for SMEs	International financial reporting standards (IFRS) for small medium-sized entities (SMES)
IRS	Internal Revenue Services
MMA	Mixed method approach
NFP	Not-For-Profit
NFS	Notes to financial statements
NGO	Non-Governmental-Organisation
NPO	Non-Profit-Organisation
OECD	Organisation for Economic Coooperation and Development
RIS	Registrar Incorporated Societies
RoC	Registrar of Companies
RoT	Registrar of Titles
SCF	Statement of cash flow
SCIE	Statement of comprehensive income and expenditure
SFP	Statement of financial position
SMEs	Small Medium-sized Entities
SMF/CE	Statement of movement in funds/Changes in equity
SORP	Statement of recommended practice
SPIEs	South Pacific Island economies
T1	Tier 1
UN SDG	United Nations Sustainable Development Goals

VFSC	Vanuatu Financial Service Commission
XRB	External Reporting Board

CHAPTER 1: INTRODUCTION

1.1 Background to the study

On March 19, 2020, while the world was reporting cases of the pandemic, Fiji recorded its first case of Covid-19 (World Health Organisation, 2020). In response, the Fijian government implemented a series of measures aimed at containing the virus, including restricting movement within the country, imposing curfews, and ultimately shutting down international borders. These actions had far-reaching consequences, particularly on the tourism and airline industry, which experienced an abrupt cessation of operations (Reserve Bank of Fiji, 2021). For many firms involved in tourism and related sectors, scaling back operations and reducing employment became necessary, while numerous small to medium enterprises (SMEs) were forced to cease operations altogether (Reserve Bank of Fiji, 2021).

Inadvertently, this crisis also cast a spotlight on the charitable sector in Fiji, pushing it to the forefront of the nation's economic activities. Calls for changes in, and reform of, the charity legislation enacted by the Fijian government and the Fijian Competition and Consumer Council (FCCC) became increasingly urgent (Krishant, 2020). Even prior to the pandemic, the FCCC had issued press releases calling for greater transparency and accountability among entities that raised funds for charity from the public (Fijian Competition and Consumer Council, 2019), driven in part by recent investigations of charities.

Furthermore, on September 3, 2020, Fiji's Prime Minister reported a surge in donations during the pandemic to entities with charitable purposes (Krishant, 2020). These donations were intended to assist Fiji in addressing the social and economic impact of Covid-19. However, it became evident that some entities were not utilising these funds for their intended purpose, highlighting the pressing need for enhanced transparency, accountability, and potential amendments to the Companies Act 2015 (Fiji Village, 2020). The Minister for the Economy emphasised the necessity for assurance regarding how charitable donations were being utilised to support the missions of these organisations (Rabonu, 2020). This call for accountability was further supported by the Chair of the Non-Governmental Organisations Coalition on Human Rights (Narayan, 2020).

Remarkably, many charities in Fiji have been in operation since the 1970s (Bhagwan, 2015), and yet, 50 years later, the need for accountability and transparency within the

charitable sector made headlines in the newspapers *Fiji Village* and *Fiji Sun* (Krishant, 2020; Rabonu, 2020).

1.2 Rationale and Outline of the Study

This research is limited to the charity sector in Fiji, focusing on disclosure practices, both financial and non-financial. Its primary objective is to examine the Fijian charity sector's accountability and transparency practices, guided by the ethical branch of stakeholder theory. The research not only contributes to the ongoing discourse about the accountability of charities to the public but also aims to answer the central question: "What are the accountability practices in Fiji's Charity sector, and how are they disclosed?" To support this investigation, two secondary questions have been framed:

i. What financial practices are implemented and disclosed in Fiji's charitable sector?
ii. What non-financial practices, including Environmental Social Governance (ESG), are implemented and disclosed in Fiji's charitable sector?

This research is motivated by several factors:

- the lack of literature regarding the accountability practices of charities in the South Pacific Island countries
- the limited understanding of the current state of accountability practices in Fiji, a nation heavily reliant on aid and donations to address various environmental and social issues that the government may not efficiently and effectively tackle
- the need to provide understanding and insights into the state of accountability practices in Fiji's charity sector.

This study's methodology involves a content analysis of audited financial statements from 2019 to 2021 to investigate financial disclosure practices. Furthermore, an examination of charities' websites and Facebook platforms will be conducted to assess non-financial information disclosure practices. Additionally, this thesis is structured into the following chapters:

- Chapter 2: Literature Review, which reviews previous studies of accountability practices in Australia, New Zealand, the United Kingdom, and the United States of America, leading to the development of an index tailored for Fiji's charity sector.

- Chapter 3: Methodology, discussing research methodologies, design, methods, data collection, and analysis.
- Chapter 4: Results, presenting findings from the content analysis.
- Chapter 5: Analysis of the results.
- Chapter 6: Implications, limitations, recommendations for future research, and conclusion.

1.3 Chapter Summary

This chapter provides an overview of a study examining the accountability and transparency practices within Fiji's charity sector. It begins by highlighting the impact of the COVID-19 pandemic, which brought the charitable sector into the spotlight. The study aims to shed light on the financial and non-financial disclosure practices of charities in Fiji, contributing valuable information to the discourse on charity accountability and transparency in a region where such data is limited. The final section outlines the various chapters of the study. The next chapter will review literature associated with accountability practices within the charity sector to provide a better understanding of the study.

CHAPTER 2: LITERATURE REVIEW

The literature review will explore the definition of accountability, create an index of recommended practices in the charitable sector, based on current best practices mainly from Australia, New Zealand (NZ), United Kingdom (UK) and the United States (US). It will then use a stakeholder theory framework to examine these concepts of accountability practices within the charitable sector and the contextual application in Fiji.

2.1 Accountability

Stakeholder trust and confidence concerns within the for-profit and the NFP sectors have led to calls for better accountability and transparency (Fiji Village, 2020; Hyndman, 2017; McDonnell & Rutherford, 2019; Sinclair et al., 2013). To some extent this has led to confusion of the provision of information, for example what is mandatory or voluntary in terms of the provision of financial and non-financial information (Power, 2000). However, being made accountable by providing information may not necessarily lead to better transparency since the provided information may not be publicly available for all stakeholders (Bowerman et al., 2000) or meet their expectations.

Literature suggests that the disclosure of financial and non-financial reports is important in discharging accountability to various stakeholders (Connolly & Hyndman, 2013; Dhanani, 2009; Mack et al., 2017; Reichard, 1998). Therefore, accounting information combined with greater transparency builds trust between stakeholders and charities (Cordery et al., 2019; Mack et al., 2017; Van Zyl et al., 2019). According to Ebrahim and Weisband (2007), one of the components of accountability is transparency, which involves collecting and disclosing relevant information that is made available via a public domain for access and scrutiny. Relevant information such as the organisation's operations, structure, processes and performance is made available for public access (Etzioni, 2010). Transparency is displayed when a charity is required or willing to disclose critical data relating to the organisation (Charity Navigator, 2021). Transparency then, is key to ensuring that it is easy for stakeholders to find critical financial and non-financial information about the organisation, in order to make informed decisions about, and have greater confidence and trust in, the organisation (Burger & Owens, 2010; Cordery et al., 2017; Ferreira et al., 2022). Furthermore, transparency is deemed important in charities since trust is dependent upon the

provision of relevant and current information (Prakash & Gugerty, 2010; Yang & Northcott, 2019a).

In the charity sector, accountability and transparency may stem from either stewardship principles or governance policies. According to Coule (2015), accountability is a function of governance; however; it is a complex and challenging space. The charitable sector serves a great range of stakeholders, resulting in accountability issues. Due to the complexity of the accountability issues in this sector, Brody (2001) argues there is no one-size-fits-all solution. However, Brody points toward increased transparency as a foundational step towards addressing many of these issues. Similarly, Gray et al. (2006, p. 337) identify transparency as the "first pre-requisite for accountability". The importance placed on transparency by both Brody and Gray et al. highlights its critical role in fostering accountability. Although transparency is a necessary condition for accountability, it is not sufficient on its own. For transparency to be effectively implemented, it is important to consider the scope of disclosure and accessibility. For simplicity, a charity accountability equation has been derived from the above discussion in Figure 2.1.



Figure 2.1

Charity Accountability Equation

2.2 Accountability Definition

The concept of accountability has been contested by many researchers and explained in many ways (Mashaw, 2006), yet it has remained a vague concept, with no unequivocal definition (Bovens, 2006; Dubnick & Frederickson, 2015). Accountability is pervasive and varied (Roberts, 2001) depending on the context. Within the context of managerial fraud, accountability is viewed as a "constraint upon the powerful" (Roberts, 2001, p. 1555) since actors lacking power cannot hold powerful actors accountable or sanction them. In a narrow sense, accountability is perceived as a relationship between the rulers and the ruled (Plattner

et al., 1999) since this perception of accountability does not apply to the less powerful stakeholders.

A general understanding of accountability is evident when one is prompted and provides reasons for actions taken (Roberts & Scapens, 1985). It consists of a relationship whereby people or entities are obligated to "explain and take responsibility for their actions" (Sinclair, 1995, p. 221). It involves a dyadic relationship of obligation and enforcement, by which the accountee (who is accountable) is obligated to "inform about and to explain what they are doing" (Schedler et al., 1999, p. 14) to the accountor (to whom the accountee is accountable), who has the capacity to impose sanctions on those who have breached their obligations. In terms of relationships and responsibilities, accountability consists of the following: "who is accountable to whom, what they are accountable for, through what processes accountability is assured, by what standards and with what effects" (Mashaw, 2006, p. 118).

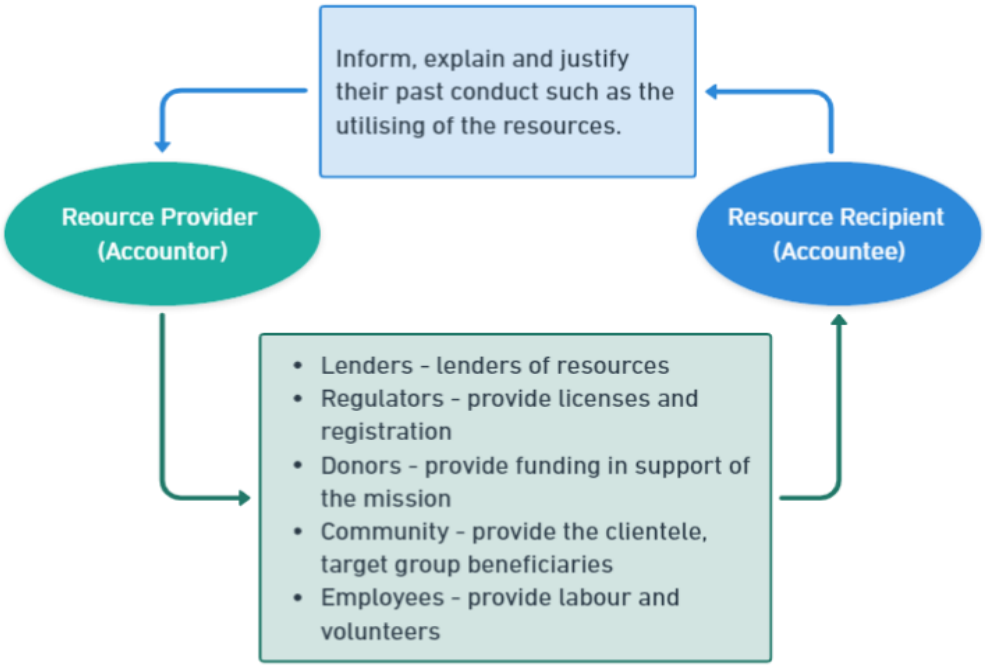

Figure 2.2

Flow of Resources and Accountability Between Parties

Based on the discussed concepts of accountability, at least two parties are involved, as depicted in Figure 2.2. According to Ebrahim (2010), accountability centers on the relationships among actors, with some giving accounts of their behavior and others receiving

and judging those accounts. The accountee may use the resource in line with the accountor's expectations or may deviate from them. Regardless, accountability mandates the recipient (accountee) to report how the resource was used. This report can be through either mandatory reporting, voluntary disclosures, or both to avoid any potential sanctions. As Kearns (2011) suggests, financial transparency and adherence to legal standards and regulations are two aspects of compliance accountability that must be met in order to qualify as a charity.

For this study, accountability is defined as "the process by which assets devoted to charitable purpose are put to their proper use and information about their use is made available" (Fishman, 2007, p. 13). This definition highlights two important aspects of charity accountability which are information disclosure and availability. Hence, the study focuses on the disclosure of both financial and non-financial information. Supporting this definition, Unerman and O'Dwyer (2006, p. 351) suggest that the primary objective of accountability is "to provide mechanisms through which all those affected by an organisation's actions can demand an account from its managers about the nature and reasons for the organisation's actions." Furthermore, Van Staden and Heslop (2009) contend that accountability must be upheld regardless of whether recipients utilise the provided information. This suggests that the responsibility of a charity does not depend on the stakeholder's engagement with the provided information but is rather an inherent duty.

2.3 Discharging Accountability

Sinclair et al. (2013) assert that the discharge of accountability is needed to actively demonstrate that one is accountable. This implies that accountability involves an active demonstration of being accountable such as the transparent reporting of actions and utilization of funding to achieve the charities' mission. The discharge of accountability to stakeholders can be viewed through two lenses: an ethical perspective and a managerial perspective (Deegan, 2000). Since many who operate charities do so for altruistic reasons, the ethical view indicates that charities discharge accountability by disclosing and providing information to all stakeholders. However, a drawback of this ethical stance is the potential for selective disclosure, with charity operators possibly sharing only what aligns with the interests of donors or regulators.

Sinclair et al. (2013) highlight that providing financial information is often a low priority for charity operators, leading to insufficient accountability. To address this, auditors and regulatory requirements play key roles. Auditors ensure complete and accurate financial

reporting, preventing selective disclosure. National charity regulators mandate specific disclosures, enforcing transparency and accountability. This approach balances ethical intentions with structured oversight, making accountability both a voluntary act and a compliance obligation (Sinclair et al., 2013).

Therefore, the managerial view stipulates that the charities disclose information to powerful stakeholders primarily to avoid any penalties and secure loyalty for funding (Deegan, 2000). A significant role of accountability in charities is to develop, restore and maintain trust. This is accomplished by transparently disclosing financial and non-financial stories, thereby demonstrating to stakeholders that their expectations are being met (Bryce, 2007; Hyndman & McConville, 2018b; Phillips, 2013).

The ethical branch of accountability stemming from stakeholder theory is that information is provided not only for those in authority but for other constituents as well. This perspective includes a vertical flow of information consisting of mission, finances, performance and governance (Lee et al., 2012). The information flows upwards to the powerful stakeholders (regulators and donors) and downwards to the less powerful stakeholders (beneficiaries of the charitable goods and services) (Dhanani & Connolly, 2015) as illustrated in Figure 2.3.

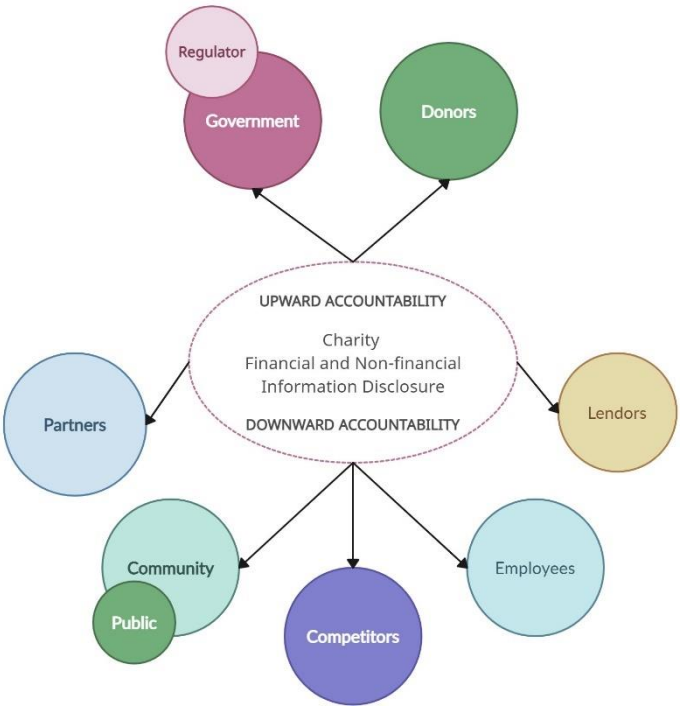

Figure 2.3

Vertical Flow of Accountability to all Stakeholders

As asserted by Ebrahim (2010), accountability relationships are complicated by the fact that nonprofits are expected to be accountable to multiple actors: upwards to their funders or patrons, downwards to clients, and internally to themselves and their missions. This communication takes place through various modes and mechanisms, including reports published online or annual reports that are disseminated. These reports are significant tools of accountability, but many emphasise upward reporting of financial data, with limited indication of the quality of nonprofit work, and almost no attention to downward accountability to stakeholders (Ebrahim, 2010).

Additionally, nonprofit organisations such as charities face demands for accountability from multiple actors. These can be broken down into four broad categories: accountability for finances, governance, performance, and mission (Ebrahim, 2010). The most common mechanisms of accountability - such as disclosure statements, reports, and project evaluations - serve a compliance purpose (Ebrahim, 2010). However, nonprofit leaders face multiple, and sometimes competing, accountability demands, and must find a balance between upward accountability to their patrons, while remaining true to their missions (Ebrahim, 2010).

Many national charity regulators have implemented strategies to improve not-for-profit (NFP) accountability. For instance, the Australian Charities and NFP Commission (ACNC) specifies the reporting obligations for all registered entities providing guides and resources for assistance. A similar approach is taken by the Charities Commission of NZ. Ebrahim (2003) classifies accountability into the following categories:

- disclosure statements and reports
- performance assessment and evaluation
- participation
- self-regulation
- social auditing

Of these, this study particularly focuses on accountability practices based on information disclosure in the mandatory annual reports and voluntary reports of charities in Fiji. According to Carvalho et al. (2020), disclosure is an external accountability practice that utilises qualitative and quantitative indicators, enabling a charity to monitor its progress within a certain timeframe. Hence, the next section discusses the two types of information

disclosures that are significant for discharging accountability - which are financial information and non-financial information (Connolly & Hyndman, 2017).

2.4 Financial Information Disclosure

Previous studies, including those noted below, have focused on charities improving financial reporting and disclosing financial reports as a method of discharging accountability. According to France and Regmi (2019), "Financial reporting serves as an instrument with which to account, and supplementary information empowers organisations to display a more complete view" (p. 28). The disclosure of financial information is helpful in assessing the financial health of the charity and efficiency in activity development (Carvalho et al., 2020; Rossi et al., 2020). Annual financial reporting is a common method that many organisations use to demonstrate accountability to stakeholders. The provision of financial reports is important so that relevant stakeholders are aware of how the organisation utilises the funding to support its charitable mission and its efficiency in doing so (Crawford et al., 2018; McDonnell & Rutherford, 2019).

In a study conducted in the United Kingdom, Hyndman (1990b) found that the provision of audited financial statements plays a crucial role in ensuring accountability for charitable organizations. This study highlights the significance of these statements in demonstrating financial transparency and adherence to regulatory standards. This is also supported by Cordery and Sinclair (2013), with Breen (2013) emphasising that the common basis to performance reporting has been accounting measures. A study by Connolly and Hyndman (2013) argues that charities are accountable to stakeholders and that the disclosure of accounting information is significant in the discharge of accountability. Additionally, Rossi et al. (2020) assert that charities must be accountable and provide reporting as a basis to build and maintain confidence in the charity sector, in order to encourage charitable giving and activity. Milner (2018) adds that, since charities are dependent on donor funding it is imperative that reports be disclosed. This is crucial because people are often hesitant to provide funds to an organisation they are not aware of.

A survey carried out by Carvalho et al. (2020) revealed that financial and non-financial information is disclosed by certain charities that were under study, with financial information playing a significant role and having the highest level of disclosure. In addition, Yang and Simnett (2020), assert that large charities even opt to use a more comprehensive financial reporting framework due to their economic significance, in relation to sources of

funding, and indebtedness level. The provision of financial accountability demonstrates that the resources have been utilised and implemented as proposed (Van Zyl et al., 2019). Doing so has the potential to boost stakeholder confidence and legitimise the activities of charities as the basis for long-term financing stability and growth (Connolly & Hyndman, 2013).

According to Dhanani and Connolly (2012), financial information disclosure referred to as financial accountability, includes the following:

- Financial position/stability
    - income
    - expenditure
    - surplus/deficit levels
    - trading activities
- Performance of financial policies
    - investment
    - reserves
- Organisational efficiency
    - program expenditure
    - fundraising

In November 2021, Chartered Accountants Australia and New Zealand (2021b), published a guide which included a best practices checklist that can be used by the charity sector to enhance their financial reporting in Australia and NZ respectively. Financial information disclosure includes the following:

- statement of profit or loss and other comprehensive income
- statement of financial position
- statement of changes in equity
- statement of cash flows
- notes to the financial statements
- the basis of accounting for special purpose financial reports
- an analysis of the financial performance and position
- explanatory narratives regarding the disclosure of key financial ratios with comparatives (previous and budgeted)
- investment performance and targets

In relation to the disclosure of financial accountability, the above information will be sought to develop an index that will be used to assess the charities in Fiji. Given the widespread

practice of discharging financial accountability by charities, there exists a need for an international standard of financial reporting within the sector. However, due to inherent complexities, national accounting standards are preferable (Cordery et al., 2019).

Though previous studies (Hyndman, 1990; Hyndman & McConville, 2018b; Mack et al., 2017) have revealed that disclosing financial reports is a prominent method of discharging accountability, it is contended that financial accountability is directed towards the powerful stakeholders only (upward accountability), such as the donors and regulators foregoing the needs of other stakeholders (Van Zyl et al., 2019). Additionally, there is the threat of mission drift when the financial accountability objective is met rather than the mission objective (Bennett & Savani, 2011; Coyte et al., 2013). Furthermore, it is a challenge for other stakeholders to analyse and understand financial reports (Connolly & Hyndman, 2013), hence the need to also disclose non-financial information.

2.5 Non-Financial Information Disclosure

The disclosure of non-financial information is central in establishing public accountability and confidence in the charity sector (Yang & Northcott, 2019a). According to Carvalho et al. (2020), disclosing non-financial information allows stakeholders to assess the charity's effectiveness in achieving its social purpose. Since charities engage with various stakeholders with different information needs (Connolly et al., 2013b; Speckbacher, 2003), it is vital that non-financial information be disclosed. The reporting of non-financial information is normally referred to as performance reporting within the charity sector (Connolly & Hyndman, 2013; McConville & Cordery, 2018).

2.5.1 Performance Reporting Disclosure

Charity performance is described as a production line because inputs (resources) are received, and goes through a process (program/activities) that produces outputs (social aims/goals) (McConville & Cordery, 2018). It has been argued that the role of financial accountability is limited as the sole method of discharging accountability because it does not provide information about the charity's effectiveness and attainment of social aims and goals (Torres & Pina, 2003). Kaplan and Grossman (2010) have asserted that donors require charitable organisations to report on specific performances and the results that are achieved.

Additionally, rather than basing their decisions on financial information, donors base their decisions on whether the charities activities are:

- mission aligned,
- have met their goals,
- program outcomes (Connolly & Hyndman, 2013; McDowell et al., 2013)

This phenomenon has drawn significant attention to countries that have adopted and implemented performance reporting such as the UK and in NZ. Donations are made to charities not for personal benefit but to have a positive impact on the lives of the beneficiaries and society. Studies have shown that disclosing impact-related information has a positive influence on donor funding and conversion ratios (McDowell et al., 2013), hence the need for accountability of charities performance regarding the mission and purpose of the organisation (McConville & Cordery, 2018). In a study carried out by Huang and Hooper (2011) regarding philanthropic funders, it is interesting to note that emphasis is placed on non-financial information in comparison to financial information, when it comes to selecting charities or not-for profit entities. The focus of such reports is based on:

- mission delivery,
- benefits to the community, and
- lessons learned from carrying out the project, known as ‘story telling’

In a study carried out by Dhanani and Connolly (2012), strategic accountability consists of the non-financial information such as the following:

- aims and objectives of the charity
- programs, activities and projects carried out by the charity
- results and the impact of the program
- efficiency (relationship between inputs and outputs)
- effectiveness of the program (comparison between outputs and objectives)

The above variables were also included as part of an analysis of performance reporting requirements carried out across Australia, NZ, UK and the US by McConville and Cordery (2018), to identify the type and frequency of performance reporting. The analysis was based on the following:

- Conversion ratios (relating to management, support, fundraising and administration)

- Case-study outcome (identifying the output impact on the community or specific individuals)
- Individual outcome (identifying the output impact on beneficiaries)
- Societal outcome (identifying the output impact on society)
- Bad news (failed projects, negative performance and effects)

An extension of performance reporting includes the recent phenomenon of environmental, social and governance (ESG) disclosure. Having a good reputation and maintaining a positive image in society is essential in enhancing a charity's capacity to be involved with stakeholders such as volunteers, beneficiaries, competent employees and donors (Bennett & Gabriel, 2003). As a result, charities are under increasing pressure to show that they are having a positive impact on society and are not harming others in the pursuit of their social mission and objective. In a recent study carried out by Yoo and Managi (2022), it was determined that the disclosure of ESG reports, is crucial for a firm's financial performance. Therefore, the ability to demonstrate sound ESG practice via disclosure is essential for charities. The Chartered Governance Institute UK & Ireland (2021), posit that ESG reporting by the charity board has the potential to build trust, attract and retain stakeholders who do not have adequate information to make funding or support decisions. Ultimately, ESG reporting is concerned with "accounting and reporting mechanisms which are fundamental to the ongoing sustainability of charities; whether that is manifested as people accessing services/activities, ongoing volunteering, donations and funding, resource use, responsible investments, or adapting business plans" (Chartered Governance Institute UK & Ireland, 2021, p. 12). The sections that follow will discuss environmental and social disclosures, followed by governance disclosure.

2.5.1.1 Environmental and Social Information Disclosure

The performance-based variables could be further grouped into environmental and social (ES) disclosures. The Chartered Governance Institute UK & Ireland (2021), developed a charity ES matrix that was drawn from other sectors and reflected the United Nations Sustainable Development Goals (UN SDG). The matrix is used to help charities identify their level of maturity in terms of ESG reporting. The ES component consists of the following output disclosures:

- Environmental
    - Clean water and sanitation

  - Affordable and clean energy
  - Sustainable communities
  - Responsible consumption and production
  - Climate action
  - Life below water
  - Life on land
- Social and sustainability
  - No poverty
  - Zero hunger
  - Good health and well-being
  - Quality education
  - Gender equality
  - Reduced inequality
  - Peace and justice
  - Partnership for goals

Based on disclosed information, the above will be analysed in charities in Fiji to assess their level of performance reporting including ES reporting.

2.5.2 Governance

While the charitable sector has not witnessed corporate collapses on the scale observed within the financial sector - as seen with companies like Enron, Arthur Andersen, WorldCom, One.Tel, and HIH Insurance - issues of governance are still pressing. The Oxfam scandal serves as a pertinent example - where senior staff engaged in the hiring of sex workers, some of whom were underage - amidst efforts to provide disaster relief after the Haiti earthquake (Prakash, 2019). This misconduct led to severe consequences, including a loss of donor and public trust and the suspension of funding from the UK government, highlighting the need for transparency and accountability (Clarke, 2021). The scandal went beyond affecting Oxfam alone, initiating industry-wide discussions on power dynamics and accountability, and leading to the adoption of stricter controls and safeguards (Clarke, 2021). The broader challenge for the charitable sector, as indicated by Reddy et al. (2013), is the lack of readily available information, which undermines transparency and accountability. This problem is further exacerbated by issues with the quality and regularity of financial statements and performance reports issued by charities, creating obstacles for stakeholders

including donors and the general public in deciding which charities are worthy of support (Prakash, 2019; Prakash & Gugerty, 2010). As emphasised by Newbury (1994) and Cornforth (2012), charities - particularly those reliant on donations, membership fees, and government grants - must exhibit solid governance and accountability to sustain their credibility and operational efficiency.

Good governance is crucial for the sustainability and legitimacy of a charity. The charitable sector, characterised by its diversity and varying sizes, faces challenges due to insufficient external and internal controls, and issues in monitoring failures and dishonesty. As a result of these challenges, public expectations for accountability and transparency in this sector have significantly heightened (Cornforth, 2012; Edwards & Hulme, 1996). Therefore, the significance of 'good governance' has been recognised as the foundation of 'effective and efficient performance', meeting the legitimate interest of stakeholders (Hyndman & Jones, 2011).

2.5.2.1 Governance Defined

Governance has been a leitmotif in discussions and research relating to the NFPs and the charitable sector. As seen in the for-profit sector, corporate governance is essential in order for managers (agents) to act within the best interest of the investors (principal), since it is held that managers are obliged to act within their own interest at the expense of shareholders wealth (Brennan, 1995; Love, 2011). To a certain extent this may not be appropriate for use in the charitable sector, since charity donors want their donation to benefit other groups or individuals and not themselves (Hyndman & Jones, 2011). Rather than maximising donor wealth, the donors are interested in maximising the passthrough rate, which is the percentage of donations distributed to the beneficiaries (Hyndman & Jones, 2011).

The term governance originated from a Latin verb which means to steer or provide direction (Merriam-Webster, n.d). Like the chameleon of accountability, the term and meaning will depend on the levels of analysis to avoid confusion (Kooiman, 1999). Corporate governance is a term normally based on the organisation level and how it is governed. According to Hodges et al. (1996) there is yet to be an agreed primary definition of governance; however there is agreement that it relates to the control and direction of the organisation with reasonable expectations of accountability. A significant influence on the consensus of the corporate governance definition emerged from the seminal Cadbury report that defined it as "the system by which companies are directed and controlled" (Cadbury,

1992, p. 6). Nevertheless, with reference to the NFPs or the third sector, the term governance is not often clearly defined in literature (Ostrower and Stone cited in Cornforth, 2012). Edwards and Hulme (1996) refer to governance in terms of how an organisation directs itself and the processes and structures that are in implemented to achieve its goals. Regardless, of the many definitions of governance, the primary function of governance is to guarantee that organisational assets are managed and developed in a way that maximises mission delivery (Jepson, 2005).

2.5.2.2 Governance Disclosure

In a study carried out by Dhanani and Connolly (2012), fiduciary accountability in the context of NFPs highlights the duty and responsibility an organisation has towards its stakeholders, ensuring that it operates with integrity, manages its resources effectively, and upholds its obligations in a transparent and trustworthy manner. It involves the disclosing of governance in terms of its:

- Organisational structure
- Decision making
- Risk management
- Composition of the board of trustees.

Yetman and Yetman (2012) identified governance mechanisms based on the disclosed information from the United States 2008 IRS 990 form. Their results indicate that governance systems encourage reporting accuracy. These systems include:

- audited statements, and
- board of trustees.

Interestingly, the inclusion of those of an ethnic minority background and women into the board of trustees strengthens the quality of corporate governance in charities (Das & Dey, 2016; Delis et al., 2017; Ntim, 2015). This strengthening results from collaborations that incorporate diverse knowledge, perspectives, gender, and backgrounds into decision-making. Studies have shown that diverse boards in for-profit organisations enhance decision making quality and organisational performance. (Adams & Ferreira, 2009; Gyapong et al., 2016; Loukil & Yousfi, 2016). Although much of the research on board diversity has focused on for-profit organisations, the principles can be applied to the non-profit sector as well (M.

Viader & I. Espina, 2014). The disclosure of board diversity and equity strengthens the reputation of the organisation amongst the stakeholders (Kaur & Singh, 2017), enhancing trustworthiness and legitimacy and encouraging stakeholders to support the charity (Terjesen & Sealy, 2016).

According to a study by Barnes and Howson (2014, March 29), improvement of governance transparency is needed within the NFP sector in order to maintain public trust. The authors propose that the following be included in the governance statement of annual reports:

- Qualifications and other directorships held by the board of trustees
- Specifying the roles of the chairman and chief executive officer
- Encouraging board equity (gender/qualification)
- Audited financial statements in the annual report

2.5.2.3 Operational Information

As mentioned in section 2.4, the disclosure and provision of audited financial statements is essential in improving reporting accuracy. In the United States, any significant theft, asset manipulation (bad news or corrupt behavior) that the charity has identified over the year is to be disclosed as part of their governance disclosure, though it is negatively related to the prevention of fraudulent activity (Harris et al., 2017).

As in United States, the disclosure of responsibilities and remuneration of the charity trustees and executives is also required by charities in Scotland (Dunne, 2013) and by the ACNC in Australia. This practice is encouraged for transparency as it enables the charity to justify and explain the appropriateness of payments.

2.6 Charity context and definition

The charity sector differs from the public or private sector in terms of sources of its funding, its motivation, and its contribution to society. It exists to provide services that are beneficial to the public (mission driven) and is mainly funded by organisations and individuals that do not receive any direct economic benefit (voluntary donors) (Dacombe, 2011; Hyndman, 2017; Ryan et al., 2014). Any retained profit is channeled towards achieving the social objectives of the sector (Delfgaauw et al., 2011). The Australian Tax Office (2020) outlines the two basic functions of NFPs that apply to charitable entities. These are:

- Provision of services to the community (social purpose)
- Prohibited from operating to make a profit or gain for any of its members (non-distribution constraint)

The charity status of an organisation is determined by its purpose. The sector relies on the courts, parliament, or the legislation to determine what entities can be registered as a charity. The charity sector within Oceania's developed countries - Australia and NZ - has similar legislations since they are former British colonies. The charity legislation for both jurisdictions stipulate that organisations registering as a charity should have a charitable purpose or purposes that are beneficial to the public. The ACNC recognizes that there are conditions to be met by entities applying for charity status. These conditions include the following:

- Be not-for-profit
- Have only charitable purposes that are for the public benefit
- Not have a disqualifying purpose
- Not be an individual, a political party, or a government entity

The ACNC also provides a list of twelve purposes that have been deemed charitable (Australian Charities and Not-for-profits Commission, n.d.-c). This is similar to New Zealand's Charities Services which relies on the Charities Act 2005 to determine what is a charitable purpose (Charities Services, n.d.-a).

Like Australia and NZ, many of the Pacific Islands are former British colonies and their respective Charity Act or relevant legislation is similar in terms of determining what are charitable purposes. It is not surprising to find that most of the legislation relating to charities have the following phrases to define a charity:

- Have only a charitable purpose(s)
- Be for the public benefit

2.6.1 Comparison of charity reform: developed countries

This section will compare the definitions of charities and best practice disclosures across four economically and legislatively connected jurisdictions: Australia, NZ, the UK, and the US. Australia and NZ have been selected due to their close economic ties and similar legislative heritage as former British colonies that also share a historical and legal connection

with Fiji. This comparison is enriched by the inclusion of the UK mainly the Charity of England and Wales, and the US, offering a broader perspective on how charitable practices are defined and disclosed in jurisdictions that have influenced or share commonalities with Fiji's own regulatory framework.

2.6.1.1 Australia Charity Sector Review

Prior to 2012, charities and the NFP in Australia reported to the Australia Tax Authorities (ATO). The ATO primarily dealt with approving charity status and tax concessions that were applied for by charities and NFP's. In return, the charity and NFP sectors were not obligated to provide annual reports. Any organisational misdemeanor detected was reported to the ATO either via a media outlet or by an informant, leading to investigations by the ATO (Murray, 2019). In 2009, a report produced by the Organisation for Economic Cooperation and Development (OECD) stated that the NFP sector was one of the major contributors to the gross domestic product (GDP). In 2012-2013, the NFP sector had more than one million employees and contributed an estimated $55 billion to the Australian economy, making the sector one of the main contributors to politics, society and the economy (Symour & Nehme, 2015). Due to the lack of oversight, it was argued that charities and NFPs lacked strong governance and accountability mechanisms (Barnes & Howson, 2014, March 29; Johns, 2004; Murray, 2019). As the sector grew over the years there were many inquiries and discussions that proposed a regulating body to manage the reformation of the NFP sector. These proposals included the need to create an independent statutory agency, a review of the charity legislation, and taxable income (Symour & Nehme, 2015).

The reform process included the application of Kingdon's multiple streams framework that included the identification of three problems within the NFP sector (Symour & Nehme, 2015). They highlighted the following problems:

1. Transparency
2. Accountability to the public and relevant stakeholders
3. Standards of governance

Determining practical solutions and forming policies to bring about reform was easy; it was a comprehensive and exhaustive process. However, due to at least two decades of numerous formal inquiries and formal research carried out in the charitable and NFP sector proposing

changes, a consensus was determined in consultation with relevant stakeholders and the wider community (Symour & Nehme, 2015).

On 10 May 2011, the Australian government budget allocated $AUD53.6 million over a four-year period for the establishment of the ACNC, which was set up on 1 July 2011. The ATO was no longer responsible for assessing applications to determine the charitable status but would continue to determine tax concessions. In addition, the government committed $AUD2.9 million to facilitate reform focusing on improved regulation, transparency, accountability, and red tape reduction within the NFP sector (Australian Government, 2011).

Eventually, in 2012, charity and NFP reform resulted in the ACNC being established as the national regulator in Australia. This was an ambitious and comprehensive process that was welcomed by the charity sector (Murray, 2019). Unlike Canada, the US and the UK, the scope of the ACNC extends to NFPs rather than just charities. The financial reports that are submitted to the ACNC are prepared in accordance with the Australian Accounting Standards Board (AASB). Currently, there is an ongoing project to "clarify and simplify the Australian Financial Reporting Framework for not-for-profits" (ACNC, n.d).

The AASB issued Exposure Draft 270 [ED 270] in August 2015, that planned to propose standards for the reporting of service performance information that was deemed helpful for accountability and decision making (Binder Dijker Otte, 2016). ED 270 also proposed the mandate of providing service performance information for all general-purpose financial statements of NFPs (Binder Dijker Otte, 2016). After receiving submissions from stakeholders ED 270 was rejected as it was projected that compliance costs outweighed the benefits. Moreover, it was not the within the scope of authority of the AASB to mandate service performance information (McConville & Cordery, 2018).

The ACNC is responsible for regulating and deciding the legal status of organisations pursuing charitable purposes. One of the objectives of the ACNC is to "maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency" (ACNC, 2018). Since the ACNC is responsible for the implementation of the objective, it is also responsible for the training. Increased accountability and transparency in the charitable sector are realized through the mandatory submission of annual reports, as required by the ACNC. These reports, which are publicly accessible on the ACNC website,

must adhere to both the specific regulations set by the ACNC and the accounting standards established by the AASB.

2.6.1.2 New Zealand Charity Sector Review

The Charities Aid Foundation carried out a survey around the globe in 2022 and it reported that NZ is ranked fifth as the most charitable country worldwide (Charities Aid Foundation, 2022). In 2020, the charity sector contributed approximately $19.60 billion (NZD) to national income, having a total of 27,864 registered charities and employing 108,244 individuals (Charities Services, n.d.-b).

Charity reform in New Zealand was long awaited. Prior to the establishment of the Charities Act, the charity sector was susceptible to risks such as money laundering, fraud, and tax avoidance (Barker, 2020). These concerns were raised because of the lack of registration, reporting, and monitoring within the sector. When the Charities Act came into effect in 2005, many charities supported the Act, as this would reveal to the public that they were legitimate and worthy of support (Barker, 2020).

The Charities commission was formed by the Charities Act 2005. Its responsibility included administering the Act and the registration of charitable entities assisting with their validity, good governance, promotion of public trust and confidence. The Commission regulated the sector for seven years (Tennant et al., 2008) .The Charities Commission was disestablished in 2012 and its functions became the responsibility of the Department of Internal Affairs (Charities Services, n.d). This led to the establishment of the Charities Services (Charities Services, n.d.-a), an arm of the Department of Internal Affairs.

The role of the Charities Services includes administration of the Charities Act 2005, promoting public trust, maintaining confidence in the sector, and encouraging the effective and efficient management of charitable resources (Charities Services, n.d.-c).. The Charities Services maintains that a valuable characteristic of an effective charity is that it “understands that the public has a valid interest in it, and manages its accountabilities to its stakeholders and to the public in a way that is timely, transparent, and understandable” (Charities Services, 2018 para. 8).

To ensure that accountability and transparency are adhered to, the Charities Services requires registered charities to submit their annual reports. The reporting requirements may differ based on the size/tier of the charity. Before this requirement was added, there was no

specified content or minimum reporting requirement (Chartered Accountants Australia and New Zealand, 2017). Although charities had to file financial information prior to the implementation of the XRB standards, there were no standards covering that information. In April 2015, the charity reporting standard was implemented, encompassing relevant sections of the XRB (External Reporting Board) and the PBE IPSAS (Public Benefit Entity International Public Sector Accounting Standards) (XRB, 2023).

The XRB was established on 1 July 2011, to replace the Accounting Standards Review Board (ASRB). It is an independent Crown entity that developed the Accounting Standards Framework for NFPs (XRB, 2020). Prior to the ASRB being replaced, it had assigned a sectoral working group to oversee the development of standards for NFPs. Subsequently, the XRB continued with the consultation (McConville & Cordery, 2018). This led to the development of the standards that included reviews and feedback from the relevant constituents that including professional bodies and charities (Chartered Accountants Australia and New Zealand, 2018).

XRB A1- Application of the Accounting Standards Framework - outlines the framework application for NFPs that have a statutory requirement and those that opt to prepare financial statements according to the standards. The accounting standards have been tailored to accommodate charities of all sizes, categorized into four tiers based on their expenditure levels, with Tier 1 being the standard for the largest charities. Apart from the preparation of the financial reports, a recent standard was introduced that included the statement of performance, which focuses on non-financial information. PBE FRS 48 – Service Performance Reporting - was to be effective on 1 January 2020 but was deferred to 1 January 2022 due to the disruption caused by COVID-19 (XRB, n.d.).

PBE FRS 48 is a new standard for Tier 3 and 4 that addresses how and why NFPs should be ‘’telling their story.’’ This is based on:

- contextual information,
- what the entity has done,
- disclose judgements, and
- comparatives and changes.

The overarching principle behind charities providing service performance information is ensuring that users such as the service beneficiaries and donors are supplied with valuable information for accountability and decision making (XRB, n.d.). Therefore, annual reports

should be ‘’telling a story’’ by explaining the links between a charity’s financial performance and service performance. Though PBE FRS 48 has been deferred it is available for early adoption in 2021.

Due to the new accounting standard that is now a requirement for all tiers, an addition was also made to the New Zealand auditing standards to align with the statutory requirement. New Zealand Auditing Standard 1 – The Audit of Service Performance Information - was made effective on 1 January 2021 (XRB, n.d.).

Research has shown that an important aspect of accountability discharged by charities is the accessibility and availability of information (Connolly & Hyndman, 2004; Van Staden & Heslop, 2009). Like Australia and the UK, information that may be needed by stakeholders is made available for public access and review via the NZ Charities Services online platform.

2.6.1.3 United Kingdom Charity Sector Review

Unlike any other jurisdiction, the Charity Commission for England and Wales was established in October 1853 under the Charitable Trusts Act 1853 (The National Archives, n.d.) as a non-ministerial department. The regulating and reform of the charitable sector therefore began years ago and it involved a very long process that was also very complex and confusing (Cordery & Baskerville, 2007). Over the years, significant growth within the sector led to competing demands for income sources. Legitimising the sector’s existence to attract stakeholders such as potential funders and beneficiaries hastened the requirement for useful financial reporting guidelines.

In 1985, the Accounting Standards Council (ASC) issued - Exposure Draft 38: Accounting by Charities - proposing a statement of recommended practice (Palmer & Vinten, 1998). In response to ED 38, the ASC received more than 700 pages of submissions that subsequently resulted in the drafting of the Statement of Recommended Practice (SORP2) in 1988. The draft included non-financial reporting known as the trustees report that described the objectives, aims, and achievements of the reporting charity (Cordery & Baskerville, 2007).

The development of the Statements of Recommended Practices (SORP) in the UK included extensive engagement and consultation with stakeholders (Hyndman & McMahon, 2011). This was widely supported by stakeholders and the various representative bodies. Reporting charities are required to comply with SORP. Most of the reporting requirements

are based on financial information, thence, the SORPs are used to interpret Generally Accepted Accounting Principles (GAAP), providing a framework for accounting and reporting. The framework is designed to ensure consistency in accounting standards and for the accounts to provide a true and fair view (The Charity Commission, 2013). The SORPS consist of both financial and non-financial reporting requirements based on the size of the charity. The non-financial report is known as the Trustees Annual Report (TAR). The TAR consists of a narrative "story telling" report based on the aims, objectives, performance, and structure of the entity. However, unlike the NZ requirement, the TAR is unaudited but reviewed to find consistencies with the financial reports (McConville & Cordery, 2018).

Over the years, the charitable sector received many reports that raised concerns for accountability and essential supervision that consequently led to the revised Charities Act. This signifies the importance of charity accountability. The England and Wales Charities Act 2011 addresses accountability based on section 14 titled "Enhance the accountability of charities to donors, beneficiaries and the general public".

As of May 2021, there were 185,237 registered charities in England and Wales, with approximately 1.6 million employees. Their income and endowments totaled up to £77.6 billion and expenditure is £73.7 billion (Charity Commission, 2021). This signifies the growth in the sector and more importantly, public trust and confidence.

In comparison to Australia, NZ and the US, the charitable sector in the UK is the most regulated in terms of reporting (McConville & Cordery, 2018). In a study carried out by McConville and Cordery (2018), the UK had the highest number of measures reported. In addition, the UK was the only jurisdiction that reported on output-based and outcomes-based effectiveness.

Though more reporting may not necessarily mean one jurisdiction is better than the other, reporting of other measures such as effectiveness, outcomes, and bad news assists the public in making an informed opinion regarding organisational performance (McConville & Cordery, 2018). All annual reports that have been submitted to the Charity Commission are made available for access via the Charity Commission's website.

2.6.1.4 United States Charity Sector Review

Charities are regulated in various ways by the government through various agencies. The charity sector in the US is regulated through the Internal Revenue Services (IRS), which

is the tax department of the US (Cordery et al., 2017). The reporting requirements of charities are based on their annual submission of Form 990 to the IRS for tax exemption. Breen (2013) noted that Form 990 had not been revised since 1979, resulting in significant concerns relating to information reliability, comparability, and potential misplaced donor reliance. In addition, the Form is insufficient in meeting the transparency and accountability needs of the organisation's stakeholders, and does not accurately reflect the recent amendments to the law (IRS, 2008).

In 2007, the IRS extensively revised and released the draft Form 990 for public comment and received about 700 comments. The following year the IRS released a revised Form 990 and accompanying instructions. The redesigned 990 included a general section that was to be completed by all organisations, whilst the schedules to be completed depended on the organisation type and activities. The revised Form 990 was structured to allow the entities to "tell their story" (IRS, 2008). However, in terms of financial reporting the filing requirements have been criticized as they are not in accordance with the GAAP, rather specific disclosures resulting in unreliable reporting (Hofmann & McSwain, 2013; Keating & Frumkin, 2003).

Given that public trust and confidence are not their primary objective, it has been more than 10 years since the US has undertaken public consultations regarding the charitable sector (Cordery & Deguchi, 2018). In order for the public to access financial information relating to charities, any interested stakeholder may request to access Form 990 (IRS, 2020). According to Breen (2013), the availability and accessibility of Form 990 has improved through the establishment of non-profit online databases such as the Guide Star, BBB Wise Giving Alliance, and Charity Navigator websites. These websites extract information from Form 990, and assesses the charity organisation's financial health, accountability, and transparency for stakeholder access.

2.6.1.5 Comparative Analysis: Australia, New Zealand, United Kingdom, United States

For greater accountability and transparency several jurisdictions have established charity regulators such as ACNC, and New Zealand's charities commission.

In a study that was carried out by McConville and Cordery (2018) regarding countries that have mandated performance reporting, the UK was the jurisdiction that was the most

extensive and transparent in terms of performance reporting in comparison to NZ, Australia and the US. Table 2.1 consists of a summary of charity reform that have taken place and are currently practiced in Australia, NZ, UK, and the US.

Table 2.1
Comparative Summary of Charity Reform

Details		**Australia**	**New Zealand**	**United Kingdom**	**USA**
Accounting standards regulator		Australian Accounting Standards Board – AASB	External Reporting Board – XRB	Financial Reporting Standard - FRS	Financial Accounting Standards Board - FASB
Charity/NFP/NGO regulator		Australian Charities and Not-for-profits Commission – ACNC	Charities Services	Charity Commission for England and Wales	Internal Revenue Services – IRS [Form 990]
Government dependence		Independent national regulator that works together with the government.	Dependent – Part of the Department of Internal Affairs	Independent non-ministerial government department accountable to parliament.	Dependent – US government agency responsible for the collection of taxes and enforcement to tax laws.
Accounting Standards for Charities/NFP/NGO	Financial	Provided (AASB)	Provided (XRB & PBE IPSAS)	Provided (SORP)	Provided (Form 990) Topic 958 (GAAP)
	Non-financial	Nil (ED 270 – Rejected)	Provided *PBE FRS 48: Service Performance Reporting*	Provided *SORP FRS 102 Trustees annual reports*	Form 990 provided minimal performance disclosure.
Determining charity size		Revenue	Expenses	Revenue	Income
Platform for public access		ACNC website	Charities Services website	Charity Commission for England and Wales website	GuideStar Charity Navigator BBB Wise Giving Alliance

Table 2.1 details the differences in the reporting standards for each of the jurisdictions. Unlike the US and Australia, NZ and the UK have included standards for the reporting of non-financial information. The reports are referred to as the Trustees Annual Report and Service Performance reporting respectively. Service performance reporting, whereby the charity tells their story, is required for accountability and decision making. The US on the other hand, does not have a charities commission or an authority that oversees its

charities. It relies on the IRS that issues Form 990 a comprehensive form that includes the following sections:

1. Comprehensive statement of functional expenses
2. Balance sheet
3. Reconciliation of net assets, financial statements, and reporting

In addition, unlike Australia, NZ and the UK, where charity information is typically accessed through government charity regulators, in the US, the public can access such details through independent websites like GuideStar and Charity Navigator..

2.7 South Pacific Region review

Much research has been carried out in developed countries regarding charitable accountability practices in countries such as Australia, NZ, the UK, and the US. However, there appears to be little to no research carried out in the South Pacific Island Economies (SPIE).

In 2009, a project was initiated by One World Trust and the Commonwealth Foundation to enhance the understanding and awareness of accountability within civil society organisations (CSOs) in the South Pacific Islands, which encompasses the charitable sector (Commonwealth Foundation, 2009). Participants in the project contributed a variety of perspectives on what it means for a CSO to be accountable. These included the necessity for CSOs to be responsive and provide direct benefits to stakeholders, to operate transparently, and to engage in effective communication across all stakeholder communities. Specific practices identified as indicative of accountability include reporting to donors on financial resource usage, sharing information publicly, learning from activities, disseminating appropriate information, providing high-quality services, ensuring good internal governance, developing participatory policies, and upholding organisational values and ethics (Commonwealth Foundation, 2009). This comprehensive view of accountability was seen to revolve around the core principles of transparency, stakeholder engagement, and compliance with legal and ethical standards. Consequently, the researcher conducted a focused assessment of the charitable sector in the SPIEs, examining accounting standards, legislation, and the ease of access to information. Fiji was selected as a representative country for this study, allowing for a detailed analysis within Fiji and a comparative perspective with its neighboring islands.

2.7.1 Accounting standards in South Pacific Island economies

The Fiji Institute of Accountants is a member of the worldwide International Federation of Accountants. It sets the applicable auditing and accounting standards in Fiji (IFAC, 2020). According to Patel and Prasad (2014) 11 of the 20 NGOs follow Fiji Accounting Standards, and an analysis of audited annual reports available online indicated that they followed the International Financial Reporting Standards (IFRS) for Small Medium Enterprises (SMEs) a standard that was introduced in 2011. The same accounting standards were followed by Vanuatu and Papua New Guinea, whilst Tonga followed the generally accepted accounting standards. Out of all the South Pacific Island economies (SPIEs) tabled above, Fiji and PNG are the only SPIEs that have adopted the IFRS standards and IFRS for SMEs as the required applicable accounting standard (Boolaky & Hooi, 2016; IFRS, 2021).

Due to the scarcity of audited NGO reports made available online for the remaining SPIEs, it is difficult to determine what accounting standards have been followed. In addition, it was difficult to clearly ascertain what standards were followed by the French-speaking islands such as New Caledonia.

2.7.2 Legislation of South Pacific Island economies

According to the various charity legislations for each of the SPIEs shown above, Vanuatu has the highest requirements for submitting reports to the Vanuatu Financial Service Commission (VFSC). The legislation requires entities that have an income greater than 5 million Vatus (approximately $95,000 FJD) to submit annual reports. The annual reports include financial statements which are the Statement of Income and Expenditure, and the Statement of Financial Position. Similar annual reports are required in Fiji, Tonga, and PNG.

However, to curb money laundering and fraud, Vanuatu requires its NGOs to declare the sources of funds (donors) and all operations in and out of Vanuatu. All reports for the stated countries are submitted to the respective regulator such as the Registrar of Companies (ROC), Registrar of Incorporated Societies (RIS) and VFSC.

It was difficult accessing the legislative annual return requirements for the remaining SPIEs. This was because they were either unavailable online or were in French for the French- speaking islands.

2.7.3 Annual report accessibility in the South Pacific Island economies

In terms of public accessibility, Vanuatu, Tonga, and the Cook Islands are the only SPIEs that have an online platform. Unlike Vanuatu, the Tonga and the Cook Islands online platforms can only be accessed by registered users and clients and therefore are not available to the public. It is interesting to note that upon the random selection of an NGO in Vanuatu minimal information was made available by the NGO via the VFSC online platform. However, this information may not be deemed sufficient for decision making.

Unlike the ACNC of Australia, Charities Services of New Zealand, and the Charities Commission of the UK, the following are not made publicly available via an online portal for charities currently operating in the SPIEs:

- Audited financial reports
- Performance reports (not prepared or required by legislation)
- Training or development resources (finance/governance/reporting)

Based on the above analysis, the SPIEs are on the opposite end of the accountability and information disclosure spectrum in comparison to the developed countries.

A summary of the accounting standards, legislation and accessibility between Fiji and the SPIEs is shown in Table 2.2. The next section discusses Fiji’s charity sector.

Table 2.2

Analysis of the South Pacific Charity Sector

Details		**Fiji**	**Vanuatu**	**Cook Islands**	**Samoa**	**Solomon Islands**
Accounting standards regulator		Fiji Institute of Accountants (FIA)	Unknown	Registrar of Incorporated Societies (RIS)	Unknown	Unknown
Charity/NFP/NGO regulator		Registrar of Titles (ROT) Registrar of Companies (ROC)	Vanuatu Financial Service Commission (VFSC)	Registrar of Incorporated Societies (RIS)	Registrar of Incorporated Societies (RIS)	Registrar of Companies (ROC)
Legislation		Charitable Trusts Act (1945) Companies (Amendment) Act 2020	Charitable Associations Act (Amended Act of 2018)	Incorporated Societies Amendment Act 2017	Charitable Trusts Act 1965	Charitable Trusts Act
Accounting Standards for Charities/NFP/NGO	Financial	IFRS for SMEs	IFRS	Unknown	Not provided	Not provided
	Non-financial	Nil	Unknown		Nil	Nil
Factor determining charity size		None	None	None	None	
Platform for public and stakeholder access		Nil	Website	Nil (Only accessible by clients only)	Nil	Nil

Details		**Kiribati**	**Tuvalu**	**PNG**	**Tonga**
Accounting standards regulator		Unknown	Difficult to access relevant information.	Papua New Guinea Accounting Standards Board	Unknown
Charity/NFP/NGO regulator		Ministry of Commerce, Industry and Cooperatives (MCIC)		Registrar of Companies (ROC)	Registrar of Charitable Trusts who shall be the Registrar of Incorporated Societies (RIS)
Legislation		Co-operative Societies 1977 CAP 14		Associations Incorporation Act	Charitable Trusts Act 1993
Accounting Standards for Charities/NFP/NGO	Financial	Not provided		Not provided (IFRS Standards and IFRS for SMEs)	Generally Accepted Accounting Practices
	Non-financial	Nil		Nil	Nil
Factor determining charity size		None		None	None
Platform for public and stakeholder access		Nil		Nil	Nil

2.8 Fijian Charitable Trusts Act (1945)

The Charitable Trusts Act (1945) legislates the establishment of charitable organisations in Fiji. It defines a charitable organisation as an entity that has a charitable purpose and whose services are beneficial to the public. An important characteristic of a charitable organisation is that it is a non-profit body (Fiji Revenue and Customs Authority, 2021). Not-for-profit (NFP) is defined as any entity, whether incorporated or not, that does not carry out its normal operations for the profit-making or gain of any member, and does not distribute its assets to any of its members (Australian Charities and Not-for-profits Commission, n.d.-b; Fiji Revenue and Customs Authority, 2021).

The recent amendments in 2018 and 2020 to the Charitable Trusts Act 1945 expanded the declaration of charitable purposes as illustrated in Table 2.3. These amendments add to the previously existing charitable purposes.

Table 2.3

Expanded \declaration of charitable purposes in Fiji

Previously existing	**Recent expansion**
a) The supply of the physical wants of sick, aged, destitute, poor, or helpless persons, or of the expenses of funerals of poor persons. b) The education (physical, mental, technical, or social) of the children of the poor or indigent. c) The reformation of criminals, prostitutes, or drunkards. d) The employment and care of discharged criminals. e) The provision of religious instruction, either general or denominational, for the people.	a) The prevention of cruelty to animals and the education and instruction of the people for the furtherance of that end. b) The provision of electricity to rural communities and households in Fiji that do not have access to electricity. c) The furtherance of thrift and the improvement of standards of living by education and advice in matters of self-help. d) The relief of distress caused by any disaster affecting the whole or any part of the community. e) The conservation of the environment. f) Marriage guidance and counselling, the promotion of education and research in

Previously existing	Recent expansion
f) The support of libraries, reading-rooms, lectures, and classes for the instruction of the people. g) The promotion of athletic sports and wholesome recreations and amusements of the people. h) Encouragement of skill, industry, and frugality. i) Rewards for acts of courage and self-sacrifice. j) The erection, laying-out, maintenance, or repair of buildings and places for the furtherance of any of the purposes herein mentioned. k) Such other purpose as may be declared by the Minister to be a charitable purpose;	marriage guidance and the publication and the dissemination of the results of such promotion. g) Community development through targeted programs in urban, rural, and maritime regions. h) Development initiatives in the agriculture sector. i) Development initiatives for youth in communities in urban, rural, and maritime regions. j) The welfare of animals. k) The provision food, medicine, and relief supplies.

For the purpose of this research, the term charities include charities, NFPs and NGOs that have registered for a charitable purpose, with the exception of those registered for the purpose of religious instruction for the people either general or denominational. Religious organisations have been excluded from this study due to their nature of operation and sources of funding.

2.9 Significance of Fiji as part of the South Pacific Island economies

The island nation of Fiji is an archipelago in the middle of the South Pacific region, approximately 4,800 km east of Australia and about 2,100 km north of Auckland, NZ (Foster, n.d.). It is surrounded by other islands such as Vanuatu, Tonga, Solomon Islands, New Caledonia, and Samoa. The archipelago consists of more than 300 islands and has a total land size of 18,272 km² (Foster, n.d.).

On 10 October 2020, Fiji marked 50 years of independence, having become a sovereign state in 1970 and a republic in 1987 (Macdonald, 1990). Similar to other nations that achieved independence from British rule, Fiji's legal system continues to reflect the influence of English law. This is particularly evident in statutes such as the Fiji Charitable Trusts Act 1945 (Corrin, 2017). Over the years, the Charitable Trust Act 1945 has undergone amendments to maintain its relevance and applicability.

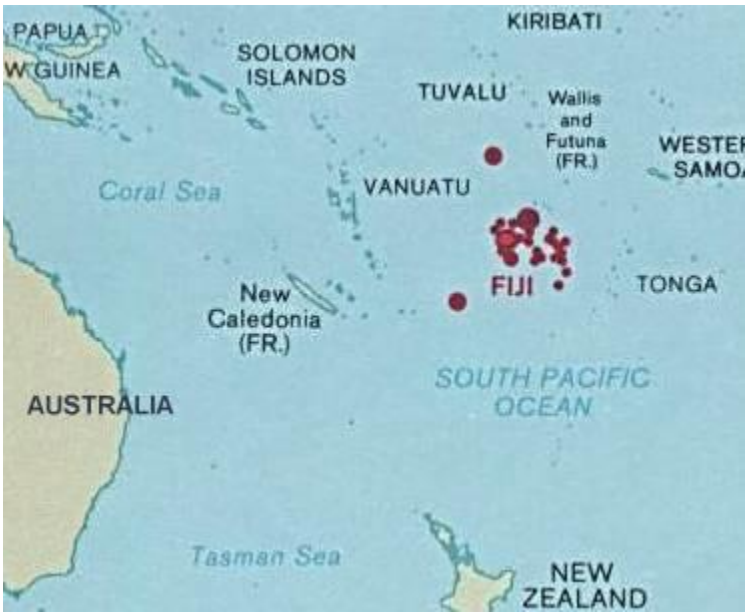

Figure 2.4

Map of Fiji within the South Pacific

Note: Sourced from (Wikipedia.com)

Apart from PNG, Fiji is regarded as the largest and most diverse nation in the Pacific Islands region (World Bank, 2020), and has the most commercially developed economy (Larmour, 2005). Furthermore, Fiji and PNG are the only politically independent Pacific nations that have fully adopted IFRS as a result of government policies and enforcement by professional bodies (Boolaky & Hooi, 2016). It is increasingly recognised as the hub of the Pacific due to its role in facilitating intra-regional trade, and the aviation hub connecting the South Pacific Islands to Australia, NZ, Asia and the US (Department of Foreign Affaris and Trade, 2019). In addition, it also has an emerging reputation for Information and Communications Technology (ICT) (Department of Foreign Affaris and Trade, 2019). With the exception of Hawaii and Guam, Fiji is the one of the most developed economies in the

Pacific Islands and has been described as a middle-income and developing country (Global Insights, 2019).

2.10 Significance of charities in Fiji

The first known charitable organisation in Fiji is the HART (Housing Assistance and Relief Trust), which was established in 1970 by the Fiji Council of Churches (Bhagwan, 2015). Its focus is to provide immediate and temporary housing assistance to accommodate the destitute, single mothers who have little or no regular source of income, and senior citizens who have been neglected by their children (Bhagwan, 2015).

Over the years, the number of charities in Fiji has increased significantly, with organizations being established under various Acts. These include religious organizations, friendly societies, clubs, cooperatives, institutions for disabled persons, and children's homes (Patel & Prasad, 2014). These registered charities play a vital role across multiple sectors in Fiji, contributing to areas such as environmental conservation, health and sanitation, education, gender empowerment, human rights, community welfare, disaster recovery, and response efforts to the recent COVID-19 pandemic.

According to a study by Mohanty (2011), more than 500 active NGOs were operating in Fiji . In a recent interview with Ms. T. Sharma, the Registrar of Titles, (personal communication, July 2, 2021), Fiji has approximately 1231 entities registered as charitable trusts and 430 registered as religious bodies. This evidences the growth and development of the charitable sector in Fiji since the 1970s when the first charitable organisations were established.

In 2013, an amendment to the Charitable Trusts Act 1945 required the following submissions:

- Names/addresses of all trustees
- Board members
- Office bearers
- Copy of the audited annual reports

In 2020 the Companies Act 2015 was amended to include the submission of audited reports made by organisations operating as charities. The need to amend the Companies Act 2015 was due to NGOs and charitable organisations registering as companies. In doing so, they forego submitting annual reports (Krishant, 2020). In addition, a recent change to the

Charities Trust Act 1945 (effective 20th October 2020) stated the powers that the Registrar of Titles can exercise over registered charities that did not submit governance reports and audited financial reports.

In Fiji, many charities operate to address government inefficiencies covering many aspects of social development, such as the reduction of poverty and exclusion, better access to basic services, community development, advocacy, and capacity building (Mohanty, 2011).

Currently, it is difficult to easily retrieve or access information regarding the estimated income that charities and NGOs in Fiji generate from donations, the number of people employed, and annual reports. Though one can access mission related stories and annual reports from various online media platforms, not all charities use online platforms for disclosure. Nevertheless, a fee is charged upon request to access the audited financial reports or the names of trustees from the Registrar of Titles office in Suva (the capital).

2.11 Theoretical framework

An important aspect of research involves the identification of a theoretical framework that can be applied as a "foundation from which all knowledge is constructed'' (Osanloo & Grant, 2016, p. 12). Accounting theories provide a reference or framework for guiding the evaluation and development of accounting practices and processes (Hendricksen, 1965). Literature references a range of theories that have been used in accountability practices. This section will briefly explore the theories and outline the theory that supports the research.

2.11.1 Agency Theory

Agency Theory asserts that as parties in a contractual relationship, the principal and agent will strive to maximise their wealth. Therefore, it is reasonable to assume that the interest of the agent and the principal may not be aligned (Jensen & Meckling, 1976; Ross, 1973). In addition, it is costly (agency costs) and challenging to verify that the goals of the agent and principal are not in conflict (Eisenhardt, 1989). This implies that without proper controls in place and in the absence of the principal, the agent will behave in a manner that does not serve the interest of the principal. Though this has been applied mainly to the corporate sector (Kluvers & Tippett, 2011), the same can be applied to the charitable sector.

The charitable sector relies heavily on donor funding, so donors are seen as the principal and the agents are the trustees of the charity. Eisenhardt (1989) also highlighted the opportunistic behavior by agents, who often have access to vital information regarding the operation of the entity in comparison to the principal, resulting in information asymmetry. Information asymmetry is regarded as one of the key factors of the agency problem (An et al., 2011). Hence, charities may attempt to monitor the behavior of managers by imposing separation of duties, board of directors with independent members and audited accounts (Donaldson & Davis, 1991). Disclosure of information is part of the agency cost that is incurred to address the agency concern. This has led to an increase in mandatory and voluntary disclosures within the corporate sector. However, agency theory does not consider the provision of accountability (mandatory and voluntary) disclosures for other stakeholders within the charitable sector such as the beneficiaries, the regulators and the public since it is only limited to the donors and the charity (Hielscher et al., 2017; Sinclair et al., 2013). Furthermore, agency theory is not commonly linked to charity management. This is partly due to the theory's tendency to view agents under a negative light, while many involved in running charities are driven by altruism and frequently work for rewards below commercial rates (Sinclair et al., 2013).

2.11.2 Stewardship Theory

Stewardship theory is similar to agency theory since it is also relating to the role of managers in pursuing organisation goals. However, stewardship theory asserts that the managers' goals are aligned with the principal (Chrisman et al., 2007; Davis et al., 1997) and involves the notion of being of service to others and not pursuing personal gain (Tucker & Block, 1994). The theory holds that agents will behave as stewards and will not be interested in maximising their economic interest, pursuing only the best interest of the organisation (Keay, 2017). This implies that the key aspects to the theory are trust (Hernandez, 2012; Kluvers & Tippett, 2011) and secrecy. Because managers are highly trusted, greater information asymmetry can result from potentially increased secrecy as borne out in the Sinclair et al. (2013) study. Implications of these within the charitable sector are that the trustees will provide the right amount of information that is regarded as mandatory by the donors of funds. They will be willing to disclose information that will meet the interest or expectation of the donors. Demand for additional information relating to accountability and governance to be disclosed may be counter-intuitive to managers that behave as stewards

(Greiling & Spraul, 2010). In addition, as Sinclair et al. (2013) posit, stewardship implies the need for non-disclosure, secrecy, and an absence of transparency. Hence, the application of stewardship theory to the charitable sector relating to accountability practices within this study may not be the right fit.

2.11.3 Institutional Theory

Institutional theory investigates how organisations interact with, are molded by, and are affected by their societal, state, national and global contexts (Meyer & Rowan, 1977). It explains how actors (organisations) within institutions will adopt similar structures when complying with the rules and norms of the institution's environment (Carpenter & Feroz, 2001; DiMaggio & Powell, 1983; Lawrence, 2009).

Studies within the charitable sector have used this theory as a lens to show how the organisation influences institutional norms and practices to effect accountability (Yang & Northcott, 2018). Other studies have used a category of institutional theory, for example isomorphism, to explain the similarities in accountability practices such as the disclosure of annual reports (Roberts & Greenwood, 1997). This theory may not be applicable in the study of accountability practices within Fiji's charitable sector, a sector which does not have a clearly regulated institute such as the ACNC of Australia, or the Charities Commission of New Zealand. However, it can be appreciated that institutional theory plays a role in ensuring that all registered charities submit an audited annual report. Moreover, it is limited in explaining differing accountability practices.

2.11.4 Theory of Change

According to Weiss (1995), the theory of change describes how and why an initiative works successfully. It is a causal framework of how and why a change process may happen in a particular context and how long-term goals can be achieved through an intervention that seeks to explain the relationship between outcomes and its related activities (Anderson, 2004; Weiss, 1995). There is little consensus on its definition – however, it tries to explain change based on the relationship between inputs and results (Breuer et al., 2015; Carnochan et al., 2014; Stein & Valters, 2012). When applied to the charitable sector, the theory of change can formulate what the organisation wants to accomplish and then use the outcomes to decide what strategies, actions, and measures are required to accomplish those goals.

2.11.5 Legitimacy Theory

Legitimacy theory is perceived to support entities in implementing and developing "voluntary social and environmental disclosures in order to fulfill their social contract'' (Burlea & Popa, 2013, p. 1579) within society. It is a social construct (Lister, 2003) that is built upon the premise that the organisations operate in society via a social contract that involves several socially preferred behaviours in exchange for the approval of its operation and ultimately its survival (Guthrie & Parker, 1989; Kaplan & Ruland, 1991; Suchman, 1995). This construct inevitably requires the disclosure of relevant social information that can be assessed by society to determine if the entity is a good corporate citizen. Applying this theory to the charitable sector - begs the question that if the business is not a corporate organisation but a social entity that pursues social, environmental, humanitarian, educational purposes, is there a need to legitimise its operation by providing social and environmental disclosures? Edwards (1999) suggests that NGO legitimacy involves having the right to operate in society, justifying that the organisation is admissible, lawful, and aligns with its stated goals, but also on its ongoing support from the community.

According to Lister (2003), NGO legitimacy is quite complex and depends on a number of factors. These factors include:

1. Lawful compliance and professed mission values (Edwards & Hulme, 1996)
2. Governance structures and accountability (Saxby, 1996)
3. Performance (Fowler, 1997; Saxby, 1996)
4. Representation (Hudson, 2000; Saxby, 1996)

The current study is focused on analysing accountability practices - if we accept the notion that stakeholders are important, we implicitly accept that organisational legitimacy should be considered (Slim, 2002).

2.11.6 Stakeholder Theory

Since a research of academic literature revealed that there is still much uncertainty about the nature of stakeholder theory, it is not relatively straightforward to understand (Hasnas, 2013). According to Freeman et al. (2010), stakeholder theory is derived from the notion that people who "create value and trade are accountable to the groups and individuals who may affect or be affected by their actions" (p. 9). These groups or individuals include employees, suppliers, beneficiaries, communities, and financiers known as stakeholders

(Freeman et al., 2010). Stakeholder theory is to be viewed as a "framework, a set of ideas" (p. 63) from which several theories can be derived. Unlike agency and stewardship that involves a relationship between the agent and the principal, stakeholder theory involves those that may have a stake in the entity. In relation to accountability practices within the charitable sector, stakeholder theory consists of a broader, inclusive view of accountability, recognising the importance to account to and for a variety of stakeholders (Ebrahim, 2003). Stakeholder theory has been used as a framework in much research carried out in the charitable sector. Such research includes the development of recommended practices (Hyndman & McMahon, 2010), accountability practices though public discourse (Dhanani & Connolly, 2012), and transparency in reporting relevant measures and information in the charitable sector (Hyndman & McConville, 2016). In addition, Dhanani and Connolly (2012) posit that stakeholder theory has "an ethical dimension that befits the social conscience of not-for-profits" (p. 1142). Therefore, the ethical branch of stakeholder theory has been identified as the key theory for the purpose of this research. Connolly and Dhanani (2006) have also highlighted how communication between the organisation and its stakeholders - including the powerful and less powerful - is vital in the process of attaining organisational success. In addition, stakeholder theory is one of the theories that has been influential in accountability debates based on organisational behavior (Deegan, 2002).

Within stakeholder theory, a distinction is made between the ethical and managerial branches. The managerial branch, highlighted by Deegan (2000), emphasises the strategic communication directed towards more powerful stakeholders. It posits that managers tailor their business activities and the subsequent reporting of these activities to the preferences of specific, influential stakeholders, as noted by O'Dwyer (2002). Under this lens, managerial reports are produced to cater to the demands of these key stakeholders.

This study, however, diverges from the managerial branch's focus. Instead of concentrating solely on the communication with key stakeholders, it encompasses the disclosures made to all stakeholders. By adopting this approach, the study aims to provide a comprehensive view of the communication strategies employed by organisations, acknowledging the importance of transparency with the entire stakeholder group.

2.11.7 Summary of Theories

Table 2.4 contains a summary of the theories discussed above and their relevance to this study.

Table 2.4

Summary of theories and relevance to this study

Theory	Explanation	Reference	Relevance to study
Agency	A contractual relationship that exists between the principal and the agent, whereby the agent is required to perform some service that includes decision-making authority on behalf of the principal. To prevent the agent from pursuing their self-interest, relevant measures are established by the principal to avoid such behavior.	(Jensen & Meckling, 1976; Ross, 1973)	Focused on the relationship between the agent and principal. Its application to the charitable sector is limited to the donor and the charity (Hielscher et al., 2017; Sinclair et al., 2013).
Stewardship	In contrast to Agency, this theory avers agents are responsible and trustworthy individuals who act as responsible and rational stewards pursuing the interest and goals of the organisation or the principal.	(Davis et al., 1997)	Focused on the how stewards (agents) are entrusted with more authority, therefore there is no need for transparency which differs from a stakeholder approach that requires transparency and disclosure (Sinclair et al., 2013)
Institutional	Perceives "organisations as operating within a social framework of norms, values and taken for granted assumptions about what constitutes acceptable behavior" within a society.	(Carpenter & Feroz, 2001, p. 565; DiMaggio & Powell, 1983)	Apart from the requirements of the Charitable Act, it is difficult to establish what the norms are within Fiji's charitable sector in terms of accountability practices.
Theory of Change	"An approach which describes how a program brings about specific long-term outcomes through a logical sequence of intermediate outcomes"	(Breuer et al., 2015, p. 2)	Relates to the donor and agent. The charity maps out how its objectives will achieve the program outcomes. It involves a broad consultation process, rather than focusing on accountability disclosures.
Legitimacy	"Underlying organisational legitimacy is a process, legitimation, by which an organisation seeks approval (or avoidance of sanction) from groups in society"	(Kaplan & Ruland, 1991, p. 370)	One of the two main theories used in accountability debates, the other is stakeholder (Deegan, 2002). Slim (2002) affirms by stating that if we accept the notion that stakeholders are important, we implicitly accept that organisational legitimacy is considered.
Stakeholder	"Derived as people that create value and trade are accountable to the groups and individuals who may affect or be affected by their actions "	(Freeman et al., 2010, p. 9)	It establishes the need to be accountable to all stakeholders and how accountability can be discharged. Therefore, this is identified as the *parent theory* for the study of accountability practices within Fiji's charitable sector.

2.12 Research Problem

As mentioned earlier, after 50 years the Fiji charity sector made headlines in the media concerning accountability and transparency. This recent scrutiny indicates that charities do not disclose adequate information relating to accountability. Additionally, this study builds on previous research relating to accountability practices within the charitable sector. Yang and Northcott (2019a) note that "charities' accountability to the public remains under-explored" (p. 2). In support, Ghoorah et al. (2021) mention that the topic warrants further exploration. So far, the researcher knows of no study that has attempted to examine the accountability practices in Fiji that includes financial and non-financial including ESG disclosures. Based on this background, the basis for addressing this research gap is as follows:

Research Question: What are the accountability practices in Fiji's Charity sector, and how are they disclosed?

The following investigative questions for this research are:

RQ1: What financial practices are carried out and disclosures made in Fiji's charitable sector?

RQ2: What non-financial practices including ESG are carried out and disclosures made in Fiji's charitable sector?

2.13 Conceptual Framework

The conceptual framework in Figure 2.5 provides a visual representation of the main focus of the research, which looks into the accountability practices of Fiji's charity sector and how they are shared. Grounded in stakeholder theory, the framework suggests that information is shared for certain stakeholders, highlighting what is disclosed and to whom. The literature review divides accountability practices into two categories: financial and non-financial Disclosure. Previous studies, mainly from developed countries like Australia, NZ, the UK, and the US, have delved into this topic. However, there seems to be a noticeable gap when it comes to understanding these practices in Fiji's charity sector, especially when compared to other developing economies/SPIEs. This observation led to the formulation of two main research questions. RQ1 aims to understand the financial practices and how they are disclosed in Fiji's charitable sector, while RQ2 focuses on non-financial (primarily ESG)

practices and their disclosure. To explore these questions, the research approach involves a qualitative review of annual reports, trustee reports, and online content.

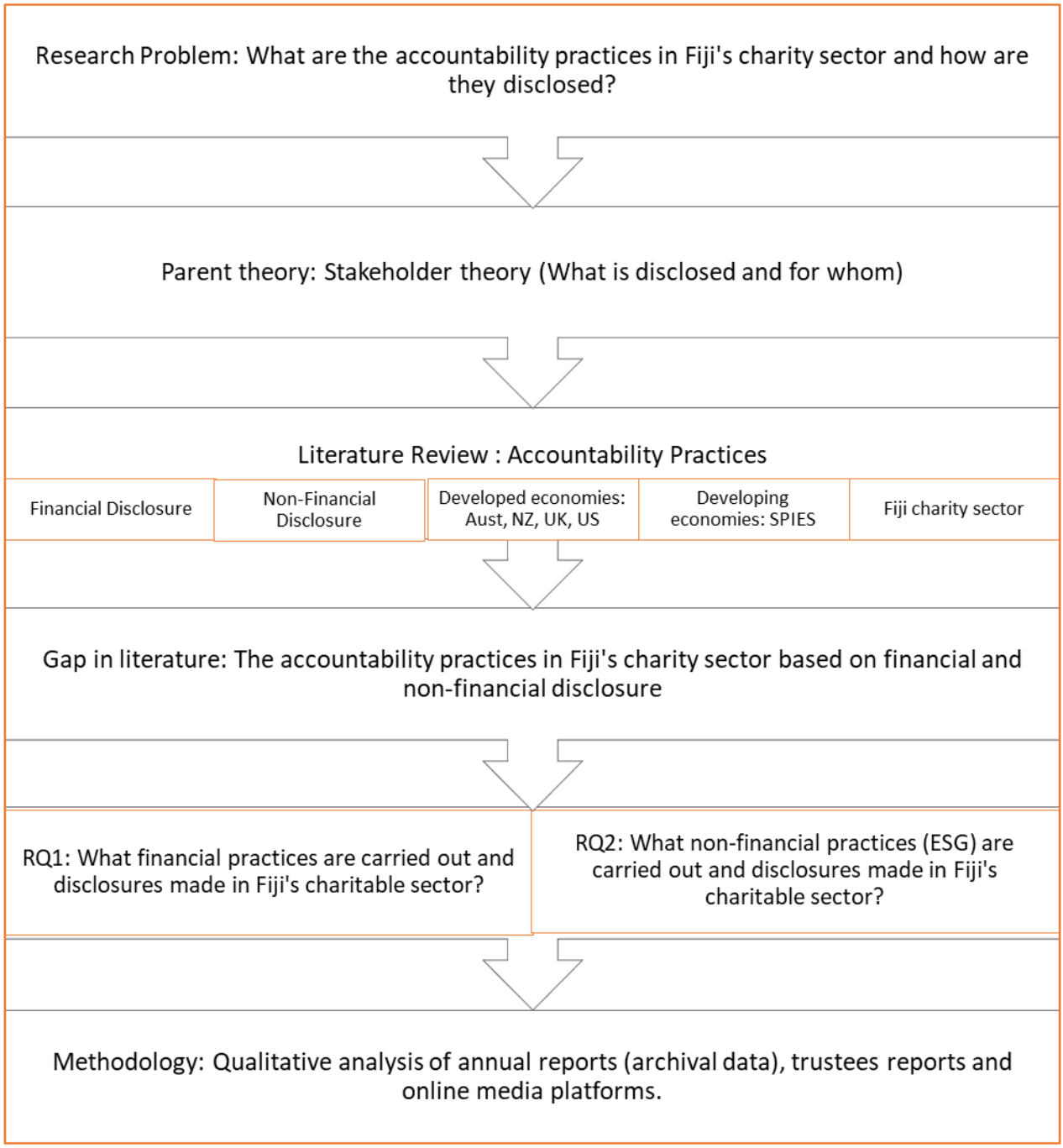

Figure 2.5

Overview of the Conceptual Framework

CHAPTER 3: METHODOLOGY AND APPROACH

3.1 Introduction to the Chapter

It is crucial that the researcher applies the appropriate methodology to the current study to make an academic contribution to the literature (Hair et al., 2020). This section discusses the research methodology employed and how it has guided the collection and analysis of the data. The purpose of the study is to examine the accountability practices in Fiji's charity sector in the context of stakeholder theory. Firstly, this section discusses the context of the research problem, then the various research methodologies. This is followed by the rationale of the method and design that apply to the study. The final section discusses data collection procedures, sources, and analysis. A snapshot and schematic diagram of this section are shown in Figure 3.1.

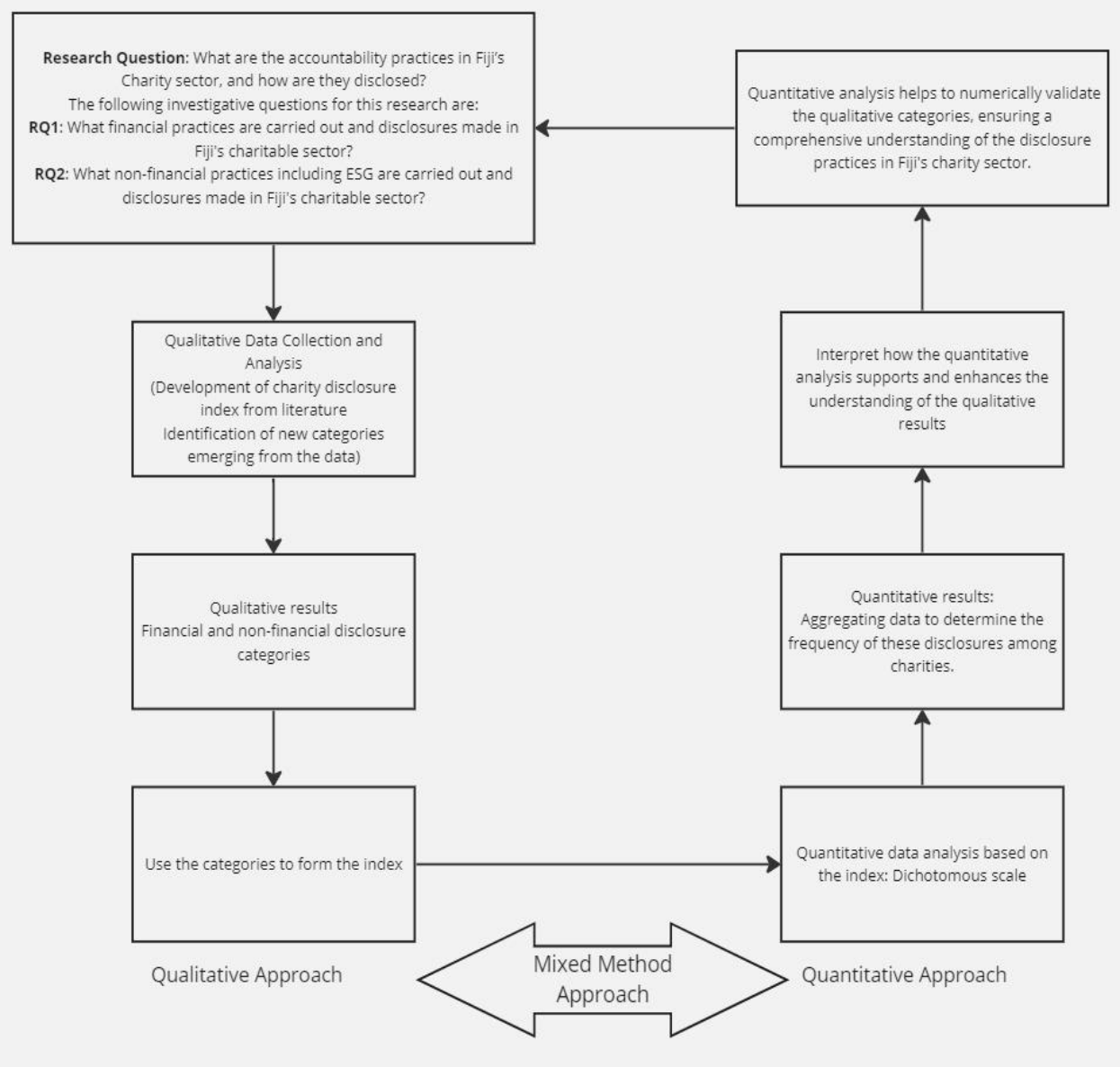

Figure 3.1

Schematic Diagram of the Methodology

3.2 Research Methodologies

According to Dawson (2019), the research methodology is the underlying principle which guides the study. Similarly, Chun Tie et al. (2019) posit that "methodology is the research design that shapes the selection of, and use of, particular data generation and analysis methods to answer the research question" (p. 1). The methodologies used are either qualitative, quantitative or mixed methods. Each of these methods resides differently on a

continuum having quantitative and qualitative on both ends (J. W Creswell, 2014), while mixed methods are a combination of both. Before discussing the research method, the research problem's context and the researcher's position are considered.

3.2.1 Context of the Research Problem

As discussed in section 1.1, one of the effects of the Covid-19 pandemic was the increase in donations made to charitable organisations throughout Fiji. Consequently, the Fiji government emphasised the need for charities to be accountable and transparent with donor funding. This led to an amendment of the Charitable Act in 2020 to include the powers the Registrar of Titles can exercise over registered charities that fail to comply with the mandated annual submissions. Prior to the amendment, many registered charities failed to submit annual reports that included: (i) audited financial reports and (ii) trustee names and addresses. Hence, the study aims to examine the accountability practices in Fiji's charity sector from 2019 before the amendment, 2020, the year of the amendment and 2021, the year after. The purpose of this study is to add to the literature an understanding of accountability practices in the charity sector of a South Pacific island economy. The concept of accountability is explored through the content analysis of financial and non-financial information disclosure to provide insights on improving accountability within Fiji's charity sector.

The study is designed to answer the primary question: what are the accountability practices in Fiji's charity sector, and how are they disclosed? In addition, the secondary questions are: (i) What financial practices are carried out and disclosures made in Fiji's charitable sector? (ii) What non-financial (ESG) practices are carried out and disclosures are made in Fiji's charitable sector?

3.2.2 Position of the Researcher in this Study

Preconceptions held by the researcher when carrying out a qualitative study are potentially detrimental and may taint the research process due to their subjective nature (Starks & Trinidad, 2007). These preconceptions are influenced by the researcher's position and background, such as personal and professional experiences and beliefs (Berger, 2015; Malterud, 2001). According to Holmes (2020), the positionality of a researcher is crucial since it influences the entire research process. Hence, it is essential that relevant information about the researcher's background and motivations for this study, are made explicit.

The researcher's background lies in the accounting and computing field. The computing field typically adopts a positivist worldview considering its experimental nature (Harreveld et al., 2016). However, research within the charitable sector has led the researcher to adopt an approach that balances both inductive and deductive methods from a constructivist worldview. This worldview is commonly associated with qualitative research, whereby the researcher constructs knowledge based on observations and theory.

The researcher's professional life revolved around the NFP sector as an accountant and later as an academic. Transitioning from a field professional to an academic in a private Christian institute allowed the researcher to reflect on what was observed and experienced in the professional environment and establish its relationship to theories taught in the classroom. Additionally, the researcher was a consultant to assist with preparing financial reports for an NGO and provided audit reports for the use of government funds in primary schools.

Observations in preparing such reports led the researcher to realise the significance of accountability within the NFP sector and its relationship to theories taught. Hence, the researcher became curious when the government announced the charities' role in being accountable and transparent at the height of the Covid19 pandemic in 2020. Ultimately, this curiosity led the researcher to examine the accountability practices within Fiji's charity.

However, the researcher acknowledges that subjectivity may influence some aspects of the study such as its design, data collection, interpretation, and presentation of findings, hence a conscious effort was made to engage with the archival data and literature. Where possible and relevant, the researcher strove to maintain objectivity by referring to multiple data sources such as the legislations, relevant standards and peer reviewed journal articles to provide a balanced perspective and acknowledge any risk of bias.

3.2.3 Qualitative Research Approach

Qualitative research is mainly attributed to the mid-1900s, with interest in the qualitative method further developing around the latter part of the mid-20th century (Creswell & Creswell, 2018). Over time the method was used extensively due to the writings of anthropologists, sociologists and within the social and behavioral sciences (Creswell & Báez, 2020). As Marshall and Rossman (2016) state, “qualitative research methodologies are now well established important modes of inquiry for the social sciences, and applied fields, such

as education, regional planning, health sciences, social work, community development and management" (p. 34).

Defining qualitative research has evolved over the years with emerging concepts incorporated into the definition. A broader description has been developed by John W Creswell (2014), who states that:

> Qualitative research begins with assumptions and interpretive/theoretical frameworks that inform the study of research problems addressing the meaning individuals or groups ascribe to a social or human problem. To study this problem, qualitative researchers use an emerging qualitative approach to inquiry, the collection of data in a natural setting sensitive to the people and places under study, and data analysis that is both inductive and deductive and establishes patterns or themes. The final written report or presentation includes the voices of participants, the reflexivity of the researcher, a complex description and interpretation of the problem, and its contribution to the literature or a call for change. (p. 44)

The definition focuses on a process initiated from theoretical assumptions to using specific frameworks and procedures to examine the problem. This process involves an inductive approach, "building from particulars to general themes" (Creswell & Creswell, 2018, p. 41) and the researcher making sense of the data.

Qualitative research is a strategy used for the systematic collection, organisation, analysis and interpretation of non-numerical data such as texts and images (Creswell & Báez, 2020). Additionally, Creswell and Creswell (2018) mention when research is carried out to understand or explore a concept or phenomenon that is understudied, a qualitative approach is merited. Accountability within the charity sector in Fiji is understudied since much of the literature pays particular attention to developed countries such as the UK, the US, NZ and Australia. Creswell and Creswell (2018) also point out that "qualitative research is especially useful when the researcher does not know the important variables to examine" (p. 57). In this study, the variables are unknown. Hence, the researcher must review literature, charity regulatory requirements, accounting bodies and the content of the financial and non-financial information to determine which variables to examine. Furthermore, a qualitative data analysis involves coding and thematic analysis to identify patterns and themes within the data, such as content analysis (Mumba & Alici, 2021; Palinkas, 2014). Therefore, the qualitative approach is applied to this study for the development of categories from previous literature and the

identification of new categories emerging from content analysis. This aspect of the research is appropriate as it focuses on the interpretation and understanding of the content of the disclosures (Taherdoost, 2022). Qualitative analysis is used to ensure that the categories accurately represent the content and the themes of the disclosures observed in the archival data.

3.2.4 Quantitative Research Approach

Quantitative research was a dominating form of research from the late 19th century to the mid-20th century. During this period, many researchers developed procedures for quantitative experiments such as surveys and ways to analyse data statistically (Creswell & Báez, 2020). Quantitative research adopts a deductive approach and is iterative to prove, disprove or expand existing theories (Edmonds & Kennedy, 2017; Leavy, 2017). This approach is normally used for "testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures" (Creswell & Creswell, 2018, p. 41).

Additionally, the researcher is independent of the research, taking an objective and neutral approach to avoid bias. (Leavy, 2017). A distinct characteristic of quantitative analysis is using numbers rather than words and close-ended questions (Creswell & Creswell, 2018). Furthermore, from a statistical stance, this approach requires a large sample and is mostly appropriate when the researcher's primary purpose is to evaluate or explain (Leavy, 2017).

This study involves data analysis using a dichotomous scale (1 for yes, 0 for no), a common quantitative method for measuring the presence or absence of certain features or behaviors. This approach allows for the aggregation and numerical analysis of data to determine the frequency of certain disclosures among charities. Consequently, the use of an index to categorise and total the number of “yes” responses for specific categories aligns with quantitative research methods, as it involves numerical data and statistical analysis (Barako et al., 2006; Hassan & Marston, 2019).

3.2.5 Mixed Method Approach (MMA)

According to Maxwell (2015), the mixed method approach was utilised in the mid-1800s by researchers. However, like qualitative methods, the mixed method approach (MMA) became a “distinct and self-conscious strategy” around the late 1980s and early 1990s (Maxwell, 2015, p. 12). The method involved collecting both observational and statistical data to support the validity of the research conclusions within the social sciences. Similarly, Mertens and Hesse-Biber (2013) point out that using multiple methods, such as qualitative and quantitative, could improve research relating to complex social programs and other diverse fields such as health, education and management.

The MMA's central premise is that integrating qualitative and quantitative research approaches is essential to gain an insightful understanding of research problems, compared to using qualitative or quantitative only (Creswell & Creswell, 2018). The definition offered by Johnson et al. (2007) states that:

> Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the purposes of breadth and depth and understandings and corroboration. (p. 123)

Therefore, based on the central premise of the MMA and its definition, selecting this approach is suitable for the current study. Since the study design involves collecting archival data from websites, Facebook and annual reports and analysing the data using a dichotomous scale to categorise and quantify disclosures, this aligns well with the MMA. The MMA allows the researcher to utilise both qualitative insights (developing categories from literature and emerging data) and quantitative measures (dichotomous scale and index calculation) to provide a comprehensive analysis of financial and non-financial disclosure practices in Fiji’s charity sector.

3.3 Research Design

3.3.1 Grounded Theory

Grounded theory (GT) is viewed as a "systematic, yet flexible approach used in the collection and analysis of qualitative data to construct theories from the data" (Charmaz, 2006, p. 33). It is a method applied to an under-researched field of inquiry (Chun Tie et al., 2019). A distinguishing aspect of GT is that it "aims to generate theory that is grounded in the data" (Chun Tie et al., 2019, p. 2), and has a bottom-up approach (Cissé & Rasmussen, 2022). As identified by Glaser and Strauss (2017, p. 1), GT is defined as "the discovery of theory from data – systematically obtained and analysed in social research" that can be applied to various empirical situations, specifically within the data collection and analysis phase (Khan, 2014). Furthermore, GT can provide relevant explanations, interpretations, predictions, and applications (Glaser & Strauss, 2017).

GT was developed in the 1960s by American sociologists Barney G. Glaser, and Anselm L. Strauss. The theory came about when Glaser and Strauss carried out the *Awareness of Dying* research in 1965, which studied how terminally ill patients accepted that they were dying, noting the reactions of medical staff caring for these patients (Glaser & Strauss, 1965; Kenny & Fourie, 2014). In their study, Glaser and Strauss argued that the generation of theory is equally important as verifying theory in social research (Kenny & Fourie, 2014). In 1967, GT was introduced in an article known as *The Discovery of Grounded Theory* co-authored by Glaser and Strauss (2017).

Over time GT branched out into three variations: Straussian, Classic (Gleserian) and Constructivist GT, however, they inherited some familial resemblance (Kenny & Fourie, 2014). The Classic (Gleserian) GT focuses on discovering theory through the identification of categories within the data, avoiding existing literature to prevent existing concepts from influencing the process of theory development (Glaser & Strauss, 2017). This approach is considered more appropriate for practice-based research fields such as medicine and nursing (El Tawy & Abdel-Kader, 2012; Kenny & Fourie, 2014).

In contrast, the Straussian grounded theory provides a more systematic and procedural method for developing theory. It includes the use of existing literature, which helps build upon established conceptual frameworks (Gurd, 2008). This method offers a comprehensive

structure and technique, making it particularly suitable for fields like accounting that depend on quantitative data and conceptual frameworks (Gurd, 2008; Maharani, 2021).

The Constructivist GT, developed by Charmaz (2006), takes into account the researcher's values and experiences, acknowledging that the research process is influenced by the researcher's ongoing reflexivity and engagement with the data. This approach emphasizes the emergent nature of research methodologies and interpretations.

Given the nature of this study, which examines the content of annual reports (financial and non-financial), websites and online social media platforms of charities in Fiji and includes the researcher's observations and experiences during data collection, the Straussian grounded theory is applied. Previous studies have applied the Straussian GT in accounting and information disclosures (Camilleri, 2018; Crous et al., 2022; Fortuna et al., 2020; Guidry & Patten, 2012; Hassan & Marston, 2019).

This study applies the Straussian approach because it integrates existing literature to develop a structured understanding of the accountability practices in Fiji's charity sector. The use of a dichotomous index (1 for yes, 0 for no) to analyse data reflects the systematic and detailed procedures characteristic of the Straussian method.

By applying the Straussian GT, this study aims not only to describe the content of disclosed information but also to develop a comprehensive understanding of accountability practices in Fiji's charity sector, thereby improving the sector's pursuit of accountability to stakeholders.

3.3.2 Archival Research

In general, studies relating to using archival data are typically exploratory, inductive, and descriptive (Eilifsen & Messier Jr, 2000). Archival Research "is a nonexperimental strategy that involves studying existing records" (Bordens & Abbott, 2018, p. 275). For instance, these records can be social media information such as Facebook, company annual reports, medical records, census data, court records and police crime reports (Bordens & Abbott, 2018). Archival data are objective since they are primarily collected and stored for purposes other than the researcher's study intentions (Barnes et al., 2015).

When using archival data, the researcher must be aware of the specific research questions to identify which documents are appropriate for the study and what content of the

document to examine due to the overwhelming volume of information (Bordens & Abbott, 2018; Kessler & Shoss, 2022). When carrying out archival research Bordens and Abbott (2018) suggest considering the following factors:

- accessibility of the archival data (softcopy or hardcopy)
- completeness of the records
- relevance of the archival data to the study timeline

Given the current study's context, archival data such as the charity's annual reports have been identified, specifically, the audited financial annual report and non-financial information such as environmental, social and governance disclosures. Refer to Table 3.1.

Table 3.1

Archival Data

Accessibility	**Completeness**	**Relevance**
• The registrar of titles office • Online platforms such as Facebook and the website	• Compiled audited report. • Compiled annual reports, Facebook content, website content	• Compiled audited financial reports for the years 2019-2021 • Annual reports for the years 2019-2021 • Facebook and Website content for 2022

Many researchers have used archival data almost exclusively as part of their study in various disciplines within the social sciences (Cherlin, 1991). In other studies, archival data is secondary and supplemented by interviews (Shultz et al., 2005). Additionally, Gaillet (2012) points out that archival data are a primary source that can lead to knowledge creation. For instance, many studies conducted within the accounting and auditing fields relating to disclosure have used archival data such as the annual audited financial statements and annual reports. Some studies include corporate disclosure of environmental capital expenditure (Cho et al., 2012), corporate governance and corporate social responsibility disclosures (Md Shahid et al., 2019), factors that influence the level of voluntary disclosure in annual reports (Samaha & Dahawy, 2010).

3.3.3 Content Analysis and its Significance

The discharge of accountability through information disclosure and dissemination to stakeholders is asserted as a means with which to monitor compliance, control, good governance practices and the charity's impact on society (Carvalho et al., 2020; Connolly & Dhanani, 2006; Rosair & Taylor, 2000; Zainon et al., 2012). If stakeholders use such means, they will be able to assess their lawful compliance if the mission values are consistent with the existing programs carried out in society, and the charity's performance, legitmises its existence (Lister, 2003). Similarly, researchers can utilise information disclosures from charities or organizations, made available through regulators or online platforms, as archival data. This data can be employed to either validate a hypothesis or contribute new insights to the existing body of literature.

Over the years, technology has profoundly changed the way organisations operate and communicate with their stakeholders. The proliferation of the web, social media, digital photography and videos has produced unprecedented amounts of archival data relating to individuals and organisations (Stemler, 2015). Appropriate coding and analytical procedures are required to make sense of archival data made available via information disclosure such as public documents and social media content (Patton, 2014). To document *what* practices are reported and disclosed, content analysis is used to codify qualitative information extracted from the presentation and reporting of information, into predetermined categories to determine and understand the patterns (Guthrie et al., 2004). According to Stemler (2015), content analysis is "versatile enough to apply to textual, visual and audio data…In addition, the technique is highly flexible in that it can be either empirically or theoretically driven" (p. 1). Before the formal development of content analysis, there was interest in the systematic analysis of texts that dated back to the late 1700s and 1800s, notably within the religious field as part of the church's inquisitorial pursuits (Krippendorff, 2019). It later became a research method widely used in communications (Leavy, 2017), though it was quantitative. In the 1940s, after gradually attracting sufficient attention, it evolved into a qualitative research method "that promises to yield inferences from all kinds of verbal, pictorial, symbolic, and communication data" (Krippendorff, 2019, p. 23) in other disciplines.

Schreier (2012) notes that qualitative content analysis, which she describes as a "systematic and flexible method of qualitative data analysis that reduces and summarizes research data" (p. 28), originated from quantitative content analysis. Typically, the reduced and summarized data are presented in frequencies depending on the research context

(Schreier, 2012). Similarly, Patton (2014), suggests that content analysis generally refers to the reduction of qualitative data (documents, transcripts, diaries and interviews) and involves a "sense-making effort that takes a volume of qualitative material and attempts to identify core consistencies and meanings" (p. 790). To make sense of the qualitative data, the researcher determines existing patterns that become the basis of themes (Bordens & Abbott, 2018; Patton, 2014; Schreier, 2012). In the same vein, Krippendorff (2019) defines content analysis as “a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use” (p. 24).

These inferences are then used as the basis of recommendation or to understand better a phenomenon of which little is known (Krippendorff, 2019). For instance, utilising content analysis, has led to identifying patterns relating to financial reporting and disclosure across four jurisdictions that led to the recommendation for unified accounting regulations (Cordery et al., 2019). In another instance, the disclosure patterns of narrative information in the UK indicated charities dominantly discharged fiduciary accountability information (Connolly & Dhanani, 2006). Additionally, content analysis of social responsibility reports, annual reports, and websites of twenty Australian NFPs revealed low-level reporting of anti-corruption disclosures (Islam et al., 2017). The study carried out in this thesis is significant because little is known regarding the disclosure of accountability (financial and non-financial information) in Fiji's charity sector.

Content analysis has been proven to be a flexible analytical method and has strengths specifically within management research (Duriau et al., 2007). A strength is that it is a replicable method that can reveal collective or individual systems such as intentions, behaviours, cognitions and values (Carley, 1997; Jones & Shoemaker, 1994). Hence, content analysis “applies to a broad range of organisational phenomena” (Duriau et al., 2007, p. 6). For instance, content analysis has been used for corporate social responsibility (Gao, 2011; Liao et al., 2017; Lock & Seele, 2016), accountability and non-profit communication trends (Saxton & Guo, 2011; Waters, 2007). Another strength is its "flexibility of using inductive or deductive approaches or a combination of both approaches" (Cho & Lee, 2014, p. 6). A combination of both approaches is known as abductive, whereby the researcher commences with an inductive approach and then switches to a deductive approach and vice versa in order to produce likely conclusions (Graneheim et al., 2017). In addition, content analysis enables "rendering the rich meaning associated with organisational documents combined with quantitative analysis" (Duriau et al., 2007, p. 7). Furthermore, content analysis is nonintrusive

and is independent of the researcher. It is noninteractive and therefore eliminates any form of researcher demand bias. Still, this only applies to archival data or existing texts (Duriau et al., 2007; Leavy, 2017).

Content analysis in this study will apply a combination of deductive and inductive approaches that fall under qualitative research. In particular, the constructivist grounded theory method (Leavy, 2017). It is an "empirically grounded method, exploratory in process and predictive or inferential in intent" (Krippendorff, 2019, p. 1).

3.3.4 Limitations of the Content Analysis Approach

Though content analysis has its strengths, it is not without inherent limitations. According to Smith and Taffler (2000), there are two generic approaches to content analysis:

- Form oriented - an objective analysis that entails the counting of themes and words.
- Meaning-oriented - a subjective analysis that draws inferences based on the underlying meanings of the texts being studied.

Many of the limitations relating to content analysis were solely from the form-oriented approach (Steenkamp & Northcott, 2007). According to Krippendorff (1989), the limitation involves a quantitative approach, such as counting themes or concepts and words; it does not support the analysis of “unique communications” (p. 407). The second limitation involves content analysis favoring data in “contexts that entail stable and unambiguous interpretations” (p. 407). This does not consider data that can be extracted from the communication process. Thirdly, if categories are derived from the analysed resource, findings cannot be generalised beyond the context of the resource or the given data (Krippendorff, 1989).

However, regardless of these limitations, content analysis is regarded as an “unobstructive technique that allows researchers to analyse relatively unstructured data in view of meanings, symbolic qualities and expressive contents they have and of the communicative roles they play in the lives of the data's sources” (Krippendorff, 2019, p. 51)

3.3.5 Other Content Analysis Studies

Content analysis is an approach that is employed mainly in the social sciences and humanities; however there is increasing use of the approach in the management, accounting

and auditing fields (Guthrie & Abeysekera, 2006; Krippendorff, 2019; Steenkamp & Northcott, 2007) using corporate annual reports. Additionally, there is vast literature on corporate social, ethical and environmental reporting that applies content analysis to collect data on disclosures made via annual reports and online platforms (Guthrie & Abeysekera, 2006; Krippendorff, 2019). These annual reports and online platforms have become a source of raw data for studies relating to disclosures within the profit and not-for-profit sector (Guthrie & Abeysekera, 2006; McConville & Cordery, 2021)

Various studies related to content analysis within the charitable sector are presented in Table 3.2. It is important to note, as mentioned previously, that the focus of this study is on the accountability disclosure practices of charities in Fiji. Numerous studies have utilised content analysis to examine both financial and non-financial reports in the charitable sector, with many originating from the UK, as indicated by McConville & Cordery (2021) and as highlighted in Table 3.2.

Table 3.2

Content Analysis Studies in the Charity Sector

Author	**Jurisdiction**	**Charity sample**	**Period of study**	**Disclosure**
(Haski-Leventhal & Foot, 2016)	Australia	50 random	1 year	Fiduciary Financial Performance Total disclosure
(McConville & Cordery, 2018)	Australia, United Kingdom, New Zealand and United States	40 charities (10 per jurisdiction)	1 year	Performance reporting
(Hyndman & McConville, 2016)	United Kingdom	Top 100	1 year (2011)	Extent and manner of reporting on efficiency
(Hyndman & McConville, 2018a)	United Kingdom	Top 100	1 year	Transparency - stakeholder focused

Author	Jurisdiction	Charity sample	Period of study	Disclosure
				effectiveness reporting
(Connolly & Hyndman, 2013)	United Kingdom	Top 100	1 year	Discharging accountability
(Connolly & Dhanani, 2006)	United Kingdom	Top 100	1 year (2002)	Accounting narrative information
(Dhanani & Connolly, 2012)	United Kingdom	75	1 year	Accountability practices
(Connolly et al., 2017)	United Kingdom, Republic of Ireland	50 (25 per jurisdiction)	1 year	Performance accountability
(Yasmin & Haniffa, 2017)	United Kingdom (Muslim charities)	123	2 years (2008 & 2010)	Narrative disclosure
(Dunne, 2013)	Scotland	75	1 year	Governance and performance reporting practices
(Connolly & Hyndman, 2004)	Britain and Ireland	332	1 year	Performance reporting a comparative study
(Dhanani, 2009)	England and Wales	73	2 years (2004 & 2006)	Accountability of charities
(Patel & Prasad, 2014)	Fiji	20	1 year (2011)	Accounting and auditing practices

3.3.6 Application of Content Analysis in this Research

As shown in Table 3.2, all the studies applied content analysis to the charity's disclosure reports, including narratives, performance, accounting, and governance. These could be categorised into 'financial' and 'non-financial' information. Hence, for this study of

accountability practices within Fiji's charity sector, specifically financial and non-financial disclosure, it is appropriate to adopt a content analysis approach. It is also evident that most of the studies in Table 3.2 focused on either the financial or non-financial aspects of disclosures. However, the current research has a broader perspective since it focuses on both aspects of Fiji's charity sector, revealing the extent and quality of accountability practices.

In addition, though many of the studies have a sample size $(n) = 100$ or more, one must consider the population size. On average, the UK has more than 160,000 charities from 2002 onwards (Commission, 2018), resulting in a ratio of $1:1600$. Fiji currently has a total of 526, and the sample size for this study is $n = 20$, with a ratio of $1:26.3 \approx 26$. Therefore, this study utilises an acceptable approach in applying content analysis to raw data retrieved from annual financial reports, annual reports, and online platforms such as websites and social media.

3.4 Research Methods

To meet the requirement of objectivity in the development of the variables and categories when applying content analysis, an a priori design is necessary (Neuendorf, 2017). A purely inductive approach involving selecting variables after the data are examined in a study is not regarded as a scientific endeavor (Neuendorf, 2017). As mentioned earlier, a limitation in developing an a priori design is the lack of innovation. To address this limitation, other variables are generated upon examining the data (Neuendorf, 2017). Therefore, a combination of induction and deduction is applied to this study.

This section discusses the deductive and inductive approaches taken to develop the variables and categories based on Fiji's charity regulatory requirements and previous studies (deductive approach). As a supplement, an examination of the raw data (annual report, financial report and online reports) is manually analysed using systematic content analysis (Schreier, 2012) to identify other categories of financial or non-financial disclosures (inductive approach).

3.4.1 Development of the accountability disclosure checklist

The application of content analysis is adapted from the approach outlined by Schreier (2012), Neuendorf (2017) and Krippendorff (2019) to determine the accountability disclosure checklist.

1. For reliability and triangulation, the review of well-grounded literature based on similar studies and or regulatory requirements is used to determine categories that are relevant to the study.
2. If the categories are data-driven, a new category is created if the same aspect is noticed at least twice in the material.
3. Ongoing checklist revision to ensure that all relevant categories are recorded and to prevent any redundancy.

Accordingly, the accountability disclosure checklist is not intended to be prescriptive as to what and how charities in Fiji should report but rather to provide a lens through which disclosure practice can be assessed.

3.4.1.1 Financial Information Disclosure

As mentioned earlier, the Fiji Charitable Act (1945) requires all organisations registered as charities to submit a copy of audited annual accounts of the charitable trust, which was an amendment that was made to the Fiji Charitable Act (1945) in 2013. However, the Act and the RoT are not prescriptive regarding *how* charities should present their annual accounts. Fiji has adopted IFRS from 01 January 2007 and IFRS for SMEs for all accounting periods commencing from 01 January 2011 (Fiji Institute of Accountants, 2021). Therefore, IFRS for SMEs determines the specific categories for financial information disclosure. Additionally, an examination of the collected data revealed that IFRS for SMEs is an accounting standard adopted by 15 of the charity sample.

Section 3 of IFRS for SMEs, requires SMEs to present a complete set of financial statements at least annually, including the following (IAS Plus, 2022b):

- statement of profit or loss and other comprehensive income (only an income statement if there are no OCI items)
- statement of financial position
- statement of changes in equity

- statement of cash flows
- notes to the financial statements
- one-year comparative prior period financial statements and note data

Similarly, the ACNC, the Chartered Accountants Australia and New Zealand (2021a) and the Charities Commission of New Zealand require the complete set of financial statements (see Appendix 1). Much literature supports the notion that charities' financial statements demonstrate financial accountability to the relevant stakeholders (Cordery & Baskerville, 2007; Dhanani, 2009; Dhanani & Connolly, 2012; Mack et al., 2017; Yang & Simnett, 2020).

In a study by Ryan and Irvine (2012), a suite of ratios was proposed for assessing the NFP's financial health, considering the context of the NFP's jurisdiction. It was found that the most common efficiency ratios, also known as conversion ratios based on extant literature, included the following (Ryan & Irvine, 2012):

- administration expense ratio
- program expense ratio
- fundraising expense ratio
- cost of fundraising percentage

Other ratios included stability, capacity (liquidity), gearing and sustainability (Ryan & Irvine, 2012). For the boards to hold management accountable, appropriate ratios must be provided as a base to initiate meaningful discussions relating to the strategic direction and mission of the NFP (Connolly et al., 2013a; Dhanani, 2009; Hyndman & McConville, 2016; Ryan & Irvine, 2012). However, there are arguments that ratios can be problematic. According to Connolly et al. (2013a), conversion ratios are not efficiency measures due to a disconnect between the funds spent on direct charitable activities and the quality and quantity of the services offered by the charity. Furthermore, conversion ratios risk misleading stakeholders regarding charity performance due to the differing charity mission, activities, size and funding structures (Australian Charities and Not-for-profits Commission, n.d.-a; Kähler & Sargeant, 2002; Sargeant et al., 2009). Hence, a category relating to ratios though not specified is created, with the intention that the raw data collected from the Fiji charities will be a determinant if there is any available. Therefore, based on IFRS for SMEs, previous studies and aspects identified in the raw data, a financial disclosure checklist has been developed as shown in Appendix 2.

3.4.1.2 Non-Financial Information Disclosure

The Fiji Charitable Act requires charities to provide Trustee names and addresses, board members and office bearers. Apart from these, there are no mandatory requirements regarding the provision of non-financial information in Fiji's charity sector. A framework is developed by reviewing recent developments in Australia, NZ and the UK and a review of literature into a non-financial disclosure index, as shown in Appendix 3.

A literature review was carried out to determine charity performance categories (see Appendix 5). Currently, the literature fails to address ESG within the charity sector; however, a recent study carried out by RSM UK (2022), an auditing and consulting firm, suggests that ESG awareness in the charity sector is low. The ESG checklist developed specifically for the charity sector by RSM UK (2022) is adapted for this study. In assessing what has been disclosed within the Fijian Charitable sector regarding governance, the following was reviewed based on elements of governance highlighted by Barnes and Howson (2014, March 29), Iecovich (2005), Dhanani and Connolly (2012) and (Yetman & Yetman, 2012).

- board/trustee composition as per the Fiji Charities Act 1945
- governance statement (if any)
- qualifications
- other directorships held
- board equity such as gender
- presentation of audited financial statements
- compensation/remuneration of executives

3.4.2 Sample Selection of the Charities

This study covers organisations registered with the RoT under the Charitable Trusts Act 1945 as charities but does not include educational bodies and churches. The exclusion is due to the following reasons:

i. Distinct regulatory frameworks: Educational institutions in Fiji operate under the oversight of the Ministry of Education, the Fiji Higher Education Commission, and various accrediting bodies. Churches are governed by denominational regulators, which are internal bodies specific to each religious

denomination responsible for ensuring member churches adhere to established doctrines, policies, and operational guidelines.

ii. Diverse revenue streams: The funding models for educational institutions typically involve tuition fees and government grants. In contrast, churches primarily rely on contributions from their congregations. These differing financial structures present complexities when comparing across the broader range of charitable organisations.

iii. Purpose of the organisations: The activities and missions of educational institutions and churches often extend beyond the scope of what is traditionally classified as charitable work. For instance, educational bodies are principally engaged in the provision of education, while churches focus on religious services. These core functions are not directly comparable to the service-oriented activities pursued by other charities in the study.

The sample is taken for three years, from 2019 to 2021, as depicted in Figure 3.2.

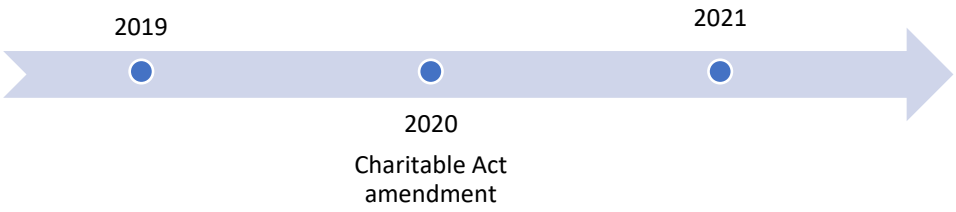

Figure 3.2

Period of Study

The sampling frame encompasses a three-year period, from 2019 to 2021. Despite there being 1,231 registered charitable trusts in Fiji, a substantial deregistration occurred on the 6 February 2022, when 705 trusts were removed from the registry for not submitting audited accounts by 31 December 2021 (Fiji Government, 2022). The remaining charities have varying fiscal year-ends, 31 December, 30 June, and 31 March, for the year ended 2021.

When determining the sample size for a study, one of the approaches is to use a sample size of a similar study (Singh & Masuku, 2014). However, a drawback to this sampling approach is that the sampling error from the previous study may be repeated (Israel, 1992). Due to time constraints involved in this research, a pragmatic approach was used to determine the sample size. Using this sampling approach a similar study was carried out by

Patel and Prasad (2014) that selected a sample of 20 from a population of 500. The study focused on NGO accounting and auditing practices in Fiji prior to the mandatory requirement of submitting audited reports. This study is an extension, by focusing on the accountability practices based on financial and non-financial disclosures in Fiji within the time frame aforementioned. Due to the broad focus of this proposed study, a sample of 20 charities from the population of 526 was selected.

However, the sampling process faced challenges due to limited access to data. The RoT does not readily provide a comprehensive list of registered charities, nor is there a streamlined process for retrieving financial statements. As a result, the researcher acquired hardcopy files on a case-by-case basis and ultimately depended on the RoT's manual search and disclosure. According to the Fiji Charity Act (s. 29A), audited annual reports must be filed with the RoT, but they are not required to be publicly available. Hence, of the 20 charities, only eleven had submitted their audited annual reports to the RoT for 2021 and were accessible as of July 2022.

Given these constraints, the researcher adopted a pragmatic approach, accepting the accessible hardcopies as our sample, which the researcher acknowledges may introduce some level of selection bias. This bias is partially mitigated by the transparency of the methodology and the explicit acknowledgment of the study's limitations. Detailed information on the sampled charities is provided in Appendix 2.

There was no requirement to seek approval from the Avondale University Human Research Ethics Committee (HREC) for this study, as it relies on publicly available archival data, whose collection does not involve interaction with human subjects.

(Refer to Figures 3.2 and 3.3 for a visual representation of the sample timeline and selection process, respectively.)

3.5 Data Collection and Analysis

3.5.1 Data collection

The annual report is widely accepted as a form of communication that stakeholders use to understand and monitor the entity's operations (Dhanani & Connolly, 2012). Samkin and Schneider (2010) asserted that it is a tool organisation commonly use to provide an

account to their stakeholders. In addition, accountability is carried out through various platforms such as statutory annual reports, voluntary reports, websites and social media platforms (Yasmin & Ghafran, 2021). Hence, the researcher assessed these different mechanisms for data collection and analysis.

This archival search required a comprehensive data collection process, where the sources are outlined in Table 3.3 and the collection process further depicted in Figure 3.3. The primary challenge, as detailed in section 3.4.2, was obtaining the audited financial statements of the charities in question. The methodology was as follows:

i. Initial Website Search: An exhaustive search was conducted for each charity's audited financial statements on their official websites.
ii. Application to RoT: In instances where these statements were not publicly available online, a formal application was submitted to the Registrar of Titles (RoT) to access the necessary documents.
iii. Payment for Hard Copies: If the full audited reports were accessible through the RoT, they were only available as hard copies. The researcher, therefore, incurred a cost of FJD 55 cents per page to obtain these documents.

Data pertaining to non-financial information was retrieved from their online platforms in July 2022. This was conducted in the following manner:

i. Initial Website Search: A search was conducted based on the non-financial information disclosure index by browsing through their website content accessed in July 2022.
ii. Review of Facebook content: A search was conducted using the activity log of the charity Facebook page by specifying the timeline. This was done by entering the start date and end date of the charity depending on their financial year end. For example, June 2021 to July 2022.

Since website or online disclosures and non-financial information disclosures are not mandated or required in the Fijian charity sector, a few of the charity sample posts were irregular and some of the posts were outdated. Hence, the relevant content was compared against the non-financial disclosure index.

Table 3.3

Data Source

Data	**Source**	**Years**
Financial information - Audited financial statements	Charity website Office of the Registrar of Titles Fee: 55 cents per page	2019 - 2021
Non-financial information - Trustee information - Charity information such activities/programs/personnel and annual reports	Office of the Registrar of Titles Charity website Charity social media platforms (Facebook)	2022

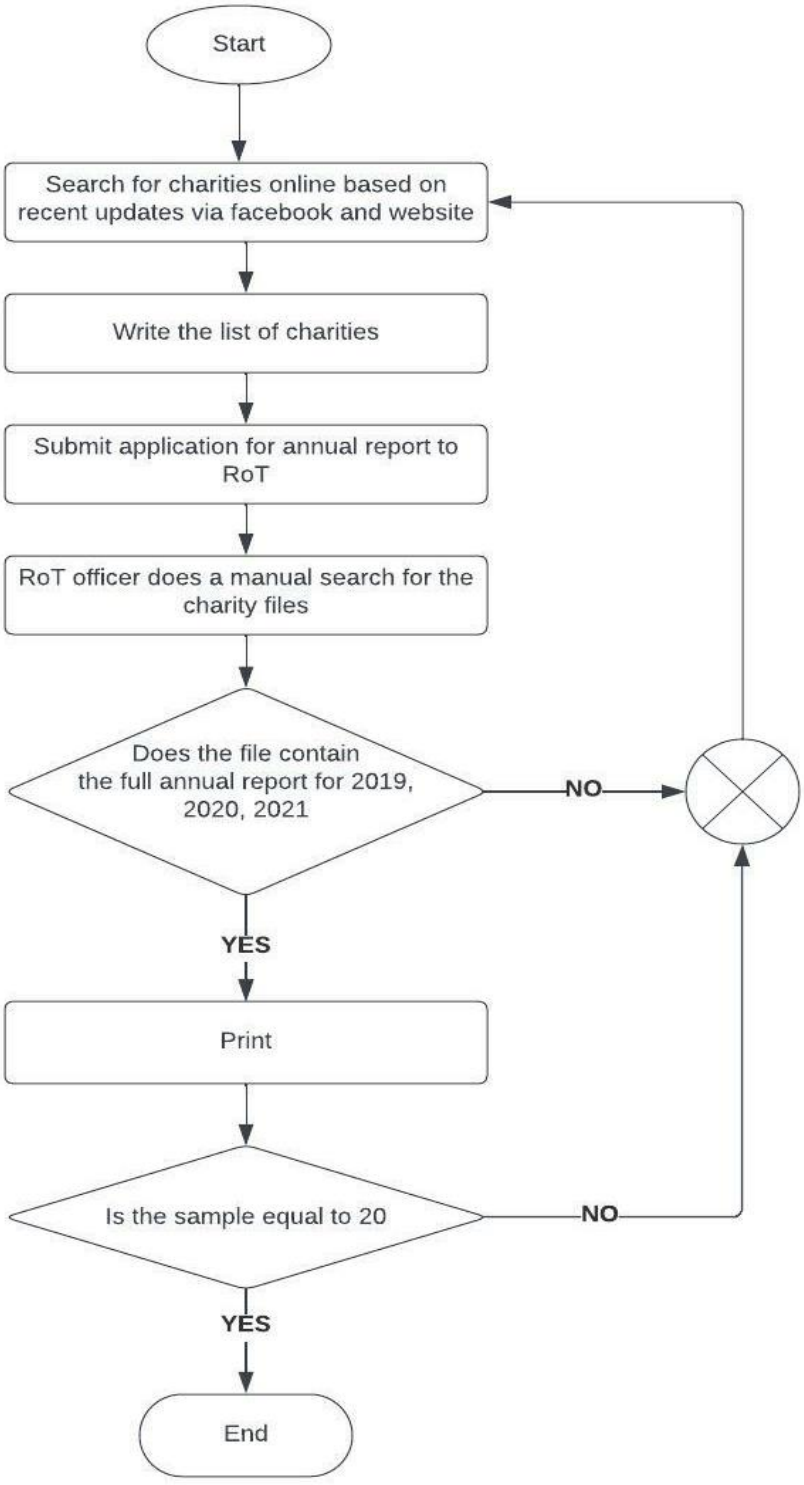

Figure 3.3

Collection Process of Financial Information

3.5.2 Data Analysis

For the purpose of content analysis in this study, each article and report serves as an independent unit of analysis (Schreier, 2012). The content within each unit, such as financial reports, annual reports, and online platform disclosures, including websites and social media pages, was systematically examined against a predefined disclosure checklist. This checklist, detailed in Appendix 2 and Appendix 3, includes various categories of financial and non-financial information that charities are expected to disclose.

To facilitate the analysis, a dichotomous scale was employed, marking the presence (1) or absence (0) of each checklist item within the unit's content. This binary coding system was chosen for its straightforwardness and suitability in representing the binary nature of disclosure practices—either an item is disclosed, or it is not. Additionally, the scale aids in the clear aggregation and interpretation of results, allowing for direct comparisons across the sample (Donner & Eliasziw, 1994). The coding process involved a thorough review of each unit of analysis, with each piece of information matched to the corresponding item on the checklist. For example, Table 3.6 indicates whether a charity has made its financial statements available, or if it has provided detailed descriptions of its programs.

By employing this methodological approach, the study provides a structured assessment of disclosure practices, contributing to the researcher’s understanding of transparency and accountability in the Fijian charity sector.

Table 3.4

Dichotomous Scale

Category	Score	Description
Description of charity programs	0	No (absent)
Financial statements	1	Yes (Present)

3.6 Chapter Summary

This study aims to examine the financial and non-financial information disclosure practices in Fiji's charity sector that will provide the sector with insights regarding stakeholder accountability. Based on the nature of the study, this chapter has provided the rationale for the selected methodology, a qualitative study approach using content analysis an

empirically grounded method. This approach involved retrieving and collecting archival data from the RoT, charity websites and social media platforms. In doing so, content analysis was used to develop the disclosure index based on previous studies, regulatory requirements and categories grounded in the data. The developed disclosure index is then applied to analyse the content of the documents and social media platforms using a dichotomous scale.

CHAPTER 4: RESULTS

4.1 Introduction

This chapter presents the results of the study. To reiterate, this research aims to examine and understand accountability practices in Fiji's charity sector by analysing financial and non-financial information disclosures. Subsequently, the following research questions are addressed: RQ1 What financial practices are carried out and disclosures made in Fiji's charity sector? RQ2 What non-financial practices are carried out and disclosures made in Fiji's charity sector? The previous chapter outlined the data collection method, the sources, and the categories developed to analyse the content of the financial and non-financial disclosures.

The first section will briefly outline the coding results that emerge from the raw data, followed by a discussion of the qualitative content analysis results conducted to explore the answers to RQ1, focused on three years 2019, 2020 and 2021. For context, the Fiji government amended Fiji's charity sector regulations mandating the submission of annual financial reports and imposing penalties upon charities that fail to adhere. An analysis was conducted to explore the disclosure practices before and after the amendment. In the next section, the results presented are from the analysis undertaken to discover the answers to RQ2, focusing on the disclosure of non-financial information between 2021 – 2022. Unlike the mandatory submission of financial reports, non-financial disclosures are voluntary.

4.2 Coding Results

As mentioned in chapter three, the researcher applied a systematic, iterative coding process to identify categories based on the texts (Krippendorff, 2019) from the audited financial reports. Illustrated in Figure 4.1 is a conceptual model applied in the context of RQ1 (financial information disclosure) to determine relevant categories. The researcher conducted three rounds of coding to extract categories that emerged from the audited financial statements that differed from other categories identified in previous studies. The third round of repetitive reviewing and coding establishes categories and themes that are more salient. Given (2008) asserts, “It is through repeated reviewing and coding of the data that links between various codes are made, and relationships among categories begin to solidify” (p. 87).

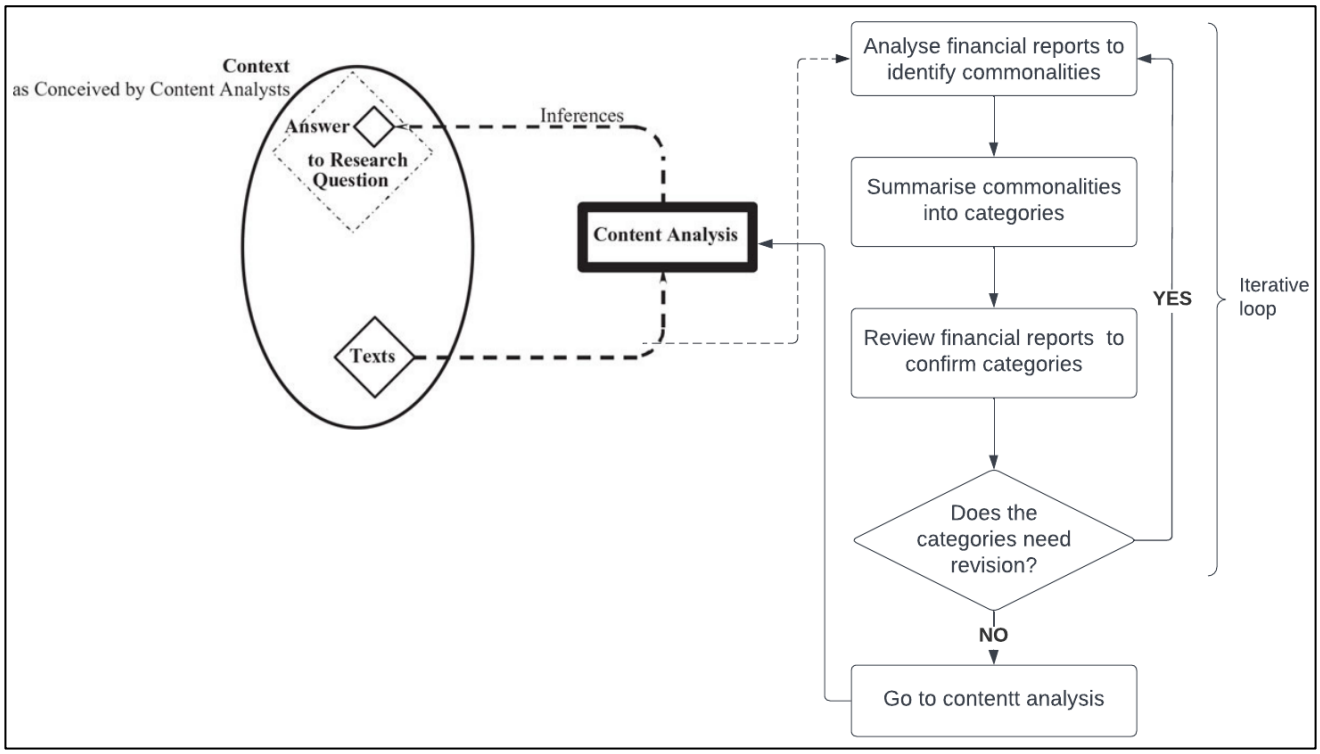

Figure 4.1

Conceptual Model of Content Analysis

Note: Sourced from (Krippendorff, 2019, p. 87)

The results from the repeated process are in Table 3.3 (Financial Disclosure Categories) of chapter 3. Consequently, the following categories emerged from the data after the third review, as per Table 4.1. These categories are perspectives from which inferences may be made about the charity's accountability practices related to the disclosure of financial information.

Table 4.1

Categories and their Description

Category	Description
Auditors Report	This category consists of crucial elements of an auditor's report such as the auditor, type of engagement, the opinion, accounting and auditing standards and the audit date.
Presentation of Financial Statements	This category consists of four financial statements: income and expenditure, balance sheet, changes in equity, and cash flow.
Notes to Financial Statements	This category consists of information relative to the preparation of the financial statement.
Additional Financial Information and Analysis	This category consists of additional information that is not necessarily compulsory per IFRS for SMEs but provides the reader/user with a better understanding of the charity's financial performance.

The following sections discuss the findings from each of the four categories of financial information disclosure.

4.3 Auditors Report

4.3.1 Auditor

Table 4.2 shows the number of charities that engaged a type of audit firm as their external auditor between 2019 to 2021. Within the charities reviewed, 50% hired an international Tier 1(T1) audit firm in 2019, 55% in 2020, and 45% in 2021. Additionally, most audit firms were part of an international group, of which 65% were hired in 2019, 70% in 2020 and 63% in 2021.

Table 4.2

Types of External Auditor

	N=20		N=11	Per cent		
Auditor	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
International T1 accounting firm	10	11	5	50%	55%	45%
Local member firms of international groups	3	3	2	15%	15%	18%
Local accounting firms	6	5	3	30%	25%	27%
Other	1	1	1	5%	5%	9%
Total	20	20	11	100%	100%	100%

4.3.2 Engagement

In 2019 and 2020, 90% of the charities hired an accounting firm to perform an external audit, whilst 10% hired an accounting firm to compile their financial statements. In 2021, 100% of the sample engaged an accounting firm to audit their annual financial report, as shown in Table 4.3.

Table 4.3

Type of Engagement

	N=20		N=11	Per cent		
Engagement	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Audited financial statements	18	18	11	90	90	100
Compiled financial statements	2	2	0	10	10	0
Total	20	20	11	100	100	100

4.3.3 Opinion

As indicated in Table 4.4, the data show that in 2019 and 2020, 44% of the examined charities received an unqualified opinion. Meanwhile, 50% received a qualified opinion in 2019 and 44% in 2020. Additionally, 6% of the charities received a disclaimer of opinion in 2019, which increased to 11% in 2020. In contrast, the data from the 2021 sample

demonstrates that 64% received an unqualified opinion, while 36% received a qualified opinion.

Table 4.4

Type of Opinion

	N=20		N=11	Per cent		
Opinion	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Unqualified	8	8	7	44	44	64
Qualified	9	8	4	50	44	36
Disclaimer of opinion	1	2	0	6	11	0
Total	18	18	11	100	100	100

4.3.4 Standards

Table 4.5 shows that 60% of the charities followed IFRS for SMEs as the accounting standard in 2019, and 65% in 2020. Based on the 2021 sample, 64% followed IFRS for SMEs. With reference to the auditing standards 80% of the auditors adhered to the ISA in 2019, and 85% in 2020. The 2021 sample revealed that 91% used ISA.

Table 4.5

Standards

	N=20		N=11	Per cent		
Standards	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Accounting - IFRS for SMEs	12	13	7	60	65	64
- Fiji Accounting Standards	1	0	0	5	0	0
- Historical Cost Convention	4	4	2	20	20	18
- GAAP (NZ)	1	1	1	5	5	9
- Undisclosed	1	1	0	5	5	0
- Charity's accounting policy	1	1	1	5	5	9
Total	20	20	11	100	100	100
Auditing - ISA	16	17	10	80	85	91
- Fiji Auditing Standards	1	0	0	5	0	0
- NZ SRE 2410	1	1	1	5	5	9
Compilation - ISRS 4410	1	1	0	5	5	0
- Undisclosed	1	1	0	5	5	0
Total	20	20	11	100	100	100

4.3.5 Submission Timeframe

Table 4.6 shows that the submission timeframe for the registered charities reveals that 25% in 2019 submitted their financial reports between 3 to 6 months after their financial year end (FYE), 30% in 2020 and 100% of the sample (n=11) in 2021. Additionally, 45% submitted their financial reports at least 15 months or more after FYE in 2019, with 25% in 2020.

Table 4.6

Submission Timeframe

	N=20		N=11	Per cent		
Date	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
3 - 6 months after FYE	5	6	11	25	30	100
7 - 10 months after FYE	4	4		20	20	
11 - 14 months after FYE	2	5		10	25	
15 months and above after FYE	9	5		45	25	
Total	20	20	11	100	100	100

4.4 Financial Information Disclosure

The following reveal the financial information disclosure results for the twenty charities in 2019 and 2020. In 2021, only eleven of the charities financial reports were available.

4.4.1 Disclosure of financial statements

Table 4.7 displays the inclusion of the various financial statements in their submission of financial reports.

Table 4.7

Financial Statements Disclosure

	N=20		N=11	Per cent		
Financial Statements	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Statement of comprehensive income and expenditure	20	20	11	100	100	100
Statement of movement in funds/Changes in equity	15	16	7	75	80	64
Statement of financial position	20	20	11	100	100	100
Statement of cash flows	13	13	6	65	65	55
Notes to financial statements	19	19	11	95	95	100

The key observations from the provided data on the reporting components within the financial statements for the years 2019, 2020, and 2021 are as follows:

i. Statement of Comprehensive Income and Expenditure:

- In 2019 and 2020, all charities (100%) prepared the comprehensive income and expenditure statement.
- This continued in 2021, with all charities (100%) maintaining this practice.

ii. Statement of Movement in Funds/Changes in Equity:

- In 2019, 75% of the sample prepared a statement of movement in funds or changes in equity. This increased to 80% in 2020.
- In 2021, with a smaller size, 64% prepared the statement SMF/CE

iii. Statement of Financial Position:

- All charities (100%) prepared the statement of financial position in all three years: 2019, 2020, and 2021.

iv. Statement of Cash Flows:

- In 2019 and 2020, 65% of the charities prepared a statement of cash flows.
- However, with a smaller sample size in 2021, this percentage decreased to 55%.

v. Notes to Financial Statements:

- In 2019 and 2020, 95% of the charities included notes to their financial statements.
- In 2021, all charities (100%) included notes to the financial statements.

4.4.2 Statement of Comprehensive Income and Expenditure

Table 4.8 provides the results obtained from the preliminary analysis of components included in the SCIE by the charity sample.

Table 4.8

Components of the SCIE

	N=20		N=11	Per cent		
Statement of comprehensive income and expenditure	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Revenue	20	20	11	100	100	100
Operating	14	14	8	70	70	73
Specific	17	17	10	85	85	91
Total	15	15	10	75	75	91
Expenditure	20	20	11	100	100	100
Operating	12	12	8	60	60	73
Specific	17	17	10	85	85	91
Total	16	16	10	80	80	91
Surplus/Deficit	20	20	11	100	100	100
Other Comprehensive Income	2	3	1	10	15	9

i. Revenue

- 100% (20) of the charity sample disclosed their revenue in 2019 and 2020.
- Similarly, in 2021 100% (11) of the sample included revenue.

ii. Operating Income

- 70% (14) of the sample included their income in 2019 and 2020.
- In 2021, 73% (8) of the sample disclosed their income.

iii. Specific Income

- As shown in Table 4.8, 85% (17) of the sample included the specific income in their Revenue section of the SCIE in 2019 and 2020.
- In 2021, 91% (10) of the charity sample included the specific income.

iv. Total Income/Revenue

- In 2019 and 2020, 75% (15) of the charity sample displayed the total income/revenue as a separate line item.
- In 2021, 91% (10) of the sample indicated their total revenue.

v. Expenditure

- All charities (100%) in 2019, 2020 and 2021 displayed their expenditure.

vi. Operating Expenses

- 60% (12) of the charities included operating expenses in their SCIE for 2019 and 2020 and 73% (8) in 2021.

vii. Specific Expenses

- Within the sample, 85% (17) displayed the specific expenses in their SCIE for the years 2019 and 2020, and 91% (10) in 2021.

viii. Total Expenses

- In 2019 and 2020, the total variable was presented as an individual line item in the SCIE for 80% (16) of the sample.
- In the subsequent year, 2021, this was observed in 91% (10) of the charities within the sample.

ix. Surplus and Deficit

- The surplus/deficit variable is presented by 100% of the charities in all three years.

x. Other Comprehensive Income (OCI)

- As shown in Table 4.8, the inclusion of the OCI by the charity sample was only 10% (2) in 2019, 15% (3) in 2020 and 9% (1) in 2021.

4.4.3 Analysis of the Statement of Movement in Funds/Changes in Equity

Table 4.9 provides the results from the preliminary analysis of SMFCE supplied by the charity sample. 75% (15) of the sample included its SMFCE in 2019, 80% (16) in 2020 and 64% (7) in 2021.

Table 4.9

Disclosure of SMFCE by Charities

	N=20		N=11	Per cent		
Statement of movement in funds/Changes in equity	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Statement of movement in funds/Changes in equity	15	16	7	75	80	64

4.4.4 Analysis of the Statement of Financial Position

Table 4.10 provides the results obtained from the preliminary analysis of variables included in the SFP supplied by the charity sample.

Table 4.10

SFP Components Disclosed by Charities

	N=20		N=11	Per cent		
Statement of financial position	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Assets	20	20	11	100	100	100
Current	19	19	10	95	95	91
Non-current	13	13	7	65	65	64
Total	17	17	10	85	85	91
Liabilities	18	18	10	90	90	91
Current	18	18	10	90	90	91
Non-current	8	8	3	40	40	27
Total	15	15	9	75	75	82
Net Assets	17	17	10	85	85	91
Accumulated Funds	19	19	11	95	95	100

i. **Assets**

100% of the charity sample presented their assets for the three years.

ii. **Current Assets**

95% (19) of the charities in 2019 and 2020 included the current assets in their SFP. Whilst 91% (10) did in 2021.

iii. **Non-current Assets**

65% (13) of the charities in 2019 and 2020 and 64% (7) in 2021 included non-current assets in their SFP.

iv. **Total Assets**

85% (17) of the charities in 2019 and 2020 and 91% (10) had the total as a separate line item in their SFP.

v. **Liabilities**

90% (18) of the charities in 2019 and 2020 and 91% (10) included liabilities in their SFP.

vi. **Current Liabilities**

90% (18) of the charities in 2019 and 2020, and 91% (10) had current liabilities in their SFP.

vii. **Non-Current Liabilities**

40% (8) of the charities in 2019 and 2020 and 27% (3) had the non-current liabilities variable in their SFP.

viii. Total Liabilities

The results, shown in Table 4.10, reveal 75% (15) in 2019 and 2020, and 82% (9) of the charity sample included total liabilities as a line item in their SFP.

ix. Net Assets

Table 4.10 shows that 85% (17) in 2019, 2020 and 91% (10) of the charity sample included the net assets in their SFP.

x. Accumulated Funds

95% (19) of the charity sample in 2019 and 2020 and 100% (11) in 2021 included the accumulated funds variable in their SFP.

4.4.5 Analysis of the Statement of Cash Flows

Table 4.11 provides the results from the preliminary analysis of components included in the SCF by the charity sample. It is apparent from the table below that very few (20%) reported on the *Financing* activities variable in 2019 and 2020, while the majority (65%) provided the O*perating* activities variable. In addition, 45% reported their *Investing* activities variable in 2019, 50% in 2020 and 36% in 2021.

Table 4.11

SCF Components Disclosed by Charities

	N=20		N=11	Per cent		
Statement of cash flows	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Operating Activities	13	13	6	65	65	55
Investing Activities	9	10	4	45	50	36
Financing Activities	4	4	1	20	20	9

4.4.6 Notes to Financial Statements

The results obtained from the preliminary analysis of variables included in the NFS by the charity sample are presented in Table 4.12.

i. Organisation Basic Information (OBI)

In 2019, 80% (16) provided basic information regarding the charity, a slight increase in 2020 to 85% (17). In 2021, 82% (9) of the charities supplied basic information.

ii. Basis of preparation of Financial statements

In 2019, 80% (16) of the charities provided the basis for preparing their financial statements, an increase of 10% in 2020, resulting in 90% (18). In 2021, 100% (11) of the charities provided the basis for preparing their financial statements.

iii. Summary of Significant Accounting Policies

The results in 2019 show that 90% (18) and in 2020, 95% (19) of the charities included the summary of the significant accounting policies. In 2021, 100% (11) of the charities did likewise.

iv. Notes to the Statement of Comprehensive Income

As shown in the table, 90% (18) in 2019 and 2020 included the notes to the statement of comprehensive income. In 2021, 100% (11) also had the notes.

v. Notes to the Statement of Cash Flows

The results reveal that only 65% (13) in 2019 and 2020 included the notes to the statement of cash flows. In 2021, 55% (6) had their notes as well.

vi. Notes to the Statement of Financial Position

In 2019 and 2020, 95% (19) of the charities included the notes to the statement of financial position. In addition, 100% (11) of the charities in 2021 included the notes to the statement of financial position.

vii. Significant Accounting Judgements, Estimates and Events during the year

As shown in Table 4.12, 80% (16) of the charities in 2019 and 2020 included information relating to significant accounting judgements, estimates and events during the year. While 91% (10) of the charities in 2021 had information concerning accounting judgements and estimates, 73% (8) mentioned significant events in 2021.

Table 4.12

Notes to Financial Statements Components Disclosed by Charities

	N=20		N=11	Per cent		
Notes to Financial Statements	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Organisation basic information	16	17	9	80	85	82
Basis of preparation of financial statements	16	18	11	80	90	100
Summary of significant accounting policies	18	19	11	90	95	100
Notes to statement of comprehensive income	18	18	11	90	90	100
Notes to the statement of cash flows	13	13	6	65	65	55
Notes to the statement of financial position	19	19	11	95	95	100
Significant accounting judgements, estimates	16	16	10	80	80	91
Significant events during the year	16	16	8	80	80	73

4.4.7 Voluntary Additional Financial Information

Table 4.13 provides the results obtained from the preliminary analysis of variables included as part of the voluntary additional financial information by the charity sample.

Table 4.13

Voluntary Disclosure Variables

	N=20		N=11	Percent		
Additional Financial Information	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Detailed Income statement	8	9	4	40	45	36
Statement of Income for programs	4	4	1	20	20	9
Fixed Asset Depreciation Schedule	5	7	3	25	35	27
Comparative Years	15	20	11	75	100	100
Compensation expenses	1	1	0	5	5	0
Program expense	2	2	1	10	10	9
Administration expenses	2	2	0	10	10	0
Ratios	0	0	0	0	0	0

i. Detailed Income Statement

In 2019, 40% (8) and in 2020, 45% (9) of the charities provided a detailed account of their income statement. In 2021, 36% (4) of the charities also provided a detailed account.

ii. **Statement of Income for Programs**

In 2019 and 2020, 20% (4) of the charities provided each program's income statement. However, in 2021 only 9% (1) provided additional statements of income for the programs offered by the charity.

iii. **Fixed Assets Depreciation Schedule (FASD)**

Only 25% (5) of the charities disclosed their FASD in 2019, while 35% (7) did in 2020. However, in 2021, only 9% (3) of the charities included their FASD.

iv. **Comparative Years**

It can be seen that 75% (15) in 2019, 100% (20) in 2020 and 100% (11) in 2021 included comparative years in their financial reports.

v. **Compensation Expenses**

Out of the 20 charities, only 5% (1) in 2019 and 2020 disclosed the compensation expenses of their executives. In 2021, none of the charities disclosed their compensation expenses.

vi. **Program Expenses**

Only 10% (2) of the charities in 2019 and 2020 disclosed their program expenses. Whilst in 2021, only 9% (1) included their program expenses in their financial report.

vii. **Administration Expenses**

Only 10% (2) of the charities in 2019 and 2020 included administration expenses in their financial reports. However, in 2021, none of the charities reported their administration expenses.

viii. **Ratios**

None of the charities disclosed any ratio.

4.5 Non-Financial Information Disclosure

The following reveals the non-financial information disclosure results for the twenty charities in 2022. Entity Information

Table 4.14 shows an overview of the entity information that each charity discloses.

Table 4.14

Disclosure of Entity Information

Year: 2022		
Entity Information	**N=20**	**Per cent**
Charity Name	20	100
Purpose/Objectives	19	95
Address	18	90
Programs provided	14	70
Sources of funds	14	70
Registration details	12	60
Vision	10	50
Mission	9	45

From the table it can be seen that 100% (20) of charities disclosed their name, 95% (19) disclosed their charitable purpose and objectives, and 90% (18) of the charities disclosed their address. Interestingly, 70% (14) revealed their charitable programs and sources of funding. In addition, only 60% (12) of the charities disclosed their registration details. Surprisingly, only 50% (10) revealed its vision, and only 45% (9) included its mission statement.

4.5.1 Performance Reporting

Table 4.15 presents the results obtained from the analysis of performance reporting.

Table 4.15

Performance Reporting Results of the Charities

Year: 2022		
Performance Reporting	**N=20**	**Per cent**
Output narrative	16	80
Output	13	65
Case studies	12	60
Future plans	6	30
Output based effectiveness	4	20
Challenges	4	20
Individual outcome	3	15
Societal outcome	2	10
Analysis of financial statements	1	5
Outcome based effectiveness	0	0

The results from Table 4.15 indicate that the majority of the charities included output narratives 80% (16), followed by output 65% (13) and case studies 60% (12). However, a minority included future plans 30% (6), followed by output-based effectiveness and challenges 20% (4), then by individual outcome 15% (3), societal outcome 10% (2), and lastly, analysis of financial statement 5% (1). None of the charities reported any outcome-based effectiveness.

4.5.2 Voluntary Environmental Reporting

Table 4.16 presents the environmental program reporting practices of the surveyed charities. It shows that 15% of the charities (representing a total of 3 organisations) disclosed information on programs related to the natural environment. Additionally, one charity, accounting for 5% of the sample, provided details on waste and recycling, natural resource consumption, and biodiversity initiatives. Despite these disclosures, the table also highlights that none of the charities included a report on the overall impact of their operations on the environment.

Table 4.16

Environmental Reporting Results by Charities

Year: 2022		
Environmental Factors	**N=20**	**Per cent**
Natural environment	3	15
Waste and recycling	1	5
Carbon emissions	0	0
Natural resource consumption	1	5
Biodiversity	1	5

4.5.3 Voluntary Social Reporting

As seen in Table 4.17, the majority of the charities conducted programs of which 70% (14) included health and wellbeing, followed by education 55% (11). Whilst 25% (5) included gender equality, 20% (4) skills and innovation, 15% (3) for decent work/economic growth and hunger. Only 10% (2) included hunger. However, none of the charities provided any reporting on the social aspects of the charity operations.

Table 4.17

Social Reporting Results by Charities

Year: 2022		
Social Factors	**N=20**	**Per cent**
Poverty	2	10
Hunger	3	15
Health and wellbeing	14	70
Education	11	55
Gender equality	5	25
Decent work and economic growth	3	15
Skills and innovation	4	20

4.5.4 Governance Reporting

Table 4.18 provides an overview of mandatory governance reporting and Table 4.19 provides an overview of voluntary governance reporting by the charities.

Table 4.18

Mandatory Governance Reporting Results

Year: 2022		
Mandatory Factors	**N=20**	**Per cent**
Names of trustees	18	90
Addresses of trustees	11	55
Board Members	10	50
Office bearers	6	30

As shown in Table 4.18, many of the charities disclosed the name of trustees 90% (18), followed by 55% (11) addresses of trustees, then board members 50% (10) and office bearers 30% (6).

Table 4.19

Voluntary Governance Reporting Results

Year: 2022		
Voluntary factors	**N=20**	**Per cent**
Experience	6	30
Governance structure	5	25
Qualifications	5	25
Governance statement	3	15
Other directorships held	3	15
Strategy	2	10
Constitution	1	5
Risk management	1	5
Board equity (F/M)	0	0
Compensation/remuneration of executives	0	0

Table 4.19 reveals that the minority disclosed voluntary governance factors. Interestingly, only 30% (6) included the experience of the board of directors, followed by governance structure and qualifications 25% (5), governance statement and other directorships held 15% (3), strategy 10% (2), constitution and risk management 5% (1). None of the charities included reports of board equity and the compensation/remuneration of executives.

4.6 Chapter Summary

The review of auditors' reports from 2019 to 2021 provides key insights into the auditing practices of registered charities. A consistent trend observed is the predominant engagement with international Tier 1 accounting firms or firms affiliated with international groups, emphasising the value placed on internationally recognized auditing expertise. The majority of charities chose to have their financial statements audited rather than merely compiled, which underscores a commitment to transparency and credibility.

Opinions offered by auditors displayed an inclination towards either unqualified or qualified stances, with the former being more prevalent in 2021. This indicates a shift towards improved financial reporting practices and stronger adherence to auditing standards. It is important to recognize that while the entities are responsible for preparing the financial reports, it is the auditors who provide the assurance and deliver the subsequent reports.

Notably, a large segment of charities adopted IFRS for SMEs as their preferred accounting standard, while the ISA remained the dominant auditing standard over the years.

A critical observation is the timing of financial report submissions. In 2021, all sampled charities submitted their reports within 3 to 6 months post their financial year end, indicating improved efficiency and timeliness in financial reporting. However, this also contrasts with earlier years where many charities took an extended period, with some even taking 15 months or more post their financial year end in 2019.

The examination of financial statements and related disclosures by charities in the specified period reveals a commitment to transparency, particularly in the core areas of financial reporting. Most charities consistently disclose primary financial statements, reflecting their adherence to basic reporting standards. However, when delving into supplementary and voluntary information, there's notable variability. Some areas, such as the reporting of compensation expenses and financial ratios, are starkly underrepresented, hinting at potential areas for enhanced transparency and accountability. While many charities are making strides in providing detailed financial insights, there's a clear avenue for improvement, especially in offering comprehensive voluntary disclosures that can enrich stakeholder understanding and trust. The commitment to basic reporting is commendable, but for a holistic understanding and enhanced stakeholder confidence, a more detailed and consistent approach to voluntary disclosures might be beneficial.

The non-financial disclosure trends within the charity sector display a varied landscape. While most charities are transparent about basic entity details, there's a notable disparity in the depth and breadth of information shared across performance, environmental, social, and governance categories. Particularly concerning is the limited attention given to environmental issues, outcome-based effectiveness in performance, and specific voluntary governance factors. While many charities provide foundational disclosures, comprehensive and relevant detailed reporting across a variety of non-financial areas can be improved.

In conclusion, the results chapter summarises the research study's findings and provides insight into the research question. The results were presented and analysed using content analysis. The following chapter provides the analysis of the findings.

CHAPTER 5: ANALYSIS

5.1 Introduction

This chapter provides an analysis of the findings in chapter four. When conducting content analysis using the dichotomous scale of assigning 1 (Yes) and 0 (No) to each variable, a fundamental assumption in this study is that any variable with the highest quantity signifies its importance (Guthrie & Abeysekera, 2006; Krippendorff, 2019; Neu et al., 1998).

5.2 Auditor Report

5.2.1 Auditor

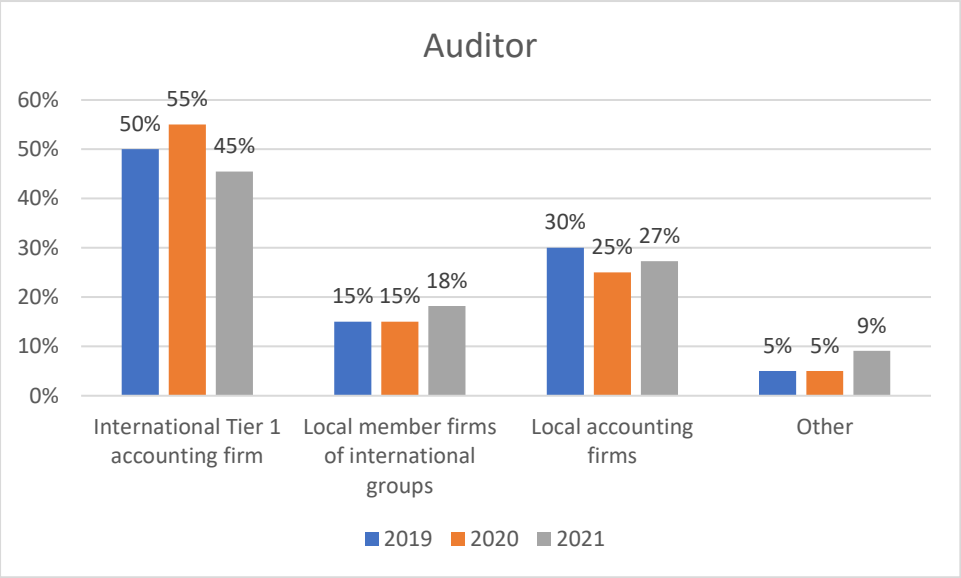

Figure 5.1

Audit Firms Hired by the Charities

Tier 1 (T1) accounting firms in Fiji hired by the charity are Ernest and Young (EY), Klynveld Peat Marwick Goerdeler (KPMG), Price Waterhouse Coopers (PWC) and Binder Dijker Otte (BDO). As seen in Figure 5.1, based on the sample $n = 20$, 50% of the charities hired a tier 1 accounting firm, with a slight increase of 5% between the years 2019 to 2020. However, in 2021 based on the sample $n = 11$, 45% hired an international T1 accounting firm. The local member firms of international groups include PKF international, HLB Mann Judd and DFK international. In terms of international recognition, most of the charity samples for the years 2019, 2020 and 2021 hired accounting firms that had international recognition either as a T1 accounting firm or a member of a reputable international group.

Additionally, regarding charity size (revenue), most charities with revenues ranging from $19,000 to $4.5 million hired a T1 or international member accounting firm. However, charities with revenues ranging from $3,000 hired local accounting firms. This implies that the amount of revenue a charity discloses influences the accounting firm they hire. These results are also consistent with that of Patel and Prasad (2014). Unlike their study, none of the charity samples hired individuals to audit their financial reports, as the findings from this study revealed that the sample engaged accounting firms. This can be attributed to the amendment to the Charities Trust Act in 2013 and its subsequent enforcement in 2021 and donor requirements.

Empirical evidence suggests that the auditor's reputation impacts an organisation's governance, attracting donors and donor loyalty (Cao & Zhang, 2013). In addition, Kitching (2009) found that donors prefer high-quality auditors, and charities will benefit from simply hiring one of the T1 accounting firms. Therefore, Fiji charities should be encouraged to consider hiring a T1 accounting firm to attract donors and maintain donor loyalty. Additionally, when considering charities that may not be, in the financial position to hire T1 and other reputable accounting firms, it is recommended that the RoT in consultation with the FIA provide some minimum reporting requirements and a list of approved accounting firms and chartered accountants that can audit these charities.

Recommendation 1: The RoT should encourage charities to consider engaging a T1 accounting firm.

Recommendation 2: The RoT in consultation with the FIA provide a list of approved accounting firms and chartered accountants for charities that are not in a position to engage TI accounting firms.

5.2.2 Engagement

Regarding engaging an external accounting firm, almost all (90%) of the charities in 2019 and 2020 had their annual financial reports audited. Interestingly, 10% of the sample hired a T1 accounting firm to compile their annual financial report. An audit of the financial statements requires an external accounting firm to provide assurance by expressing an opinion relating to the verification of balances and completeness of information. An audit was a requirement that was mandated in 2013 in the Fiji Charity Act. In contrast, a compilation does not involve an audit since a compilation does not require verification of

balances or ensuring completeness of information to express an opinion as to whether the financial statement is true and fairly represented.

Given that the sample obtained for the compiled financial report was for 2019 and 2020, the charities are still in operation. They are not part of the deregistered charities that failed to submit their audited annual statements as mandated by the Fiji Charity Act. Regardless of whoever compiles the annual financial statements, the RoT must be aware of the difference between audited and compiled financial statements to ensure that the rule of law applies consistently across all charities. As mentioned earlier, an audited report is preferred by donors, and it is also perceived as a form of accountability and transparency towards stakeholders. An audited report serves as an assurance to the public and stakeholders, providing a true and fair representation of the charity's performance, thereby enabling them to make informed decisions with confidence (Kitching, 2009; Palmer & Vinten, 1998).

Recommendation 3: The RoT should differentiate between compiled and audited financial statements.

Recommendation 4: The RoT to consistently apply the rule of law to charities that do not comply with the submission of audited annual reports.

5.2.3 Opinion

The unqualified opinion expressed by the auditors in 2019 and 2020 remained consistent at 44%. Additionally, there was a 6% decrease regarding the issue of a qualified opinion between 2019 and 2020, and a 6% increase for a disclaimer of opinion. In 2021, it was encouraging to observe an increase in an unqualified opinion by 20% based on the sample, with no expression of a disclaimer of opinion.

The consistent opinion issued in 2019 and 2020 was due to charities having their annual reports audited after more than a year. When the legislative change was made in 2020, few charities had their 2019 and 2020 financial reports audited within the same period. An improvement in opinions issued is observed in 2021, which may be due to charities addressing the auditor concerns for 2019 and 2020 in 2021. Opinions expressed by auditors assure that the financial statements are presented fairly in all material aspects and free from any material misstatement (Tian & Xin, 2017). Financial reports that are issued an unqualified opinion are indicative of alignment with the relevant accounting standards and are free from material misstatements (Abad et al., 2017), enhancing the credibility of the financial statements.

In contrast, a qualified opinion assures that the financial statements are presented fairly; however, there are concerns regarding the quality of the financial statements and the collection of sufficient evidence regarding a particular aspect (Abad et al., 2017; Cipriano et al., 2017). On the other hand, a disclaimer of opinion is whereby the auditor cannot express an opinion since the financial statements are not free from material misstatements and cannot access sufficient appropriate audit evidence (The International Federation of Accountants, 2016).

To minimise the risk of a high percentage of qualified opinions and disclaimers of opinion, charities in Fiji should adhere to the relevant accounting standards and provide adequate audit evidence to the auditor, in order to receive an unqualified audit opinion. Additionally, the RoT should provide a minimum basis of reporting provisions for all charities, that can assist the charities with adherence to the accounting standards.

Recommendation 5: The RoT in consultation with the FIA should encourage charities in Fiji to adhere to the relevant accounting standards in order to consistently receive an unqualified opinion,

Recommendation 6: The RoT should provide a minimum basis of reporting provisions for all charities, that can assist the charities with adherence to the accounting standards.

5.2.4 Standards

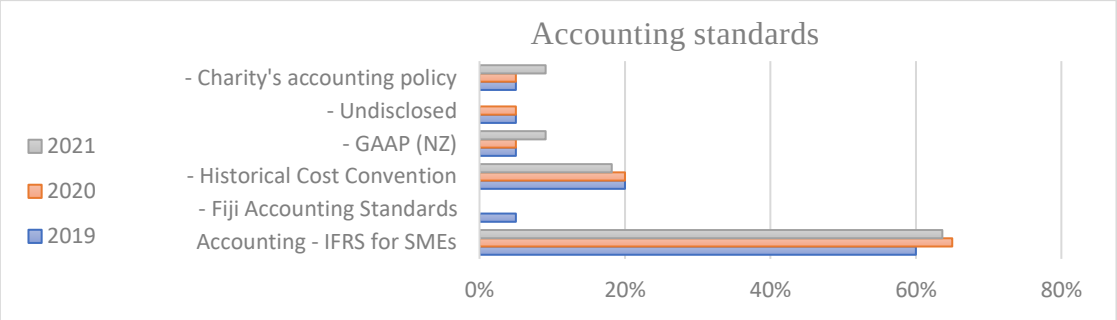

Figure 5.2

Accounting Standards

The accounting standard IFRS for SMEs is the primary standard followed and disclosed by most charities from 2019 to 2021. However, there was a slight increase from

2019 (60%) to 2020 (65%) by 5%. Additionally, it is essential to note that 20% in 2019 and 2020 followed the Historical Cost Convention (HCC), which is also part of IFRS for SMEs (IAS Plus, 2022a). Hence, 80% (60%+20%) and 85% (65%+20%) of the charities in 2019 and 2020, respectively, used IFRS for SMEs. Likewise, in 2021, 82% (64% + 18%) of the sample used IFRS for SMEs, as shown in Figure 5.2.

As observed in Figure 5.2, most charities adhere to IFRS for SMEs. This outcome contradicts that of Patel and Prasad (2014), who found that for most NGOs registered as charities, 11 out of 20 follow the Fiji Accounting standards, and 9 out of 20 follow no standard. It is apparent that ever since the introduction of IFRS for SMEs in 2011, many of the charity samples followed IFRS for SMEs in 2019, 2020 and 2021. Interestingly, one charity followed the Fiji Accounting Standards in 2019, then transitioned to IFRS for SMEs in 2020. This may be attributed to the amendment in the Charities Trust Act regarding submitting the audited statements and its enforcement in 2020. It is essential that charities consistently follow and apply an accounting standard for better comparability and verifiability by stakeholders.

According to IAS Plus (2022b), the IFRS for SMEs primarily target profit-oriented entities. However, it is important to note that this standard is not restricted in its applicability and can also be used by not-for-profit entities, including charities, without any size limitations. An SME is defined as an entity that meets the following criteria:

i. It lacks public accountability, meaning its debt or equity instruments are not traded on a public market, such as shares on the South Pacific Stock Exchange, and it doesn't hold assets in a fiduciary capacity for external parties.
ii. It publishes general-purpose financial statements for external users.

Given this context, the RoT in collaboration with the FIA could recommend and encourage the adoption of IFRS for SMEs as the accounting standard for charities to adhere to.

Recommendation 7: The RoT, in collaboration with the FIA, could recommend adopting IFRS for SMEs as the accounting standard for charities. Additionally, they could adapt IFRS for SMEs for relevance to Fiji’s charity sector, since the sector is nuanced.

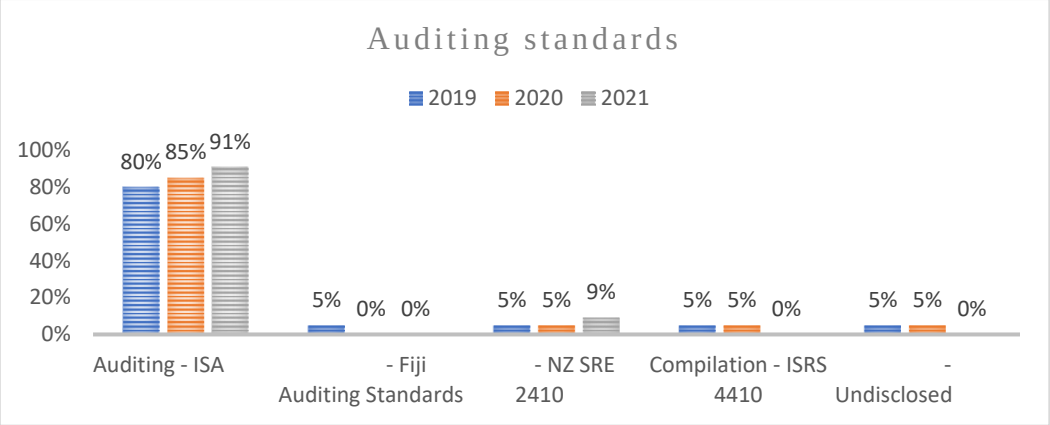

Figure 5.3

Auditing Standards

As shown in Figure 5.3, many auditors who provide an opinion use the International Standard on Auditing (ISA). There is a slight increase of 5% from 2019 to 2020, whilst in 2021 a total of 91% of the sample followed ISA when performing their auditing function.

It is imperative that auditors of the charities follow the ISA to ensure that the quality of the audit is maintained and is not compromised due to the impact of Covid19 (Sunday & Abimbola, 2020). Hence, it is encouraging that most auditors follow ISA to maintain audit quality as enforced by the FIA. Nevertheless, charities in Fiji must be enabled and encouraged by the RoT to engage auditors that adhere to the ISA.

5.2.5 Submission Timeframe of Financial Reports

As illustrated in Figure 5.4, 25% (5) of the charities submitted their financial reports to the Registrar of Titles (RoT) between 3 to 6 months after their financial year end in 2019. This may be attributed to the lack of incentives/penalties the RoT has in place to encourage the timely submission of financial reports. In 2020, a slight increase of 5% (1) resulted in 30% (6) of the charities submitting their reports. However, it is observed that 2021 had an increase of 25% resulting in 11 charities submitting their financial reports, which may be due to the Charity Act amendment in 2020 and subsequently enforced in 2021-2022.

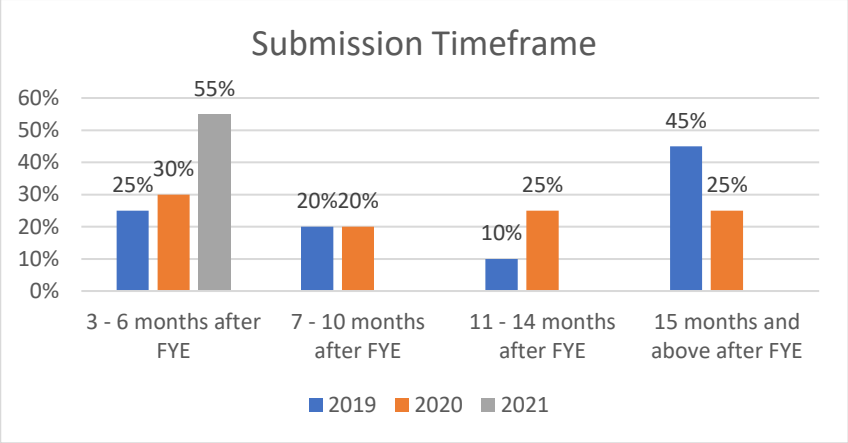

Figure 5.4

Submission Timeframe of Financial Reports to the RoT

It is important to note that the researcher collected 100% of the sample n = 20 for 2019 and 2020. However, the researcher managed to collect data for only 11 out of 20 of the sample for 2021 since this study's cut-off data collection date was the end of July 2022. A total of 9 of the remaining samples were yet to submit their financial reports to the RoT. Table 25.1shows that 67% (6) fall within the 7 to 10 months category whilst 33% (3) fall within the 11 to 14 months category which is based on their 2019 and 2020 FYE.

As mentioned previously, an amendment to the Fiji Charity Act in 2020, which provided the RoT authority to penalise charities that failed to submit their financial reports, has to date been ineffective in encouraging charities to submit their statements promptly within 3 to 6 months after the charity's financial year-end.

Incentives have to be developed that can encourage prompt submission within 3 to 6 months after FYE, or a reasonable time frame for stakeholders to access such reports on a timely basis. Conversely, penalties could apply such as fines or deregistration as stipulated by the Charities Act. Adhering to this practice also informs stakeholders that the charity is actively operating, registered and stakeholders are able to make informed decisions.

Table 5.1

Uncollected Sample

Date	2021	2021
3 - 6 months after FYE	-	-
7 - 10 months after FYE	67%	6
11 - 14 months after FYE	33%	3
15 months and above after FYE	-	-
Total	100%	9

Recommendation 8: The RoT should develop incentives for prompt submission, ideally within 3-6 months after FYE or a reasonable timeframe for stakeholders to access reports promptly.

Recommendation 9: The RoT should impose penalties on non-compliant charities, including fines and potential deregistration, for failing to meet specified submission deadlines.

5.2.6 Disclosure of financial statements

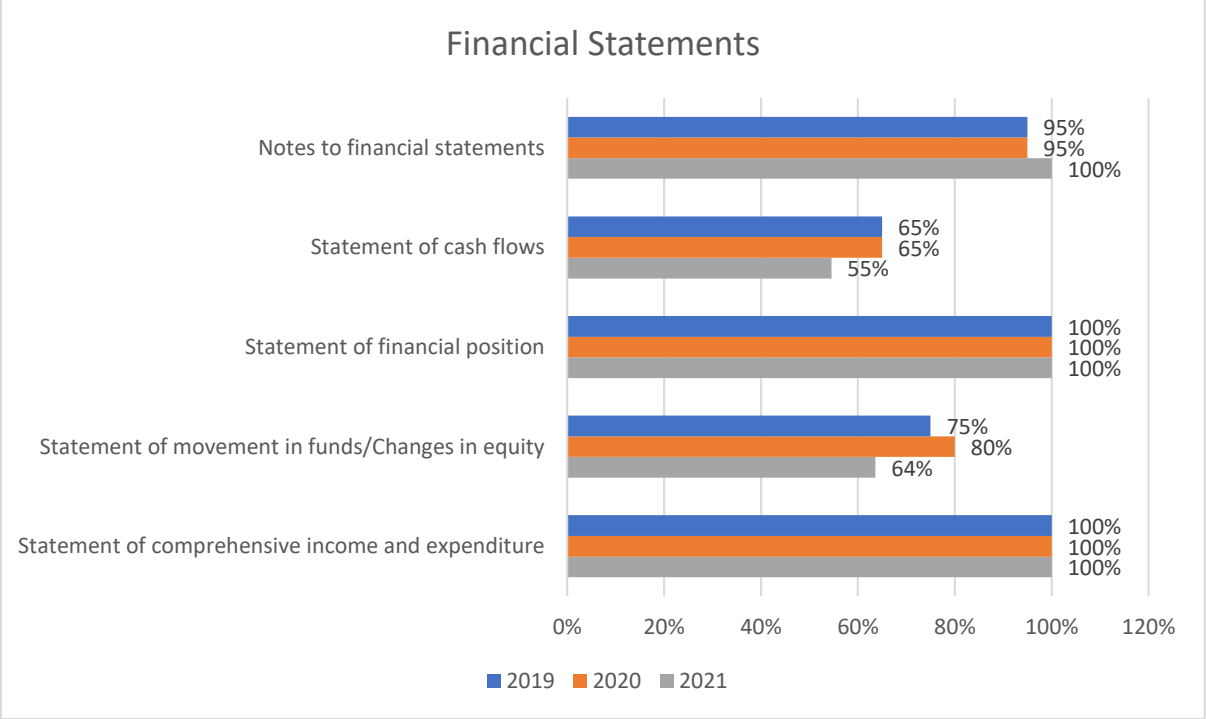

Figure 5.5

Presentation of Financial Statements

Figure 5.5, provides an overview of the financial statements disclosed by the sample charities. The statement of financial position (SFP) was provided by all charities and remained consistent at 100% (20) from 2019 to 2020. Likewise, 100% (11) of charities in 2021 submitted their SFP. Similarly, 100% (20) of the charity sample in 2019 and 2020, and 100% (11) in 2021 also submitted and disclosed the statement of comprehensive income and expenditure (SCIE). Secondly, to the SFP and SCIE are the notes to financial statements (NFS), which is 95% (19) from 2019 to 2020, and 100% (11) in 2021.

The SFP, SCIE and NFS are the commonly prepared statements that are disclosed and submitted to the Registrar of Titles office by the charity sample. As for the Statement of movement in funds/changes in equity (SMFCE), there was a slight increase of 5% (1) from 2019 (75%) to 2020 (80%). In 2021 a total of 64% (7 out of 11) submitted their SMFCE.

The statement of cash flows (SCF) was prepared by 65% (13) of the charities in 2019 and 2020, signifying no change. In 2021 only 55% (6) of the charities prepared and submitted their SCF. The graph above shows that the SCF is the least prepared Statement that is disclosed.

Fletcher (2016) points out that the cash flow statement is a key component of the performance report and financial statements. The cash flow statement discloses the cash amount that passed through the charity and the management of financial resources in the specified period. Given the significant reliance of charities on cash donations, it is crucial to encourage them to prepare and reveal their cash flow statements.

In summary, the most common financial statements disclosed by the charity sample are the SFP, SCIE, and NFS due to the high quantity of disclosure. The high quantity of disclosure of the SFP, SCIE and NFS signifies the importance of these statements by the preparers. In contrast, the SMFCE and the SCF are not commonly disclosed and submitted to the RoT as they may be deemed the least important.

These results reflect those of Patel and Prasad (2014), who found that almost all NGOs prepared the income and expenditure statement and the SFP in the absence of mandatory reporting requirements (Charitable Trusts Act). Whilst, only a few prepared the SCF. Hence, the amendment made to the Charitable Trusts Act regulating the reporting requirements of charities had no impact on the number and type of financial statements. This may be due to donor agencies influencing the reporting practice of the charities (Connolly & Hyndman, 2017; Patel & Prasad, 2014).

The Charities Act mandates the submission of audited annual reports, but it does not outline the required elements of these reports. Additionally, this submission requirement applies to all charities, regardless of their size or nature. As detailed in chapter 3, the IFRS for SMEs defines a comprehensive set of financial statements, encompassing the SFP, SCIE, SMFCE, SCF, and the NFS. Despite being initially designed for profit-making entities, the IFRS for SMEs extends beyond this scope and applies to not-for-profit organisations (IAS Plus, 2022b). As previously discussed in the standards section, a majority (80-85%) of charities adopt IFRS for SMEs. However, not all adhere to the provision of preparing the complete set of financial statements. Presently, neither the RoT nor the FIA offer any guidelines concerning the preparation of statements by charities and their significance.

It is recommended that the RoT, in consultation with the FIA, prescribe the type of statements to be prepared and provide the necessary resources to aid charities in preparing and disclosing the relevant annual financial reports. However, since the charity sector varies in nature and size, the RoT and FIA need to be mindful of the nuances of charity reporting since one size fits all may not be applicable. Hence, the RoT may need to identify which charity is not a reporting entity and prescribe the disclosure of relevant reports. According to IFRS for SMEs a reporting entity must submit General Purpose Financial Statements or Special Purpose Financial Statements. Like the ACNC, and the Charities Commission of New Zealand, the RoT and FIA could collaborate and provide a guide for financial report submissions by charities. Additionally, there are recent developments in the drafting of International Financial Reporting for Non-Profit Organizations (IFR4NPO). This project focuses on developing internationally applicable financial reporting guidelines for non-profits (International Financial Reporting for Non Profit Organisations, 2024a). The first Exposure Draft (ED) was issued from November 21, 2022, to March 31, 2023. The third ED will commence on May 28 until 16 September, 2024 (International Financial Reporting for Non Profit Organisations, 2024c). Therefore, the RoT and FIA could sign up as country champions for Fiji to create sector awareness, form a small multi-stakeholder national working group, and encourage stakeholders in the country to engage in the IFR4NPO project (International Financial Reporting for Non Profit Organisations, 2024b).**Recommendation 10:** The RoT, in consultation with the FIA, prescribe the type of statements to be prepared and provide the necessary resources to aid charities in preparing and disclosing the relevant annual financial reports. Furthermore, the RoT and FIA to be participants of the IFR4NPO project to create sector awareness among the relevant stakeholders.

5.2.7 Statement of Comprehensive Income and Expenditure

The SCIE consists of the variables that form the income section, the expenditure section, and the other comprehensive income section.

5.2.7.1 Income Variables

The variables that charities disclose in the Income section of the SCIE are illustrated in Figure 5.6. It includes:

i. Revenue: Discloses the income section or is expressed as a title in the SCIE
ii. Operating: Income arising from the normal operations or course of the charity's ordinary activities. For instance, income from either voluntary income such as donations, trading activities to raise funds for charity purposes or charges for services provided such as fees (Mack et al., 2017).
iii. Specific: Other income derived from transactions not part of the normal operations or charity's ordinary activities such as rental income or the realised gain from the sale of fixed assets.
iv. Total: Displays the aggregate income from the charity's ordinary and other non-ordinary activities.

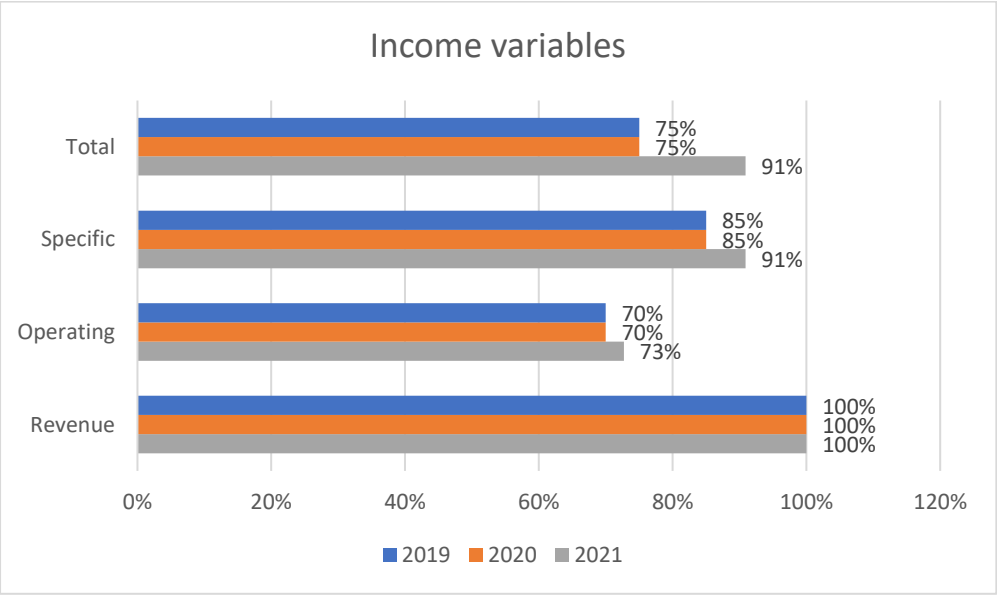

Figure 5.6

Disclosure of Variables That Form the Income Section

Firstly, the highest disclosed variable is the revenue, which is consistent throughout the years, indicating that 100% of the charity sample in 2019 (20), 2020 (20) and 2021 (11)

disclosed their income section in the SCIE. Secondly, the operating variable maintained a consistent trend of 70% (14) in 2019 and 2020, whilst 73% (8) in 2021 included the operating variable in their SCIE. In addition, 85% (17) of the charity sample disclosed the specific variable in their SCIE, which remained constant in 2019 and 2020, whilst 91% (10) of the sample in 2021 disclosed the specific variable in their SCIE. Lastly, 75% (15) of the charity sample in 2019 and 2020 resulting in no changes, displayed the total variable, whereas, in 2021, 91% (10) of the charity sample included the total variable in their SCIE.

Figure 5.6 shows that all charities from 2019 to 2021 placed significance on the inclusion of the revenue variable. 30% of the charities in 2019, 2020, and 27% in 2021 that chose not to disclose or display their operating variable disclosed their income amount as part of the revenue variable resulting in a single entry in the Income section of the SCIE. Most charities with a single entry in the income section of the SCIE had revenues ranging between $3,000 to $67,000. Additionally, a high percentage of the charity sample displayed the specific variable in figure 5.6, indicating that charities differentiated between other income and ordinary income or revenue. Furthermore, not all charities included the total variable (arithmetic addition of operating income or revenue and specific income).

5.2.7.2 Expenditure Variables

The variables disclosed by charities in the expenditure section of their SCIE are illustrated in Figure 5. 7.

- Expenditure: Discloses the expenditure section or is expressed as a title in the SCIE.
- Operating: Expenses arising from the normal operations of the charity's ordinary activities. For instance, charity program expenses and fundraising expenses, administrative expenses.
- Specific: Other expenses arising from transactions not part of the normal operations or charity's ordinary activities, such as depreciation and impairment losses.
- Total: Displays the aggregate expenditure incurred from operating and specific expenses.

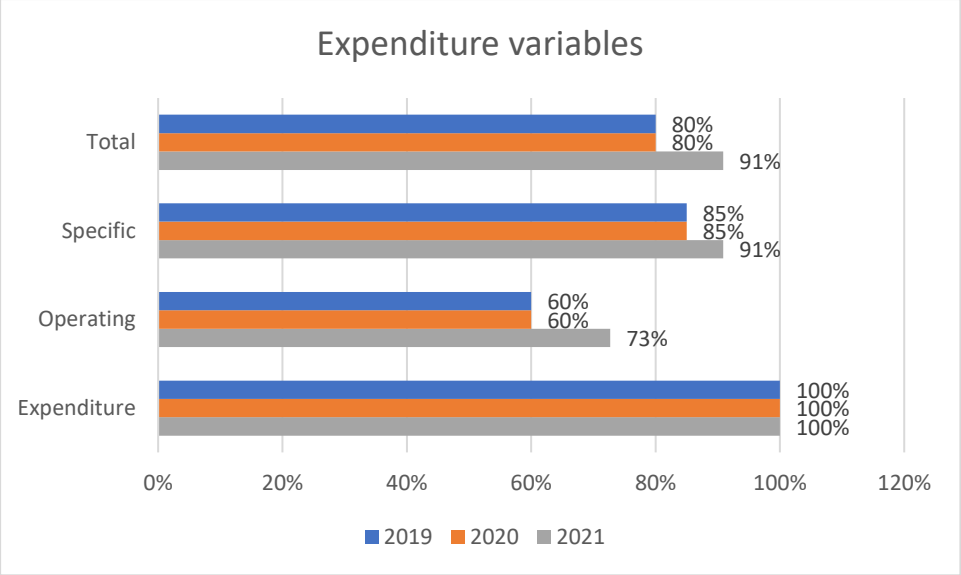

Figure 5.7

Discloser of Variables That Form the Expenditure Section of the SCIE

Figure 5.7 reveals that a consistent trend of 100% (20) in 2019 and 2020 and 100% (11) in 2021 was maintained by the charities when disclosing expenditure. Similar to the Income variables, it is observed that 60% of the charities in 2019 and 2020 presented their operating expenses, whilst 73% presented in 2021. With regards to other specific expenditure, 85% of the charities in 2019 and 2020 and 91% presented their specific expenditure. The total variable remained constant from 2019 to 2020 at 80%, whilst in 2021, 91% included the total.

Overall, all the charities, n = 20 (2019, 2020), n = 11(2021) disclosed their Revenue and Expenditure, with 60% to 85% disclosing the total, specific and operating line items. Since charities vary, disclosure of the total, specific, and operating line items for revenue and expenditure depends upon the organisation's size and nature. However, those adopting IFRS for SMEs need to adhere to the presentation and disclosure guidelines outlined in the accounting standard by disclosing the relevant line items by nature or function (IAS Plus, 2022b). This ensures consistent and accurate financial reporting practices, particularly for charities following the IFRS for SMEs accounting standard.

Furthermore, the RoT, in collaboration with the FIA, should provide minimum guidelines regarding the presentation and disclosure format. Since revenue is often the largest balance in charities' financial statements, the FIA could consider - AASB 1058: Accounting

for Income of Not-for-Profit Entities - a standard that came into effect in ACNC on January 1, 2019 (AASB, 2022). This aims to enhance comparability and consistency across reporting practices.

5.2.8 Statement of Movement in Funds

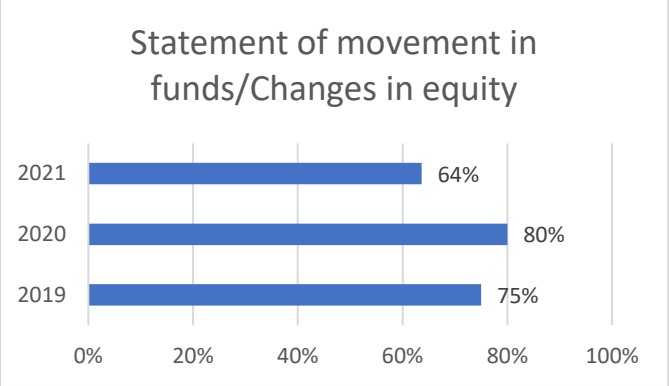

Figure 5.8

Disclosure of the Statement of Movement in Funds

The data indicates a 5% increase from 2019 to 2020, with the disclosure of SMF/CE increasing from 75% to 80%. This suggests that charities were highly willing to disclose their SMF/CE. In contrast, out of the 11 charities surveyed in 2021, 7 (64%) disclosed their SMF/CE.

The SMF/CE reflects the increase and decrease in financial resources a charity may utilise for future charitable activities and it discloses the reserves at the charity's disposal. As previously noted, since charities vary across the sector, the RoT, in collaboration with the FIA, may prescribe the minimum reporting requirements regarding the SMF/CE for those that need to disclose this financial statement using the presentation and disclosure guidelines provided by IFRS for SMEs. Accordingly, as per IFRS for SMEs, the SMF/CE can be omitted if the entity elects to present a combined statement of comprehensive income and retained earnings (IAS Plus, 2022b).

Recommendation 11: The RoT, in collaboration with the FIA, should set minimum guidelines for the presentation and disclosure format of the relevant financial statements or encourage the charities to adopt IFRS for SMEs following its presentation and disclosure guidelines.

5.2.9 Statement of Financial Position

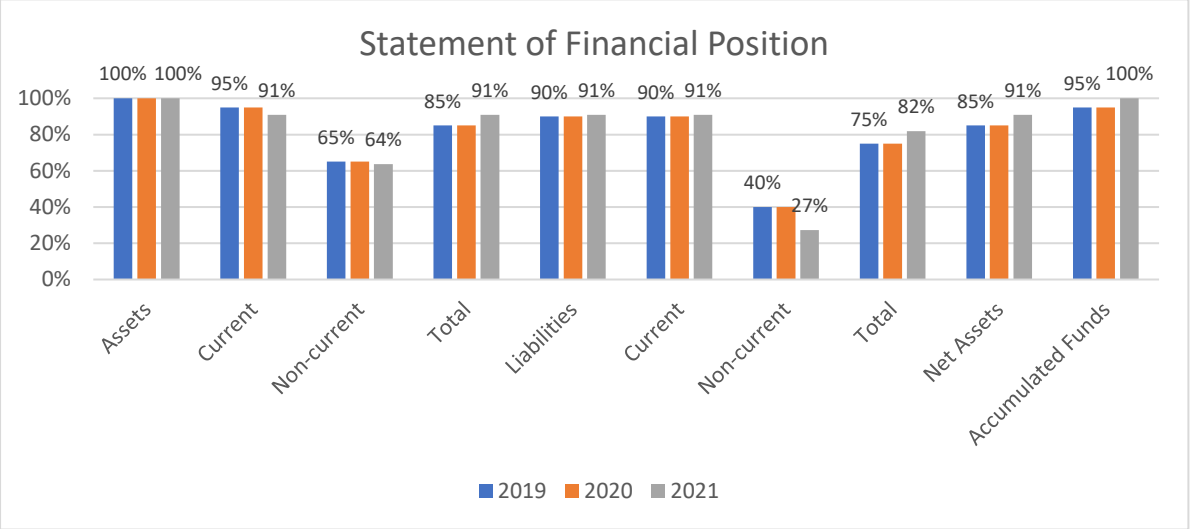

Figure 5.9

Disclosure of the Statement of Financial Position

The results in Figure 5.9, show the percentage of charities that elected to disclose the specific elements of the SFP over the three years, where $n = 20$ in 2019 and 2020 and $n = 11$ in 2021.

i. Asset Disclosure:

- In all three years (2019, 2020, and 2021), 100% of the sampled charities disclosed their assets, indicating that asset disclosure was consistent and essential for the charities within the sample.

ii. Current Assets:

- The disclosure rate for current assets remained relatively high at 95% in both 2019 and 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate for current assets slightly decreased to 91%. However, it remained relatively high, suggesting that reporting short-term liquid assets continued to be significant for the sampled charities.

iii. Non-Current Assets:

- The disclosure rate for non-current assets was 65% in both 2019 and 2020 among the 20 sampled charities, indicating that reporting long-term assets was less frequent among this subset.

- In 2021, with a smaller sample size of 11 charities, the disclosure rate for non-current assets further decreased to 64%, implying that reporting of long-term assets remained relatively low.

iv. Total Assets:

- The disclosure rate for total assets was 85% among the 20 sampled charities in both 2019 and 2020.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate for total assets increased to 91%. This suggests that a higher proportion of the smaller sample disclosed their overall assets, indicating growing importance in reporting total assets among the reduced sample.

v. Liabilities:

- The disclosure rate for liabilities was relatively high and consistent at 90% for both total liabilities and current liabilities among the 20 sampled charities in 2019 and 2020.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate for total liabilities and current liabilities increased slightly to 91%. This indicates that a higher proportion of the smaller sample reported their liabilities, suggesting continued importance in reporting these aspects.

vi. Non-Current Liabilities:

- The disclosure rate for non-current liabilities was 40% among the 20 sampled charities in both 2019 and 2020, indicating that reporting long-term debts was less frequent.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate for non-current liabilities further decreased to 27%, suggesting that reporting of long-term debts remained relatively low in the reduced sample.

vii. Net Assets and Accumulated Funds:

- The disclosure rate for net assets was 85% among the 20 sampled charities in both 2019 and 2020.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate for net assets increased to 91%. Additionally, the disclosure rate for accumulated funds reached 100% in 2021, indicating that the majority of the reduced sample reported their retained earnings, signifying growing importance in this aspect.

In summary, the findings indicate that asset disclosure and reporting of total assets, current assets, current liabilities, and total liabilities remained consistent for the sampled charities over the years. This implies that the charity sample perceive the SFP as significant hence the very high percentage of presentation and disclosure. However, reporting of non-current assets and non-current liabilities was relatively low in both years, especially in the reduced sample in 2021. The increased disclosure of total assets, net assets, and accumulated funds in the 2021 reduced sample indicates a growing emphasis on SFP disclosure and compliance with IFRS for SMEs.

These findings suggest that the presentation and disclosure of line items in the SFP align with IFRS for SMEs, indicating that the sampled charities view the SFP as an important statement for reporting purposes.

5.2.10 Statement of Cash Flow

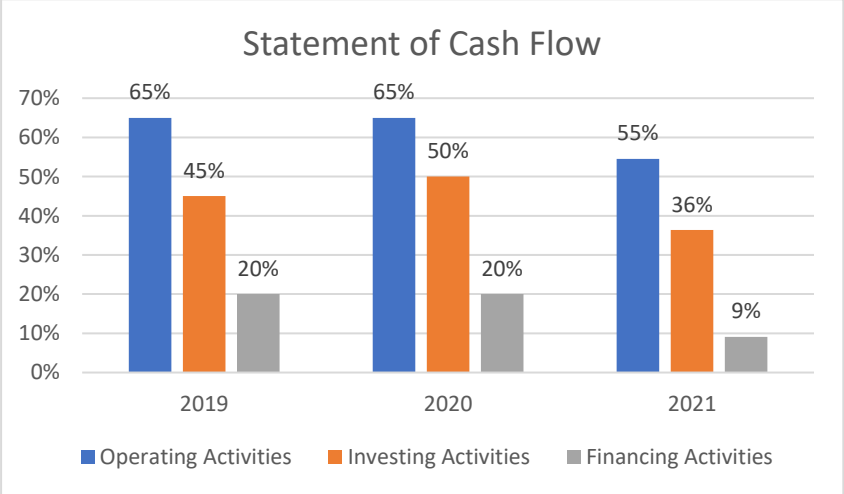

Figure 5.10

Disclosure of the Statement of Cash Flow

1. **Operating Activities:**
    - The disclosure rate for operating activities was 65% among the 20 sampled charities in both 2019 and 2020.
    - In 2021, with a smaller sample size of 11 charities, the disclosure rate for operating activities decreased to 55%. This suggests that a lower proportion of the reduced sample reported their cash flows from operating activities.

2. **Investing Activities:**
    - The disclosure rate for investing activities was 45% in 2019 and increased slightly to 50% in 2020 among the 20 sampled charities.
    - In 2021, with a smaller sample size of 11 charities, the disclosure rate for investing activities decreased to 36%. This indicates that a lower proportion of the reduced sample reported their cash flows from investing activities.
3. **Financing Activities:**
    - The disclosure rate for financing activities was relatively low at 20% among the 20 sampled charities in both 2019 and 2020.
    - In 2021, with a smaller sample size of 11 charities, the disclosure rate for financing activities decreased further to 9%. This suggests that a significantly lower proportion of the reduced sample reported their cash flows from financing activities.

Overall, the findings indicate that the disclosure rates for all three categories of cash flows (operating, investing, and financing activities) were low among the charities surveyed in 2019 and 2020. Furthermore, disclosure rates decreased in 2021, especially for financing activities. This suggests that a smaller proportion of the reduced sample reported their cash flows, with only 9% involved in financing activities. Nevertheless, the presentation and disclosure of the line items in the Statement of Cash Flows (SCF) prepared by the charities adhered to the minimal requirements of the IFRS for SMEs, varying based on the nature of the financial activities the charities engaged in and the size of the charity.

Furthermore, these findings suggest a marginal increase compared to the study conducted by Patel and Prasad (2014) in Fiji. Their research revealed that only 50% (10 out of 20) of the charities prepared the SCF without adhering to mandatory reporting requirements, showing a difference that, while slightly higher, is not deemed statistically significant. These results are also reflected in a study by Mohd Nasir et al. (2012) in Malaysia, showing only 59% (18 out of 32). The relatively low disclosure rates may suggest a lack of emphasis or understanding regarding the importance of reporting cash flows from different activities in the SCF among the sampled charities.

Effective and transparent reporting of cash flows is essential for stakeholders to understand how charities generate and utilise cash, and it plays a crucial role in evaluating the

organisation's financial health and stability (Mohd Nasir et al., 2012). Encouraging charities to improve their disclosure of cash flow information can enhance transparency and decision-making processes for donors, stakeholders, and regulators. Furthermore, it is crucial to encourage charities to prepare and disclose the statement of cash flows and the relevant line items as per IFRS for SMEs, such as the operating, financing and investing activities, as stakeholders such as banks and donors hold a vested interest in understanding cash flows. This importance is also reflected in the findings of a survey conducted by Zainon et al. (2012), where donors attributed significant value to cash flow from operating activities.

Recommendation 12: The RoT in consultation with the FIA to encourage Fiji charities to prepare and disclose the statement of cash flows and the relevant line items as per IFRS for SMEs.

5.2.11 Notes to Financial Statements

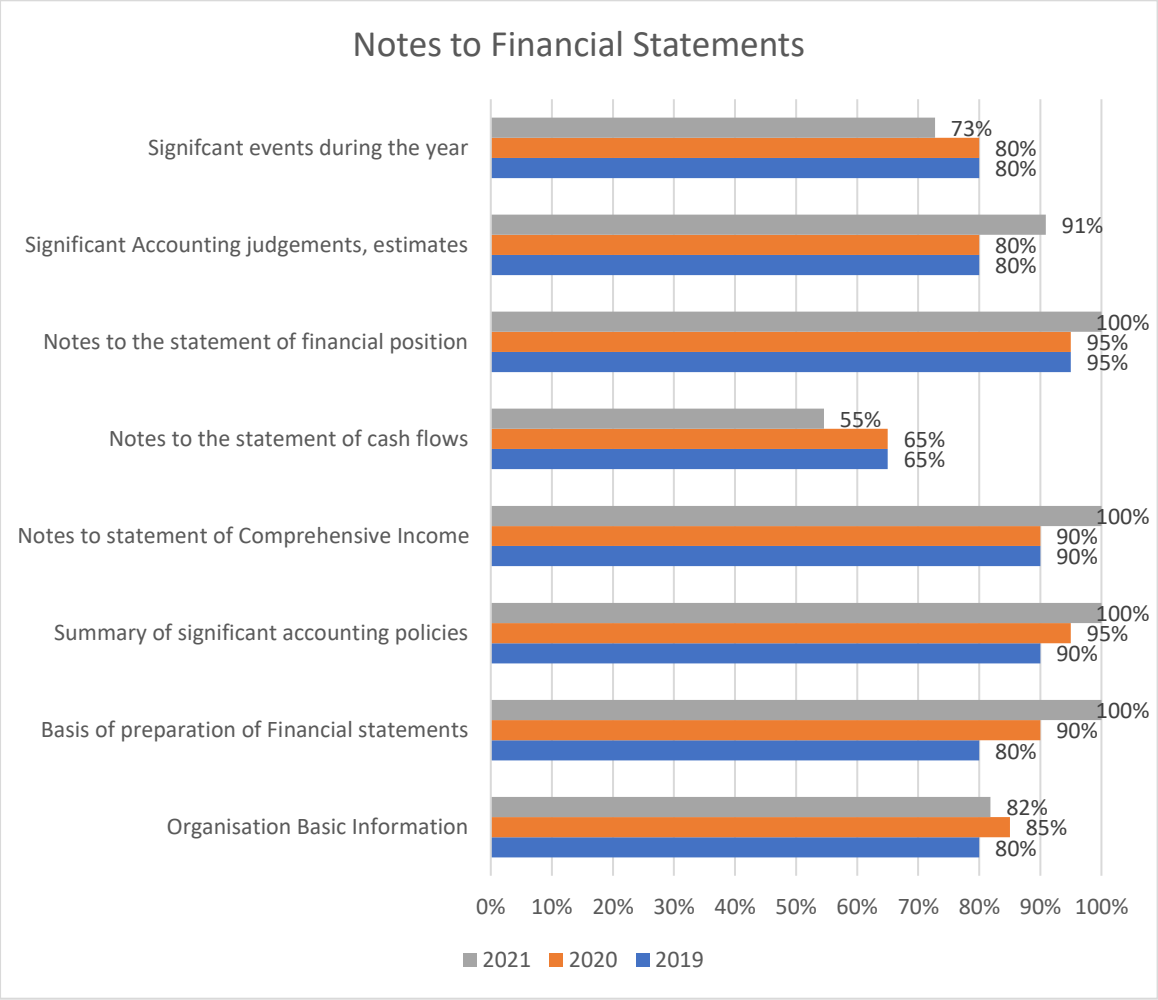

Figure 5.11

Disclosure of Notes to Financial Statements

The results are based on a sample size of 20 charities in 2019 and 2020 and a reduced sample size of 11 charities in 2021.

i. **Organisation Basic Information:**

- The disclosure rate for organisation basic information was 80% in 2019 and increased slightly to 85% in 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate for organisation basic information remained relatively high at 82%. This suggests that a significant proportion of the reduced sample provided fundamental information about their organisations.

ii. **Basis of Preparation of Financial Statements:**

- The disclosure rate for the basis of preparation of financial statements was 80% in 2019, and it increased to 90% in 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate further increased to 100%. This indicates that all the charities in the reduced sample disclosed the basis on which their financial statements were prepared.

iii. **Summary of Significant Accounting Policies:**

- The disclosure rate for the summary of significant accounting policies was 90% in 2019 and increased to 95% in 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate reached 100%. This suggests that all the charities in the reduced sample provided a summary of their significant accounting policies.

iv. **Notes to Statement of Comprehensive Income:**

- The disclosure rate for notes to the statement of comprehensive income was consistently high at 90% in both 2019 and 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate increased to 100%. This indicates that all the charities in the reduced sample disclosed additional information regarding their comprehensive income.

v. **Notes to the Statement of Cash Flows:**

- The disclosure rate for notes to the statement of cash flows was 65% in both 2019 and 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate decreased to 55%. This suggests that a lower proportion of the reduced sample provided supplementary information about their cash flows.

vi. **Notes to the Statement of Financial Position:**

- The disclosure rate for notes to the statement of financial position was relatively high at 95% in both 2019 and 2020 among the 20 sampled charities.

- In 2021, with a smaller sample size of 11 charities, the disclosure rate increased to 100%. This indicates that all the charities in the reduced sample disclosed additional details about their financial position.

vii. **Significant Accounting Judgement and Estimates:**

- The disclosure rate for significant accounting judgment and estimates was 80% in both 2019 and 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate increased to 91%. This suggests that a higher proportion of the reduced sample provided information about significant accounting judgments and estimates.

viii. **Significant Events During the Year:**

- The disclosure rate for significant events during the year was 80% in both 2019 and 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate decreased to 73%. This indicates that a lower proportion of the reduced sample provided information about significant events that occurred during the year.

The findings reveal that most (80% - 100%) charities consistently provided financial statement notes. The disclosure rates were relatively high for most sections, such as the basis of preparation, summary of significant accounting policies, notes to the statement of comprehensive income, and notes to the statement of financial position. However, the disclosure rates for the notes to the statement of cash flows and significant events during the year were relatively lower across the years 2019 to 2021. This can be attributed to both the lower disclosure rates of the statement of cash flows as discussed in section 5.3.5 and the occurrence of significant events, such as the impact of Covid-19, which materially affected the charity's performance. Nevertheless, the trend towards higher disclosure rates in several sections in 2021 suggests an increasing emphasis on transparency and providing supplementary information about financial statements among the reduced sample and its importance. Furthermore, as the reports undergo auditing, the obligation to furnish supporting notes is expected as per IFRS for SMEs. It is observed that most (80% - 100%) of the charities adhered to the sequence of sections disclosed in the NFS as per the IFRS for SMEs outlined below:

- basis of preparation
- summary of significant accounting policies, including information about judgments
- supporting information for items in the financial statements (SCIE, SMF/CE, SFP, SCF)
- other disclosures such as significant events during the year

Encourage Consistent Disclosure: Since most of the sampled charities provided financial statement notes consistently, it is essential to continue encouraging charities to maintain this practice. Consistent and transparent disclosure of financial information enhances stakeholders' understanding and trust in the organisation. As previously highlighted, the disclosure of NFS depends on the type of statements prepared by the charity and the significant events that can potentially impact the charity's operation.

Recommendation 13: The RoT to encourage charities to provide notes to the financial statement.

5.2.12 Additional Financial Information

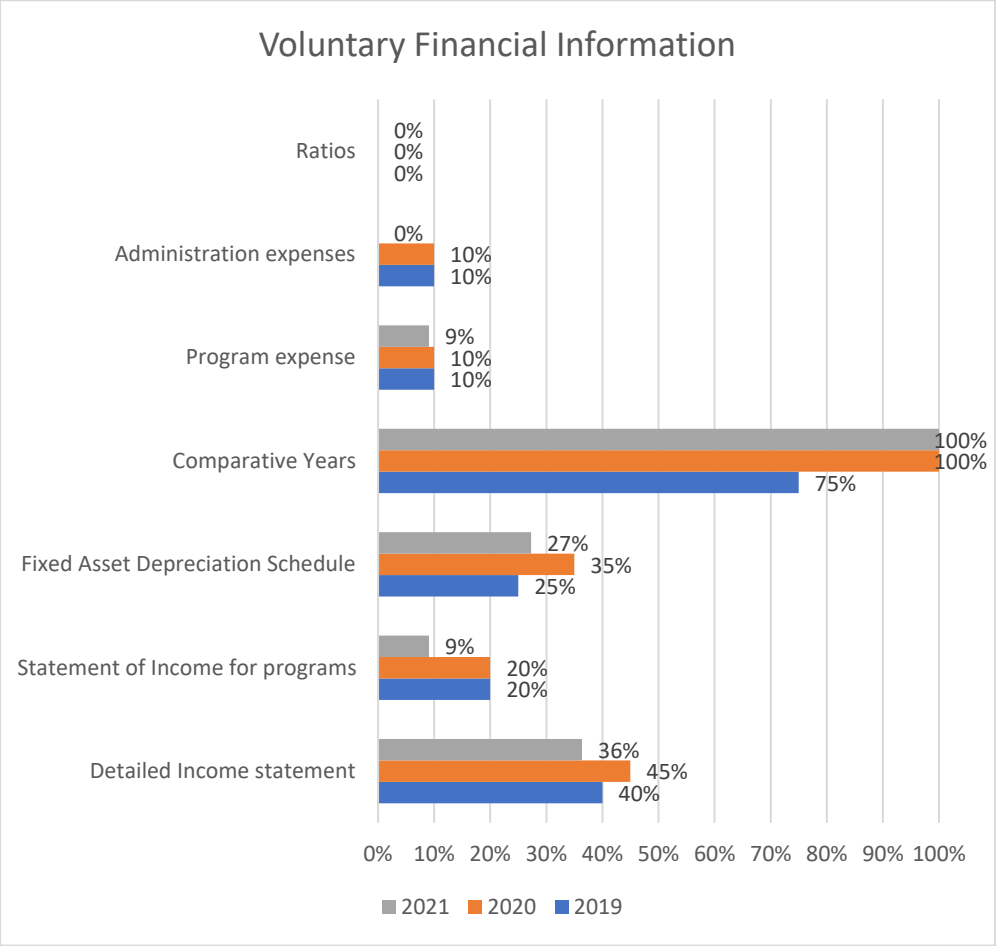

Figure 5.12

Disclosure of Voluntary Financial Information

The results are based on a sample size of 20 charities in 2019 and 2020 and a reduced sample size of 11 charities in 2021.

i. **Detailed Income Statement:**

The detailed income statement serves as a comprehensive report encompassing all income and expenditures. This report complements the income statement, also known as the statement of financial performance. While the detailed income statement holds value, it may not always be deemed necessary. This is because the statement of financial performance, along with the accompanying disclosure notes are generally furnished and considered satisfactory for stakeholders with a vested interest and as per the IFRS for SMEs (IAS Plus, 2022b).

- The disclosure rate for a detailed income statement was 40% in 2019 and increased to 45% in 2020.
- Only 36% of the charities in the reduced sample provided a detailed breakdown of their income statement in 2021.

ii. **Statement of Income for Programs:**

This statement outlines the income received via donations and grants for each charitable program that the charity engages in. Similar to the detailed income statement, this information could be alternatively disclosed in the accompanying disclosure notes to the financial statements (IAS Plus, 2022b).

- The disclosure rate for the income statement for programs was relatively low at 20% in 2019 and 2020 among the 20 sampled charities.
- In 2021, with a smaller sample size of 11 charities, the disclosure rate further decreased to 9%, indicating that a smaller proportion of the reduced sample reported their income specifically related to programs.

iii. **Fixed Asset Depreciation Schedule:**

This schedule outlines the fixed assets acquired and used throughout the fixed asset's estimated useful life. As per IFRS for SMEs, the notes to the financial statements disclose a reconciliation of the carrying amount at the period's start and end, revealing additions, disposals, impairment, and depreciation (IAS Plus, 2022b). This suffices for disclosing information about fixed assets owned and controlled by the charity. Hence the disclosure of the fixed asset depreciation schedule is unnecessary; however, it is necessary for internal reporting, verification purposes and record-keeping for future reference.

- The disclosure rate for the fixed asset depreciation schedule was 25% in 2019, increasing to 35% in 2020. Interestingly, the auditors for both charities remained the same; however, additional notes, including the fixed asset depreciation, were included in the following year.
- The decline in disclosure rate in 2021 suggests that fewer charities in the reduced sample provided details about their fixed asset depreciation compared to the previous year.

iv. **Comparative Years:**

- The disclosure rate for comparative years was 75% in 2019, increased to 100% in 2020 among the 20 sampled charities, and remained 100% in 2021 in the reduced sample (n=11).
- The improvement in disclosure in 2020 and its consistent maintenance in 2021 indicate that all charities in the sample reported comparative financial information. This is due to the mandatory submission of all audited reports to the RoT and reveals that the charities follow IFRS for SMEs by disclosing comparative prior period amounts (IAS Plus, 2022b).

v. **Program Expenses:**

In both 2019 and 2020, among the 20 sampled charities, the disclosure rate for program expenses was 10%. However, in 2021, with a smaller sample size of 11 charities, the disclosure rate slightly decreased to 9%. This suggests that a lower proportion of the sample reported their program expenses. Hence, it is not deemed important by the charities nor is it a presentation and disclosure requirement by IFRS for SMEs.

vi. **Administration Expenses and Ratios:**

- The disclosure rate of 10% was consistent for administration expenses for 2019 and 2020, whilst there was none in the reduced sample in 2021.
- None of the charities (0%) disclosed any ratio in all three years.

This illustrates that a very low proportion of the Fiji charities are less concerned about disclosing their administration expenses and financial ratios as IFRS does not require it for SMEs, which is also reflected in a study by Cyr et al. (2022). Initially, financial ratios have been developed for profit entities and are typically not applied to the not-for-profits as it lacks the profit motive (Greenlee et al., 2011; Kent, 1993). It is not surprising why none of the Fiji charities disclosed any financial ratio. However, studies have indicated that disclosing financial ratios is essential when discharging accountability as it demonstrates the charity's effectiveness and efficiency in utilising donations for their charitable purposes (Baber et al., 2001; Eckerd, 2015; Greenlee et al., 2011).

Therefore, it is advisable for the RoT to collaborate with pertinent stakeholders to define ratios that accurately reflect donation efficiency and effectiveness. One such example is the Program Spending Ratio, which measures the proportion of total expenses spent

performing charitable work (Greenlee et al., 2011) and is commonly employed as a basis for making contribution decisions (Baber et al., 2001).

In summary, the findings show that the disclosure rates for additional financial information apart from the provision of the detailed income statement and the comparative years were relatively low, ranging from 0% to 20% in the sample of charities in all three years. Since the minimum standard of reporting by IFRS for SMEs does not include any additional financial information except for disclosing comparative years, any disclosure of additional financial information reflects a higher effort in demonstrating accountability.

Recommendation 14: The RoT to collaborate with pertinent stakeholders to define ratios that accurately reflect donation efficiency and effectiveness.

5.3 Disclosure of Non-Financial Information

5.3.1 Disclosure of Charity Information

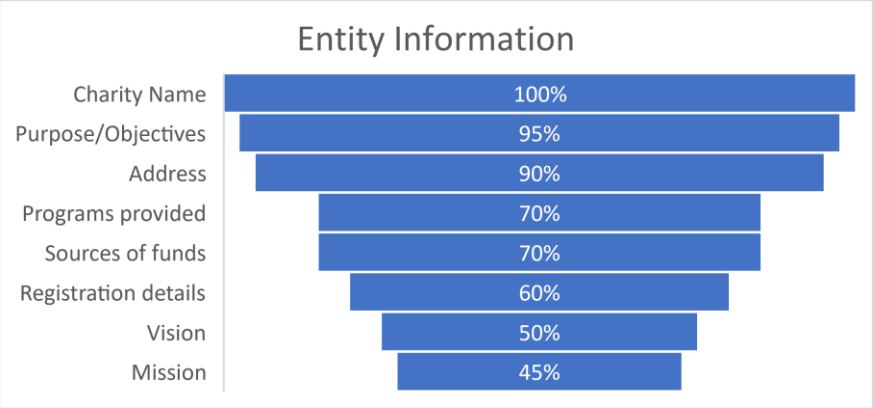

Figure 5.13

Voluntary Disclosure of Charity Details

The following sections are categorised into two sections based on the mandatory and voluntary disclosure of charity information.

1. **Mandatory Disclosure of Charity Information**

As mentioned earlier, the RoT mandates certain registration information, including the charity's name, purpose and objectives, and address. Despite this mandatory requirement, it is interesting to note that 5% (1) of charities did not disclose their purpose and objectives, details which are essential for stakeholders to understand the entity's mission, and 10% (2)

did not disclose their address, which is crucial for communication and accessibility among stakeholders (Saxton & Guo, 2011).

2. **Voluntary Disclosure of Charity Information:**

In examining the following aspects of charity disclosure, several key issues emerge. Firstly, when it comes to disclosing information about the programs provided and sources of funds, there is a reasonably positive trend with a disclosure rate of 70%. This indicates that a significant portion of charities voluntarily share details about their programs and funding sources, which is essential for transparency and building trust with stakeholders.

However, registration details are somewhat different, with the disclosure rate at 60%. While a moderate proportion of charities provide additional registration details beyond the mandatory requirements, there is room for improvement to enhance transparency and accountability.

Moving on to the disclosure of vision, only 50% of charities choose to share their long-term aspirations and goals. This suggests that many charities may not fully communicate their future direction, hindering stakeholders' understanding of their strategic plans.

Furthermore, the disclosure rate for the mission is even lower at 45%. This indicates that a smaller percentage of charities disclose their core purpose and reason for existence. This issue is noteworthy as a clear mission statement is crucial for stakeholders to comprehend an organisation's fundamental objectives and impact.

Despite the absence of mandatory reporting, it is encouraging to note that the above charities have voluntarily provided the following information on their website and Facebook page. According to Saxton and Guo (2011), this form of online disclosure is intended to demonstrate accountability for performance by describing the organisation's history, mission statement, vision and goals.

In summary, while progress is being made in some areas of disclosure, there is still work to be done in ensuring that charities communicate crucial information about their registration, vision, mission and values as an indicator to better serve their stakeholders and to maintain public trust and confidence (Dhanani & Connolly, 2012; Saxton & Guo, 2011; Yang & Northcott, 2019b). Furthermore, the name, address, purpose/objectives of charities

should consistently be updated in all of their official and online communications since this helps inform the public that the charity is operating legally (Yasmin et al., 2014).

Recommendation 15: The RoT will need to encourage Fiji charities to disclose their registration, vision, mission, and values.

5.3.2 Voluntary Disclosure of Performance Reports

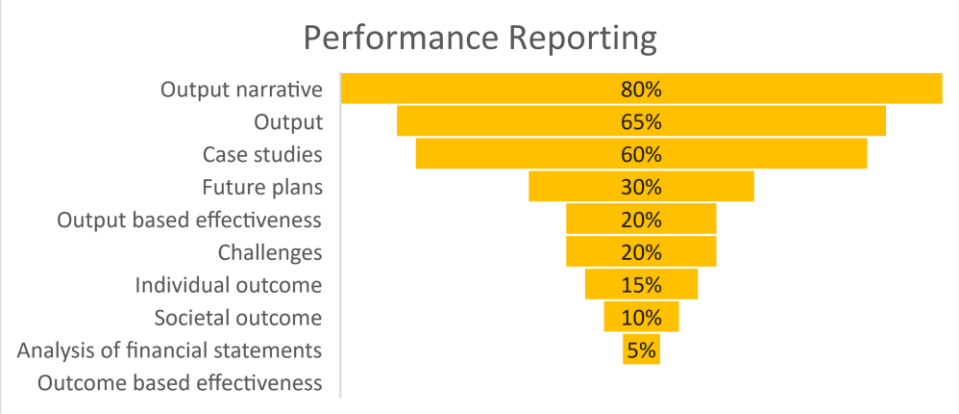

Figure 5.14

Disclosure of Performance Reports

Voluntary Disclosure: Performance Reports

The disclosure practices of performance information reveal several key trends. Notably, 80% of charities provide output narratives describing their activities without any quantitative description. For instance, they may narrate events like visiting a village in the highlands of Fiji for a water and sanitation hygiene awareness workshop or distributing supplies in a Suva squatter settlement. Such narratives are often accompanied by photos depicting these activities.

Additionally, 65% disclose tangible output results. For example, we operated on 35 dogs within the first quarter that incurred a total cost of $2275, while 60% present specific case studies identifying and describing the recipients' experiences and the impact of the services.

However, fewer charities share their plans (30%) or report on output-based effectiveness (20%), including operational challenges (20%). Only a minority report on individual-level outcomes (15%), and even fewer address broader societal impacts (10%).

Surprisingly, very few charities offer detailed financial statement analysis (5%), and none in the sample provide information on overall program impact or outcomes (0%). These findings reflect varying levels of transparency and reporting among charities across different dimensions of their operations and impact.

Though minimal, several sample charities have voluntarily provided online performance reports without mandatory requirements or guidance from the RoT or any other authority. This is encouraging, although there is a need for improved disclosure. Without voluntary disclosure, as depicted in Figure 5.14, it will be impossible for the public and other stakeholders to gain insight into the activities of the charities in Fiji. As observed from the results in Figure 5.14, none of the charities disclosed outcomes based on non-financial performance. According to Yang and Northcott (2019b), outcomes-based non-financial performance disclosure is central in the discharge of accountability in order to build public trust. Additionally, a common theme in previous charity accountability studies showed that stakeholders perceive the disclosure of non-financial performance information in Figure 5.14 as more useful than financial information and informing their evaluation of charities (Connolly & Hyndman, 2013).

Furthermore, it is noted that the stakeholders and the public wants more information about whether beneficial outcomes are achieved (Rutley & Stephens, 2017). As purported by Chu and Luke (2023), there is limited publicly available information regarding NPO activities and outcomes. NPOs must progress beyond moral to pragmatic legitimacy by reporting not only on financial but also social performance to a range of stakeholders. It is a statement relevant to the Fijian charities establishing a need to enhance outcome and impact reporting as it helps build trust with stakeholders and demonstrates accountability.

A study conducted by Harris and Neely (2021), found that higher levels of disclosure are associated with organisations that have stronger governance and more professional staff a claim that is supported by Saxton et al. (2012). Therefore, it is perceived that the low level of non-financial disclosure is also attributed to the lack of professional staff and weak governance in addition to the non-mandatory requirement. This is evident in Fiji's charity sector based on the accountability practices that have been observed.

There is no requirement for Fiji charities to disclose outcomes, outputs and impacts of their charitable activities and mission. Mandating charities to disclose these demonstrates their commitment to transparency and accountability in achieving their mission and

objectives. Enhanced disclosure of outcomes and impact can also help charities attract donors and funding by showcasing the effectiveness of their programs and charity initiatives (Chu & Luke, 2023; Hyndman & McConville, 2016; McConville, 2017).

It is recommended that the RoT engage stakeholders to consider implementing a reform in non-financial performance reporting, similar to the practices adopted by the charity sectors in Australia, NZ, and the UK. This reform can enhance accountability, foster competitiveness, and build public trust and confidence (McConville & Cordery, 2018).

Recommendation 16: The RoT engage stakeholders to consider implementing a reform in non-financial performance reporting.

5.3.3 Voluntary Disclosure of Environmental, Social, Governance Information

Voluntary Disclosure of Environmental Information

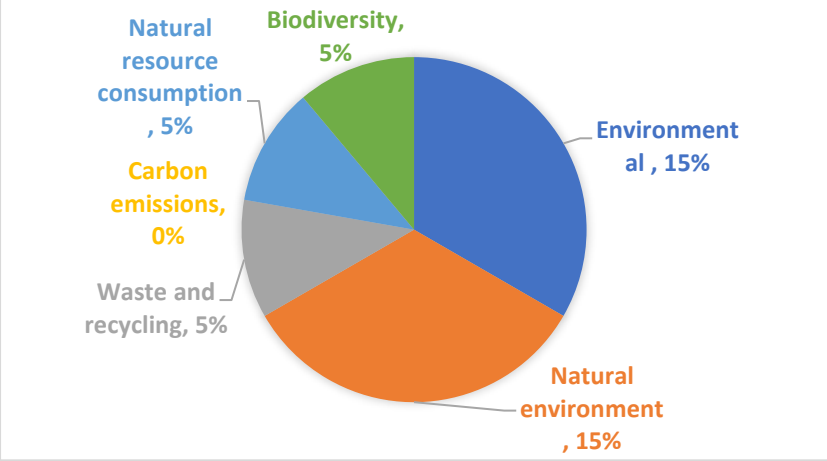

Figure 5.15

Environmental Factors

The results indicate that the charity's programs demonstrate varying environmental focus. While some programs incorporate initiatives related to biodiversity and the natural environment, there is a lack of reporting on significant environmental aspects such as carbon emissions and natural resource consumption. The charity's failure to disclose these critical environmental indicators may indicate a lack of commitment to ESG reporting. Given that ESG was initially established for corporate companies, it is not surprising that none of the Fiji charities provided any online report focusing on the charities' impact on the environment,

such as the charities' efforts and performance in areas such as carbon emissions or footprint, energy efficiency, waste management, water usage, and pollution control. Interestingly, Fiji is the seventh in the world and the first Pacific Island nation to develop and pass a Climate Change Act demonstrating Fiji's commitment of net-zero carbon emissions by 2050 (Ministry of Communication, 2021). However, the results from the sample reveals that the charity sector in Fiji is yet to incorporate any form of environmental reporting specifically carbon emissions on their online platforms.

Voluntary Disclosure of Social Information

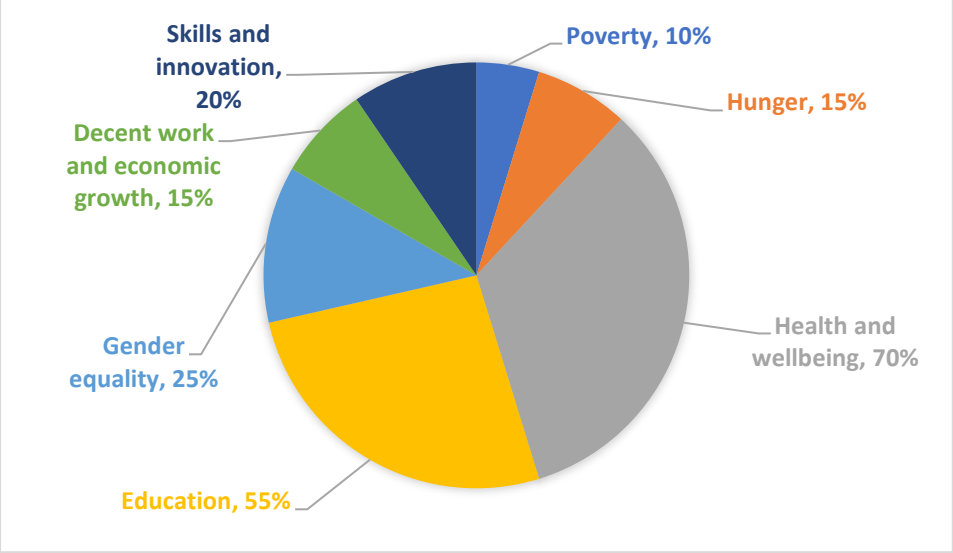

Figure 5.16

Social Factors

The provided results represent the percentages of focus areas within the social aspect of ESG for a sample of 20 charities in Fiji. Overall, the analysis reveals a diverse distribution of focus areas within the social aspect of ESG for the charities in Fiji. While health, well-being, and education are prominent areas of attention, there may be opportunities to increase efforts to address poverty, hunger, and gender equality. Though the charities provide programs that address these social aspects, none of the charity samples (n = 20) provided a social report on diversity and inclusion practices, labour standards, or human rights. It appears that Fiji charities do not place any value on ESG reporting or are unaware of ESG reporting initiatives.

Based on the analysis, there is a noticeable gap in the ESG reporting within Fiji's charity sector. While some charities display initiatives tied to environmental conservation and

social well-being, the lack of reporting on critical environmental metrics like carbon emissions and natural resource consumption, along with the absence of reports on diversity, inclusion, and human rights, is concerning. To enhance transparency, foster trust with stakeholders, and align with global best practices, it is recommended that Fiji's charity sector undergo training on the principles and practices of ESG reporting. This training should encompass both environmental and social aspects, ensuring that charities not only implement but also effectively communicate their efforts across all facets of ESG. In doing so, the charities can present a more holistic picture of their impact, thereby attracting more support and collaboration for their initiatives.

Recommendation 17: The RoT and relevant authorities in Fiji's charity sector could consider requiring charities to undergo training on the principles and practices of ESG reporting that are relevant to the Fijian context and aligned with global reporting initiatives.

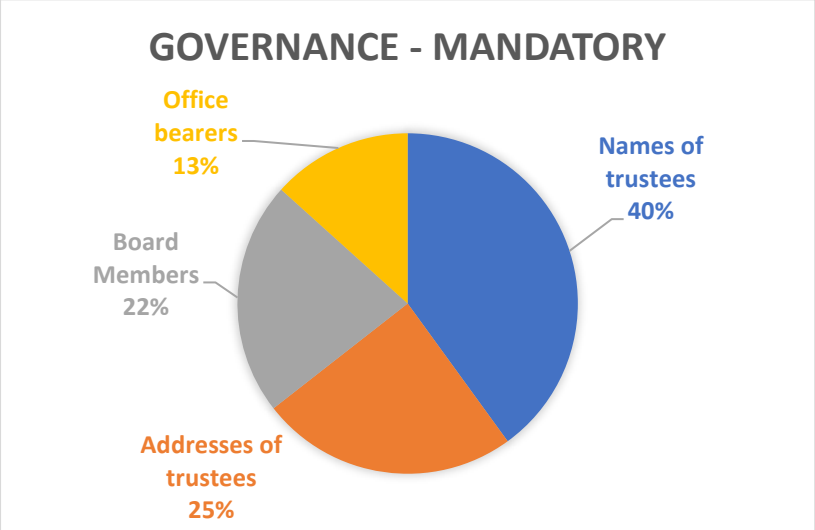

Figure 5.17

Governance Mandatory Disclosure

The above analysis (Fig 5.17) reveals several areas of concern. Firstly, a mere 13% of charities disclose their office bearers, indicating a significant lack of transparency in leadership roles within the sector. Secondly, although 40% of charities disclose the names of trustees, this is surprisingly low given that the trustees' names are required for charity registration. Thirdly, only 22% of charities provide information about their board members, suggesting that some may not be offering comprehensive details about their governing bodies, with just 25% disclosing the addresses of trustees, there is a gap in providing complete contact information for governing members.

It is evident from these findings that the RoT is unaware of the non-submission of the required information, nor does it have any monitoring mechanism in place to ensure that all registered charities provide the mandated information.

Recommendation 18: The RoT establish clear reporting requirements and implement a monitoring system that will allow the RoT to track and verify compliance with reporting requirements.

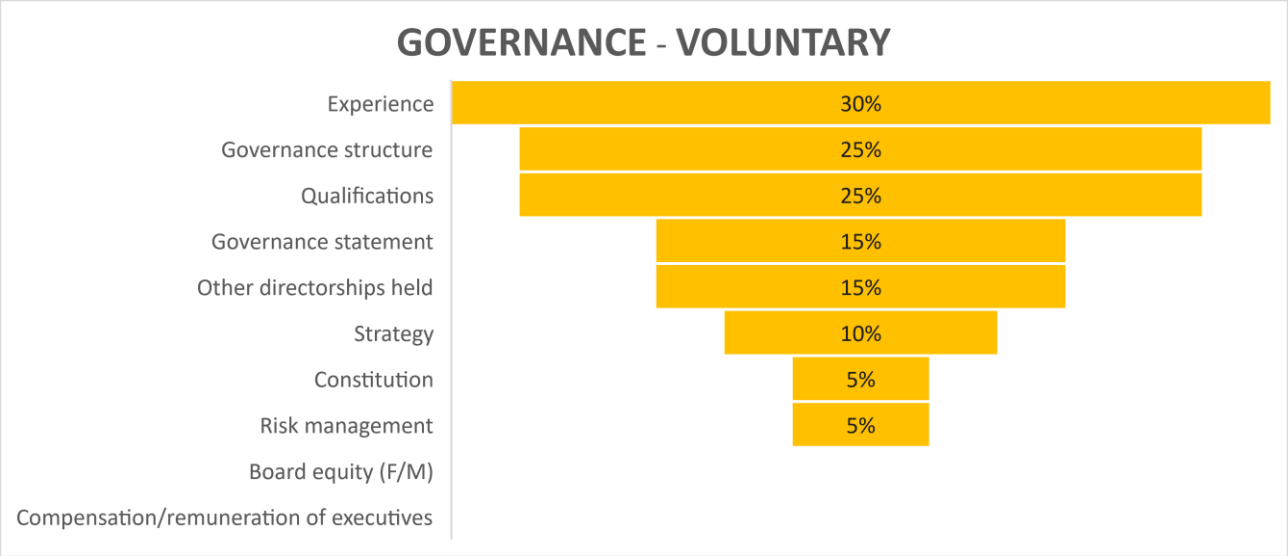

Figure 5.18

Governance Voluntary Disclosure

As seen in Figure 5.18, it is evident, based on the sample, that charities in Fiji have a minimal level of disclosure regarding governance when there are no guidelines or mandatory reporting. Only 30% of the charities disclose the experience of their executives and board members, and 25% disclose the governance structure and qualifications of the board members and executives. The remaining disclosure variables are minimal, ranging from 0% to 15%. Notably, none of the charities disclose board equity to indicate the charity's commitment to diversity and inclusion. Disclosing board composition will allow stakeholders to see whether the board represents a variety of perspectives, backgrounds, qualifications, equity (females/males) and experiences - which can lead to better decision-making in achieving the mission and improved disclosure practices (Barnes & Howson, 2014, March 29; Wagner, 2014; Zainon et al., 2014).

Additionally, as shown in Figure 5.18, none of the charities disclosed the compensation/remuneration of their executives. Though compensation disclosure is an

uncommon practice in Fiji charities, a study identified a positive relationship between increased funding to charities and key management personnel compensation (Seyam & Banerjee, 2018), that is, the more funding a not-for-profit receives, the more likely it is to increase executive compensation. Nevertheless, other studies have shown that the disclosure of key management personnel compensation or remuneration that donors perceive to be too high leads to donors either withholding or reducing their contributions (Balsam & Harris, 2014; Galle & Walker, 2016; Kaden et al., 2022), based on the reasonableness of the remuneration in relation to the responsibilities of the executives. For instance, the media reported excess executive compensation and reduced donations by 5% as it was deemed unreasonable by the public (Seyam & Banerjee, 2018). It is perceived that high levels of executive compensation can lead stakeholders to believe that the non-profit is diverting resources away from its mission (de Azevedo & Braga de Aguiar, 2021). To enhance transparency and accountability, the ACNC introduced a new reporting requirement in 2022 that required mostly large charities to disclose the remuneration of key personnel, along with guidelines regarding what constitutes an appropriate remuneration (Johns, 2022).

Overall governance disclosure practices are minimal to none. This is typically expected when governance disclosure is not mandated or required by the RoT. On the other hand, those charities that had some form of disclosure relating to board composition is minimal. Hence, it is recommended that the RoT should develop and implement clear guidelines for governance disclosure practices for all registered charities. These guidelines should outline the essential elements of governance that charities are required to disclose, including board composition, governance structure, and adherence to best practices.

Recommendation 19: The RoT establish clear governance disclosure guidelines that outline the essential elements of governance that charities are required to disclose, including board composition, governance structure, and adherence to best practices.

5.4 Chapter Summary

The analysis of the results led to the development of recommendations focusing on the disclosure of the audit report, financial information and non-financial information. An overview of the recommendations is provided in Table 5.2.

Table 5.2

Summary of Recommendations

Recommendations for the Registrar of Titles
Financial Information Disclosure
Disclosure of the Audit Report
1. RoT should encourage charities to consider engaging a T1 accounting firm.
2. RoT in consultation with the FIA provide a list of approved accounting firms and chartered accountants for charities that are not in a position to engage TI accounting firms.
3. RoT should differentiate between compiled and audited financial statements.
4. RoT to consistently apply the rule of law to charities that do not comply with the submission of audited annual reports.
5. RoT in consultation with the FIA should encourage charities in Fiji to adhere to the relevant accounting standards in order to consistently receive an unqualified opinion,
6. RoT should provide a minimum basis of reporting provisions for all charities, that can assist the charities with adherence to the accounting standards.
7. RoT, in collaboration with the FIA, could recommend adopting IFRS for SMEs as the accounting standard for charities. Additionally, they could adapt IFRS for SMEs for relevance to Fiji's charity sector, since the sector is nuanced.
8. RoT should develop incentives for prompt submission, ideally within 3-6 months after FYE or a reasonable timeframe for stakeholders to access reports promptly.
9. RoT should impose penalties on non-compliant charities, including fines and potential deregistration, for failing to meet specified submission deadlines.
Disclosure of the Financial Information
10. RoT, in consultation with the FIA, prescribes the type of statements to be prepared and provide the necessary resources to aid charities in preparing and disclosing the relevant annual financial reports. Furthermore, the RoT and FIA to be participants in the IFR4NPO project to create sector awareness among the relevant stakeholders.
11. RoT, in collaboration with the FIA, should set minimum guidelines for the presentation and disclosure format of the relevant financial statements or encourage the charities to adopt IFRS for SMEs following its presentation and disclosure guidelines.
12. RoT in consultation with the FIA should encourage Fiji charities to prepare and disclose the statement of cash flows and the relevant line items as per IFRS for SMEs.
13. RoT to encourage charities to provide financial statement notes
14. RoT to collaborate with pertinent stakeholders to define ratios that accurately reflect donation efficiency and effectiveness.
Disclosure of Non-Financial Information
15. RoT to encourage Fiji charities to disclose their registration, vision, mission and values.
16. RoT engage stakeholders to consider implementing a reform in non-financial performance reporting.

Recommendations for the Registrar of Titles
17. RoT and relevant authorities in Fiji's charity sector could consider charities to undergo training on the principles and practices of ESG reporting that are relevant to the Fijian context and aligned with global reporting initiatives.
18. RoT establishes clear reporting requirements and implement a monitoring system that will allow the RoT to track and verify compliance with reporting requirements.
19. RoT establish clear governance disclosure guidelines that outline the essential elements of governance that charities are required to disclose, including board composition, governance structure, and adherence to best governance practices.

According to Saxton and Guo (2011), financial disclosure in nonprofit organisations is influenced by four key factors: strategy, capacity, governance and environment. The first key factor involves nonprofits aligning their information disclosure practices with their organisational strategy in pursuit of its mission. Secondly, the level of resources within an organisation, particularly financial and technological resources, directly impacts their ability to engage in disclosure activities, given the associated costs. Thirdly, its governance affects disclosure since it is "essential for ensuring that organisational resources and capacities are properly used and strategies are properly implemented" (Saxton et al., 2012, p. 1056). Finally, the organisation's environment impacts the availability of resources, development of mission statements, and building of strategies - which all affect information disclosure. In addition, to these four factors, Hu et al. (2020) proposed an additional factor: organisational culture that influences the disclosure practices of a nonprofit. Charity is typically characterised by a caring climate addressing the community's social needs and primary concerns, so the charity must do what is right for the public in discharge of its accountability (Laratta, 2011).

Based on the results above, financial disclosure is mandated by the Charities Act and the RoT. However, non-financial disclosure is not required and is voluntary. As posited by Chu and Luke (2023), there is also a need for information about the activities of NPOs and the achievements or progress made by reporting not only on financial but also on social performance to a range of stakeholders. As asserted by Van Staden and Heslop (2009, p. 45): "accountability encompasses more than making and evaluating decisions. Accountability is required to be discharged, whether or not the recipients use the information provided."

In conclusion, the analysis chapter has provided valuable insights into the state of financial and non-financial information disclosure within the charity sector in Fiji. The

recommendations put forth for both Fiji charities and the RoT offer a comprehensive roadmap for enhancing transparency, accountability, and compliance within the sector.

For Fiji charities, it is imperative that they consider engaging T1 accounting firms to ensure the quality and accuracy of their financial reporting. Adherence to relevant accounting standards, such as IFRS for SMEs, is crucial for consistently receiving unqualified opinions and maintaining donor trust.

Moreover, Fiji charities should embrace the importance of timely submission and disclosure, with incentives and penalties serving as effective mechanisms to encourage compliance. Non-financial information disclosure, including mission, vision, and values, should also be encouraged to provide a more holistic view of charity operations.

On the other hand, the RoT plays a pivotal role in supporting and regulating the charity sector. Recommendations for the RoT include the establishment of clear guidelines, monitoring systems, and reporting requirements to ensure charities' compliance with financial and non-financial disclosure standards. The collaboration between the RoT and the FIA to recommend the adoption of IFRS for SMEs, as well as adapting it to the nuanced charity sector, holds the potential to significantly improve reporting practices.

Furthermore, governance disclosure guidelines are essential to enhancing transparency within charities, focusing on elements such as board composition, governance structure, and adherence to best practices. Therefore, the recommendations provided in this analysis chapter offer a comprehensive approach to addressing the challenges and gaps in financial and non-financial information disclosure within Fiji's charity sector. By implementing these recommendations, both Fiji charities and the RoT can work collaboratively to enhance accountability, transparency, and the overall effectiveness of the charitable organisations that play a vital role in the community.

This chapter outlines the analysis of the findings based on the data collected. The following chapter discusses the implications and conclusions.

CHAPTER 6: IMPLICATIONS AND CONCLUSIONS

The analysis discussed the accountability practices in Fiji's charity sector and recommendations were formulated to enhance the sector, providing answers to the purpose of this study. The primary aim of this research has been to examine these accountability practices by addressing the primary question: what are the accountability practices in Fiji's charity sector, and how are they disclosed? In addition, the secondary questions are:

1. What financial practices are carried out and disclosures made in Fiji's charitable sector?
2. What non-financial practices including ESG are carried out and what disclosures are made in Fiji's charitable sector?

The following sections discuss the implications of the disclosing financial and non-financial information in the sector, followed by the contributions and limitations of the study.

6.1 Implications of the Study

The implications arising from this study hold significant importance for Fiji's charity sector and its pursuit of accountability and transparency. The amendments enacted in the Fiji Charity Act in 2013, and the Fiji Companies Act in 2020 have played an important role in improving the financial practices and disclosures made in Fiji's charity sector. These amendments mandate the submission of audited annual reports to the RoT regardless of the charities size such as income level, expenditure level or number of employees. Furthermore, in 2020 they granted the RoT the authority to deregister charities for non-compliance, signalling a clear intent to enhance accountability practices within Fiji's charity sector.

In a study conducted by Hooper et al. (2007), it was highlighted that the United Nations is interested in measuring the charity sector globally, a critical step towards encouraging continued donations to NPO to further government social objectives. In the context of Fiji, this suggests that improving accountability practices within the country's charity sector could lead to increased donor confidence and support from stakeholders for furthering the sector's ability to achieve social objectives.

In 2022, the RoT exercised its power by deregistering 705 charities. These charities were deregistered due to their non-submission of audited annual reports, and non-operation. In developing Pacific Island countries such as Fiji, charities play a pivotal role in assisting the

government in addressing wider societal responsibilities. Hence, it is essential that charities be aware of the requirements and provided with resources to help manage and sustain their charitable operations. The pursuit of accountability in the charity sector within Pacific Islands, such as Fiji, presents significant challenges. The findings clearly demonstrate that a 'one-size-fits-all' solution does not address the problem or provide a solution. The application of accounting standards, specifically IFRS for SMEs, has, to some extent, improved financial reporting requirements and disclosure in the NFP sector. However, it is not consistently applied due to the nature and size of the charities, as shown in the findings.

In this study, the ethical branch of stakeholder theory was applied, which suggests that charities, by engaging with stakeholders and providing both financial and non-financial information, can better fulfill their social objectives and gain a competitive advantage. However, our findings reveal a contrasting pattern, where information is primarily disclosed to powerful stakeholders, indicating a focus on the managerial branch of stakeholder theory. As mentioned in chapter two, the provision of financial information signifies that the entity deems itself accountable to powerful stakeholders such as the regulator and donor. This is evident from the findings.

Additionally, access to financial information is hindered by a charge of 55 cents per page for reviewing many of the financial reports of charities in Fiji as many are not disclosed on the charity’s website or made available online. This cost barrier makes it challenging for other stakeholders to scrutinize charity performance and hold them accountable. Furthermore, though the audited annual report is mandated to be submitted to the RoT, it is not required to be publicly available.

Moreover, this lack of transparency can result in missed opportunities for potential donors and charities to have a more substantial impact on society. It is crucial for the charity sector to address these issues to ensure greater accountability and social impact.

The implications of the recommendations summarised in Table 5.2 for Fiji's charity sector can be far-reaching, potentially impacting the operational, financial, and strategic aspects of charities. Hence a breakdown of the implications associated with each set of recommendations is discussed in the subsequent sections.

6.1.1 Implications Regarding the Disclosure of Financial Information on the Charity Sector in Fiji

1. **Engagement with top-tier accounting firms**: The research indicates a variance in the quality of financial reporting among Fijian charities. If charities were to engage with top-tier accounting firms, the sector would anticipate not only an improvement in the accuracy and reliability of financial disclosures but also an increase in confidence from donors and stakeholders in the financial integrity of the sector.
2. **List of approved firms and accountants**: Findings suggest that smaller charities may struggle to identify and select auditors with the appropriate expertise, potentially affecting the reliability of their financial reporting. An approved list of firms and accountants could mitigate this issue by helping smaller charities improve their financial reporting and compliance, contributing to a more robust charity sector.
3. **Differentiating compiled vs. audited statements**: The study highlights a general lack of understanding within the sector regarding the difference between compiled and audited financial statements, which can affect the perceived credibility of financial information. Clearly distinguishing between compiled and audited statements would improve the understanding of financial reports among stakeholders and enhance the credibility of the charities' financial information.
4. **Consistent rule application**: The study indicates inconsistency in compliance enforcement, leading to inconsistent reporting standards. Consistent application of compliance rules by the RoT may lead to a higher submission rate of financial reports and strengthen the culture of accountability and enhance uniformity within the sector.
5. **Adherence to accounting standards**: The analysis reveals that inconsistent adherence to accounting standards among charities hampers the consistency, transparency, and comparability of financial information. Encouraging adherence to accounting standards aims to ensure that all charities provide consistent and transparent financial information, facilitating comparability.
6. **Minimum reporting provisions**: The study suggests that a lack of minimum reporting standards leads to significant discrepancies in the financial information provided by charities, particularly smaller or newer organisations. Minimum reporting provisions would ensure that even small charities maintain a basic level of financial transparency and meet basic reporting standards that can also facilitate comparability.
7. **Adoption of IFRS for SMEs**: Adopting the IFRS for SMES would likely lead to uniformity in financial reporting across Fiji's charity sector. This uniformity could

facilitate easier analysis and comparison of financial statements by stakeholders both within Fiji and internationally, potentially attracting foreign donors and partnerships. Additionally, it might streamline the financial reporting process for charities as they follow an internationally recognized standard, reducing ambiguity and increasing the efficiency of the audit process.

8. **Incentives for timely submission**: Incentives for timely submission of financial reports could result in more up-to-date and relevant financial information being available to stakeholders. This could enhance the decision-making process for donors, beneficiaries, and policymakers, and could lead to increased trust in the charity sector. The regular flow of current information could also allow for better monitoring of the sector's health and timely intervention when financial issues are identified.
9. **Penalties for non-compliance**: Instituting penalties for non-compliance with reporting standards could lead to a higher compliance rate among charities. This improved compliance could enhance the reputation of Fiji's charity sector as a whole, potentially leading to increased public confidence and a more favorable environment for charitable giving. However, it could also place a financial strain on non-compliant charities, especially smaller ones, which may require additional support to meet the standards.
10. **Statement of cash flow and line items disclosure**: Mandating the disclosure of cash flows and specific line items would likely result in greater financial transparency, giving stakeholders a clearer picture of a charity's liquidity and cash management practices. Such disclosure could aid stakeholders in assessing the financial health and sustainability of charities, potentially influencing funding decisions and the strategic direction of the charities themselves.
11. **Minimum guidelines for financial statements**: Establishing minimum guidelines for financial statements could ensure a basic level of financial transparency that all charities, regardless of size, must adhere to. This could decrease the variability in the quality of financial reporting among charities, facilitating easier understanding and assessment for stakeholders and enhancing the overall accountability of the sector.
12. **Defining relevant ratios**: The development of standardised financial ratios tailored for the charity sector could provide donors and other stakeholders with key metrics for evaluating the financial performance and health of charities. This could lead to more informed decision-making regarding donations and funding and could improve

the charities' own understanding of their financial effectiveness and areas needing improvement.

6.1.2 Implications regarding the Disclosure of Non-Financial Information on the Charity Sector in Fiji

1. **Disclosure of core information**: By disclosing foundational information such as registration status, vision, mission, and values, charities in Fiji can expect to see a strengthening of their public image and trustworthiness. This level of transparency allows for greater stakeholder engagement and alignment, which is likely to lead to increased support and collaboration opportunities. Potential donors and volunteers can make more informed choices, aligning their contributions with charities whose purposes resonate with their personal values.
2. **Reform in non-financial performance reporting**: Implementing a reform that results in more comprehensive and standardised non-financial reporting can significantly enhance how the effectiveness and impact of charities are evaluated. This could lead to better strategic planning within charities and more targeted donations from funders who seek to support specific outcomes. Over time, the availability of robust non-financial data may foster a more results-oriented charity sector in Fiji, focused on achieving and demonstrating meaningful social impact.
3. **Clear reporting requirements and monitoring**: Establishing clear non-financial reporting requirements and an effective monitoring system would likely lead to higher levels of compliance within the charity sector. This can provide assurance to donors, government entities, and the public that charities are fulfilling their obligations and missions. Over time, such practices would contribute to an environment of accountability and trust, which is fundamental for the growth and sustainability of the sector.
4. **Governance disclosure guidelines**: Introducing specific guidelines for the disclosure of governance structures and practices could significantly improve the perception of the charity sector's integrity and management. Stakeholders, including potential international partners, would have a clearer understanding of how charities are governed and managed. This transparency in governance can also mitigate risks associated with mismanagement and corruption, which are critical concerns for donors and the public.

In summary, the implications derived from this research underscore the importance of enhancing financial and non-financial reporting practices among Fiji's charities. By adopting these recommendations and collaborating with relevant stakeholders, the charity sector in Fiji can move toward greater accountability, transparency, and effectiveness in serving their missions and stakeholders. These steps are crucial not only for maintaining public trust and confidence but also for fostering the growth and impact of charitable organisations in Fiji.

6.2 Contributions

This study contributes to literature in several ways:

1. Comparative analysis across development scales: The study contributes to literature by drawing from accountability practices in developed countries with regulated environments. It compares these practices against those observed in the charitable sector in Fiji, a developing nation. This comparison offers insight into the level and quality of financial and non-financial information shared in a developing context, enhancing our knowledge of accountability trends globally within the charitable sector.
2. Temporal insight into regulatory impacts: The study covers a three-year period, capturing the year prior to a significant change in the Charities Act, the year of the change, and a year post-change. By doing so, it offers a unique perspective on the immediate effects and outcome of regulatory shifts, contributing to literature on the real-world implications of legislative changes on charitable reporting.
3. Recommendations for improved accountability: Rooted in both a “best fit” and “best practice” approach, the study aims to provide tangible recommendations tailored to Fiji’s charity sector. These recommendations are designed to improve transparency and reporting practices, ensuring that they are aligned with both local nuances and global best practices.
4. Enhanced understanding of non-financial practices: The study contributes to the relatively sparse literature on non-financial practices in emerging economies, especially within the South Pacific Island context. By exploring aspects like environmental considerations, social performance, and governance disclosures, the research offers a comprehensive view of accountability dynamics beyond mere financial metrics in Fiji's charity sector.

6.3 Limitations

Every research endeavor comes with its set of challenges and limitations. Recognising these limitations does not diminish the value of the study but rather gives a clearer picture of its scope and potential areas for improvement. The following outlines the specific limitations of this study, offering a more nuanced understanding of its results and implications.

1. The study is limited to charities registered in Fiji. Future research may include the charity sectors in other SPIEs.
2. The study is limited to charities registered under the Charities Act but excludes religious and educational organisations as they differ in operation, and services provided.
3. The study is limited to annual reports and disclosures made via the RoT, social media platforms and websites. Future research may include the preparers perspectives as to why they choose to or not to disclose financial and non-financial information.
4. The sample size for the years provided varies, with only 11 charities being examined in 2021 compared to 20 in the previous years.
5. The findings, while significant for Fiji, might not be generalisable to charities in other regions or countries without considering local cultural, economic, and regulatory differences.
6. The study does not factor in external variables that could influence financial reporting and non-financial reporting like regulatory changes, economic conditions, or shifts in funding patterns for charities.

6.4 Conclusion

This study on Fiji's charity sector delves into the balance between legal changes and the ongoing push for greater transparency and accountability. Key legislative measures, like the Fiji Charity Act of 2013 and the Fiji Companies Act of 2020, clearly show the intent to improve how charities operate and report their activities.

The study’s central question explored how charities in Fiji practice accountability and how they disclose these practices. Through this lens, we observed that while there’s a global push, noted in studies like the one by Hooper et al. (2007), for more transparent operations to gain trust and support, Fiji’s local landscape has its unique challenges and opportunities. The recent decision by the RoT to deregister numerous charities is a case in point, underscoring the serious implications of not adhering to reporting guidelines.

The findings suggest that accountability cannot be standardized. While introducing standards like IFRS for SMEs has made a difference, the diverse nature of charities calls for more flexibility. Additionally, the study suggests that charities often lean towards disclosing information primarily to influential and powerful stakeholders, limiting broader access to crucial data.

A highlighted concern is the cost associated with accessing charity financial data. Such barriers can deter potential supporters and reduce the overall impact charities can make in the community.

The study's recommendations, ranging from the need to work with top accounting firms to improving non-financial disclosures, offer a roadmap for Fiji's charity sector to enhance trust and transparency.

In conclusion, this research sheds light on the challenges and opportunities within Fiji's charity sector. While there have been positive steps both legally and in practice, there is more work ahead. By focusing on the outlined suggestions and prioritising both transparency and accountability practices, Fiji's charities can better serve their communities and stakeholders.

Several areas could expand upon this research in the future. First, while this study focused on charities in Fiji, examining charities in nearby island countries could reveal similarities or differences. This research centred on specific charities, omitting religious and school-based organisations. Since these groups operate differently, understanding their financial practices and disclosures would be insightful. The primary sources of information were yearly reports and online data. Future studies might delve into the reasons behind the disclosure or non-disclosure of specific information by report preparers. There was a notable discrepancy in the number of charities studied in 2021 compared to other years, suggesting that future investigations should strive for consistency across years. While the findings are pertinent to Fiji, they might not be applicable universally. Subsequent research could examine how charities operate in areas with varying cultural, economic, or regulatory landscapes. Finally, external factors like regulatory shifts, economic fluctuations, or changes in charity funding sources might influence financial disclosures. These areas merit further exploration.

In examining the landscape of the charity sector in Fiji, the significance of accountability becomes abundantly clear. As highlighted by the title of this research, the “Pursuit of Accountability in the Fiji Charity Sector,” ensuring transparency and trustworthiness is paramount, not only for the present but also for the future sustainability of

the nation. By enhancing financial and non-financial disclosures, the charity sector can strengthen trust among donors and stakeholders. This trust is crucial for sustained growth in a sector that not only competes for funding but also strives to effectively fulfill its mission. This trust is not merely a matter of financial integrity; it is about establishing a reliable relationship between donors, beneficiaries, and the charity organisations themselves. The improved disclosure of information in the charity sector can stimulate its growth, strengthening its indispensable role in the Fijian economy. This thesis provides research findings and recommendations that will benefit the sector.

To echo a timeless sentiment from the Bible: “Give, and it will be given to you. Good measure, pressed down, shaken together, running over, will be put into your lap. For with the measure, you use it will be measured back to you” (Luke 6:38). This essence of giving, paired with the pursuit of accountability, ensures that the charity sector in Fiji remains a beacon of hope and prosperity for the nation.

APPENDIX 1 CHARITY SAMPLE

Charity Sample	**2019**	**2020**	**2021**
Fiji Women Rights Movement	✓	✓	✓
Fiji Red Cross	✓	✓	×
Save the Children Fund	✓	✓	✓
Crime Stoppers Fiji	✓	✓	✓
Ronald McDonald House Charities	✓	✓	×
United Blind Persons Fiji	✓	✓	✓
Chanel Home of Compassion	✓	✓	✓
Universal society of Spiritual Love	✓	✓	✓
Creation science association of Fiji	✓	✓	✓
Ruel Foundation	✓	✓	×
MMM Fiji	✓	✓	✓
Vision Group Foundation	✓	✓	×
West Charity	✓	✓	×
FRIEND Fiji	✓	✓	×
Oxfam in the Pacific	✓	✓	✓
Cure Kids Fiji	✓	✓	✓
Harland Deaf Ministry Trust	✓	✓	✓
Fiji Cancer Society	✓	✓	×
DAWN	✓	✓	×
Sai Prema Foundation	✓	✓	×
	20	20	11
	100%	100%	55%

APPENDIX 2 FINANCIAL INFORMATION DISCLOSURE INDEX

Categories	**Reason**
Audited financial statements	Mandatory as per Charitable Act
Compiled financial statements	Whether statements are audited or compiled
Audit date	To determine if the audit date is consistent with the reporting year
Opinion	To observe if opinions changed
Accounting standards	To observe the consistency of standards and auditor
Auditor/auditing standards	
Statement of comprehensive income and expenditure	Mandatory as per IFRS for SMEs
Revenue Amount	
Revenue	
Operating	
Specific	
Total	
Expenditure	
Operating	
Specific	
Total	
Surplus/(Deficit)	
Other comprehensive income (If OCI items exist)	
Statement of movement in funds/Changes in equity	
Statement of financial position	
Assets	
Current	
Non-current	
Total	
Liabilities	
Current	

Categories	**Reason**
Non-current	Mandatory as per IFRS for SMEs
Total	
Net assets	
Accumulated funds	
Statement of cash flows	
Operating Activities	
Investing Activities	
Financing Activities	
Notes to financial statements	
Basis of preparation	
Summary of significant accounting policies	
Supporting information for items in financial statements	
Prior year comparative	
Financial statement analysis	Voluntary
Other cost related ratios where relevant depending on the nature of the charity	To determine if any ratio relating to other aspects of the financial statement is made available at all. (Ryan & Irvine, 2012)

APPENDIX 3 NON-FINANCIAL INFORMATION DISCLOSURE INDEX

Category	**Explanation /example**
Organisation profile	
Name	
Registration	
Address	
Online presence	
Vision	
Mission	Charitable purpose and public benefit.
Aims & Objectives	Specific intentions and targets.
Programs and Activities	Overarching areas of work such as education, including programs and projects.
Performance	Adapted from (Connolly & Dhanani, 2006; Dhanani, 2009; Hyndman & McConville, 2016, 2018a; McConville & Cordery, 2018)
Efficiency	
Output	The immediate or direct services or products of the charity. e.g., 10 workshop sessions
Individual outcome	Long term effect on individuals e.g., 45% of participants started a small business
Societal outcome	Long term effect on society e.g., crime rate in the area decreased by 25%
Output based effectiveness	Comparison between an output and a target e.g., reached 32 communities out of 35
Outcome based effectiveness	Comparison between an individual/societal outcome and target e.g., crime rate decreased by 25% however target is 30%
Prior year comparatives	Comparison to same measure in the previous year
Examples of bad news	Examples of poor performance, project failures, negative effects or missed targets. e.g., we missed the target of 30 communities due to…
Narrative	Use of narrative without a numerical measure describing charitable activities.

Category	Explanation /example
	e.g., we provided awareness sessions in the rural communities.
Case study	Identifies and describes the experience of individuals or communities.
Evidence of stakeholder involvement	Information and evidence of stakeholder involvement e.g., feedback from beneficiaries, consultation with partners/regulators
Explanations	Additional contextual information on the reason for the results e.g., an influencing factor
ESG	Adapted from (RSM UK, 2022)
Environmental	Reports on any of the charity's environmental impact(s) and risk management practices and sustainability methods.
Natural environment	e.g., Stewardship over the natural environment (air, river/sea, land)
Waste and recycling	e.g., Waste management and recycling methods
Carbon emissions	e.g., Use of energy such as electricity, fuel, affordable clean energy
Natural resource consumption	e.g., Stewardship over natural resources
Biodiversity	e.g., Consideration of life on land and below water
Social	Reports on any of the charity's relationships with its stakeholders, impact on community in which it operates relating to any of the social factor. Meeting the *public benefit* requirement.
Poverty	E.g., improve sanitation, access to water, recovery from disasters
Hunger	E.g., reduce hunger
Health and Wellbeing	E.g., balanced work life, managing workplace stress
Education	E.g., provision of school supplies in rural communities
Gender equality	E.g., gender pay gaps, inclusion, diversity
Decent work and economic growth	E.g., provide or create employment
Skills and innovation	E.g., provide specific skill training
Governance	Reports on any of the charity's governance practices.
Mandatory	

Category	**Explanation /example**
Names of trustees	According to the Fiji Charitable Act
Addresses of trustees	
Board members	
Office bearers	
Voluntary	
Constitution	e.g., governing document regarding the charity operation
Strategic report	e.g., overview of charity development and performance
Governance statement	e.g., how good governance is the foundation of charity operation
Governance structure	e.g., diagrams illustrating governance structure
Board diversity	e.g., gender, ethnicity, diversity
Board qualifications	e.g., masters, bachelors, professional memberships/fellowships
Experience	Previous work experience, contributions
Other directorships held	Other positions held in various organisations (if any)
Compensation/remuneration of executives	e.g., salary, benefits
Risk management	e.g., ethics and compliance statement

APPENDIX 4 ANALYSIS OF THE FOUR COUNTRIES

Charity Regulator/Body (Jurisdiction)	**CAANZ**	**ACNC**	**Charities Services (NZ)**	**Charities Commission (UK)**	**Department of the Treasury Internal Revenue Service US**
Financial statements	1. Statement of profit or loss and other comprehensive income 2. Statement of financial position 3. Statement of changes in equity 4. Statement of cash flows 5. Notes to the financial statements	<u>Medium and Large</u> (Revenue over $500,000) 1. Statement of profit or loss and other comprehensive income 2. Statement of financial position 3. Statement of changes in equity 4. Statement of cash flows 5. Notes to the financial statements Small (Revenue under $500,000) If the charity opts to submit the annual financial report all 5 statements are to be prepared.	<u>Tier 1 and Tier 2 (Over $2m annual expenses)</u> 1. Statement of Comprehensive Revenue and Expenses 2. Statement of Financial Position 3. Cash Flow statement 4. Statement of Changes in Net Assets 5. Statement of Accounting policies (including notes) <u>Tier 3 (Over $125000 annual expenses)</u> 1. Statement of financial performance (How was it funded/What did it cost) 2. Statement of financial position (What we own/What we owe) 3. Statement of cash flows (How the entity has received and used cash) 4. Statement of Accounting policies (including notes)	<u>Revenue under $10,000</u> (Cash basis) 1. Report on income and spending Between 10000 and 25000 (Cash basis) 1. Report on Income and Spending <u>Over $25000</u> (Accrual basis) 1. Statement of financial activities (known as statement of comprehensive income) 2. Balance sheet 3. Statement of Cash flow 4. Notes to the accounts.	Form 990 1. Statement of Revenue (Specified) 2. Statement of Functional Expenses (Specified) 3. Balance Sheet: Assets./Liabilities/Net Assets (Specified) 4. Reconciliation of Net Assets 5. Financial statement reporting

Charity Regulator/Body (Jurisdiction)	**CAANZ**	**ACNC**	**Charities Services (NZ)**	**Charities Commission (UK)**	**Department of the Treasury Internal Revenue Service US**
			<u>Tier 4 (Under $125000 annual expenses)</u> 1. Statement of receipts and payments 2. Statement of resources and commitments (does not need to balance) 3. Statement of Accounting policies (How did we do our accounting) (including notes)		
Actual vs budget			Statement of Receipts and Payments Statement of Financial performance Statement of Financial Position Statement of Cash flows		
Comparative years			Statement of receipts and payments Statement of Financial Performance Statement of Financial Position Statement of Cash Flow		

Charity Regulator/Body (Jurisdiction)	**CAANZ**	**ACNC**	**Charities Services (NZ)**	**Charities Commission (UK)**	**Department of the Treasury Internal Revenue Service US**
Program services				Sources of income (Govt grant, outside the UK, subsidiaries	Three largest Program reporting (size is measured by expenses) based on Reveune/Grant/Expenses
Compensation of trustees, directors, key office holders				Payments (Trustees, staff salary & benefits)	1. Current and former officers/directors/trustees 2. Current and former key employees receiving more than $100,000 3. Current highest compensated employees other than those in 1.
Submission time frame		6 months	6 months Source	10 months Source	15th Day of the 5th month (About 4½ months) Source
Audit v. independent examination				Independent exanimation • Income over $25000, but less than $1million Audit • Income over $1million	

APPENDIX 5 DISCLOSURE INDEX BASED ON PREVIOUS STUDIES

(McConville & Cordery, 2018)	**(Hyndman & McConville, 2016)**	**(Hyndman & McConville, 2018a)**	**(Dhanani, 2009)**	**(Connolly & Dhanani, 2006)**
Australia/New Zealand/United Kingdom/United States	United Kingdom	United Kingdom	United Kingdom	
			Aims & objectives	Aims & objectives
			Program activities	Program activities
				Organisational structure
				Trustees' responsibilities
				Statement on risk management
Efficiency measures			Efficiency	
Conversion ratios	Efficiency ratio Fundraising cost ratio Charity activity ratio Administration cost ratio			Efficiency ratio Fundraising cost ratio Charity activity ratio Administration cost ratio
	Support cost ratio			
	Governance ratio			
				Input (volunteers/others)
Output		Output	Output	Output

(McConville & Cordery, 2018)	(Hyndman & McConville, 2016)	(Hyndman & McConville, 2018a)	(Dhanani, 2009)	(Connolly & Dhanani, 2006)
Individual outcome		Individual outcome		
Case study example		Case study example		
Societal outcome		Societal outcome	Results	Results
Output based effectiveness		Output based effectiveness	Effectiveness	Effectiveness
Outcome bases effectiveness		Outcome bases effectiveness		
Examples of bad news		Examples of bad news		
Transparency Information				
Method used to gather/calculate	Method used to gather/calculate	Method used to gather/calculate		
Explanation	Explanation	Explanation		
	Diagram			
Prior-year comparative	Prior-year comparative	Prior-year comparative		
External comparatives	External comparatives	External comparatives		

(McConville & Cordery, 2018)	(Hyndman & McConville, 2016)	(Hyndman & McConville, 2018a)	(Dhanani, 2009)	(Connolly & Dhanani, 2006)
Evidence of independent preparation or verification		Evidence of independent preparation or verification		
	Link to mission or objectives	Link to mission or objectives		
	Link to long-term goals			
	Link to long-term efficiency			
	Link to financial statements & notes			
	Evidence of independent verification			
		Narrative		
		Reference to external sources		
		Extent of change caused by charity		

(McConville & Cordery, 2018)	(Hyndman & McConville, 2016)	(Hyndman & McConville, 2018a)	(Dhanani, 2009)	(Connolly & Dhanani, 2006)
		Evidence of what might have happened without intervention		
		Other factors/organisations impacting on change		
		Evidence of stakeholder consultation in design of measures		
		Evidence of stakeholder involvement in measuring performance		
			Future intentions	

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