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ORIGINAL PAPER

Charity Transgressions, Trust and Accountability

Carolyn J. Cordery · Rachel F. Baskerville

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Abstract This research demonstrates how sustained charity fraud is supported when organisations do not develop strong accountability links to salient stakeholders. Whilst increased regulation is one response to reduce charity fraud and to increase organisational accountability, regulators seldom recognise the myriad heterogeneous needs of stakeholders. This research explores the tactics employed by beneficiaries and the donating public to escalate their accountability demands on such charities. By preferring the most powerful stakeholders, charities miss the opportunity to design effective processes to discharge accountability to meet their moral obligations to legitimate stakeholders. This article calls for increased 'stakeholder understanding' by charity governors as a policy to recognise the moral rights of these stakeholders and to reduce charity transgressions.

Résumé Cette étude démontre comment la poursuite de la fraude liée aux organismes de bienfaisance est encouragée lorsque les organisations ne développent pas de liens de responsabilisation forts avec les principaux partenaires. Tandis que l'accroissement de la réglementation fait partie des réponses à apporter pour réduire la fraude liée aux associations caritatives et augmenter la responsabilisation des organisations, les autorités de régulation prennent rarement conscience des multiples besoins hétérogènes des parties prenantes. Cette étude décrit les tactiques employées par les bénéficiaires et le public donateur pour donner un degré de priorité plus élevé aux demandes de responsabilisation qui incombe à ces œuvres de bienfaisance. En donnant la préférence aux parties prenantes les plus puissantes, les associations caritatives manquent d'élaborer des processus efficaces pour s'acquitter

C. J. Cordery (✉) · R. F. Baskerville
School of Accounting and Commercial Law, Victoria University of Wellington, PO Box 600, Wellington, New Zealand
e-mail: Carolyn.Cordery@vuw.ac.nz

de la responsabilité de satisfaire à leurs obligations morales à l'égard des partenaires légitimes. Ce rapport préconise une meilleure compréhension des parties prenantes par les administrateurs des associations caritatives en tant que ligne de conduite pour reconnaître les droits moraux de ces partenaires et réduire les infractions de la part des organismes de bienfaisance.

Zusammenfassung Diese Studie legt dar, wie nachhaltiger Spendenbetrug möglich ist, wenn Organisationen kein gutes Rechenschaftsverhältnis zu ihren wichtigen Stakeholdern unterhalten. Eine Möglichkeit zur Eindämmung von Spendenbetrug und zur Erhöhung der organisatorischen Rechenschaftspflicht ist eine verstärkte Regulierung; doch werden in den Regelwerken selten die unzähligen verschiedenartigen Bedürfnisse der Stakeholder berücksichtigt. Die Studie untersucht die von den Spendenempfängern und Spendern angewandten Methoden zur Ausweitung ihrer Forderungen nach einer Rechenschaftspflicht seitens der Wohltätigkeitsorganisationen. Wenn Wohltätigkeitsorganisationen die einflussreichsten Stakeholder begünstigen, versäumen sie die Gelegenheit, effektive Verfahren zum Nachkommen ihrer Rechenschaftspflicht und ihrer moralen Verpflichtungen gegenüber legitimen Stakeholdern zu entwickeln. Dieser Beitrag fordert von den Regulierungsstellen der Wohltätigkeitsorganisationen, dass sie dem Grundsatz eines erhöhten „Verständnisses gegenüber den Stakeholdern" folgen, um so die moralischen Rechte der Stakeholder anzuerkennen und die Anzahl der Transgressionen im Wohltätigkeitsbereich zu mindern.

Resumen El presente trabajo de investigación demuestra que la ausencia de unos vínculos sólidos en materia de rendición de cuentas con los principales interesados propicia el fraude sostenido en el seno de las organizaciones benéficas. Aunque la proliferación de normativas es una solución encaminada a reducir este tipo de fraudes y a incrementar la transparencia de cuentas, los legisladores rara vez tienen en cuenta las necesidades diversas y heterogéneas de los interesados. Este trabajo analiza la táctica empleada por los beneficiarios y los donantes a la hora de ser más exigentes con esas organizaciones en lo que a la presentación de cuentas se refiere. Al dar preferencia a los interesados más poderosos, las organizaciones benéficas pierden la oportunidad de elaborar procesos eficaces de realizar la rendición de cuentas, con el fin de cumplir con su obligación moral para con los legítimos interesados. El presente trabajo reclama una mayor comprensión de los interesados por parte de los directores de las organizaciones benéficas con la elaboración de una política encaminada a reconocer los derechos morales de estos interesados y a reducir las transgresiones de las organizaciones.

Keywords Accountability · Stakeholder salience · Charities

Introduction

Prior research in this Journal has described patterns of wrongdoing in nongovernmental organisations (NGOs) derived from content analysis of media reporting

(Gibelman and Gelman 2001, 2004). Increased government oversight, watchdog agencies and ethical codes are responses to donor trust reduction resulting from NGOs' governance failures (Gibelman and Gelman 2004). Whilst research considers mainly Northern Hemisphere responses to NGO transgressions, this article considers two cases on the Asia-Pacific rim where charity regulation has recently been introduced: New Zealand (Charities Act 2005) and Singapore (Charities Act 2006). A case study from each of these countries formed the basis of this research, which demonstrates how charity fraud is supported when organisations do not develop strong accountability links to salient stakeholders.

The research objective will be achieved by a review and synthesis of the construction and definition of charity accountability. The two case studies show that when charities respond to regulatory and contractual sanctions alone, beneficiaries suffer from a fundamental absence of charity accountability. Public shaming is one tactic undertaken to force transparency; whilst this led one charity working to reform its image, but the other closed. These case studies show the necessity for a charity to restore its reputation through trust-enhancing accountability for its programmes to survive.

This study demonstrates that an instrumental understanding of the stakeholder typology is required in order to deal with questions as to how accountability can be delivered effectively. An instrumental approach assesses the role of all salient stakeholders within an organisation. More effective identification of charities' multiple accountability relationships is important, because the manner in which organisations fail to differentiate the significance of their heterogeneous accountability relationships may be, in itself, a further reason why charities are subjected to demands for greater transparency. Whilst regulation has become an essential element to encourage accountability, the National Council of Voluntary Organisations (NCVO) (2004) notes that regulation does not necessarily increase stakeholder/charity engagement.

This article first outlines the context of the studies and reviews the stakeholder salience literature before presenting the case studies. The main themes of these are analysed and further opportunities for research are identified before the concluding section.

Context of this Research

Charities exist in virtually all societies, but internationally the existence and impact of such NGOs depends on the historical and socio-political context (Kramer 1990). Whilst there may be varying specific charitable aims, it is acknowledged that for an organisation to hold charitable status, it must exist to benefit the public.[1]

The word charity originates from the Latin caritas, meaning 'dearness'. It refers to kind acts towards those who are less fortunate. Charities are therefore supported by public donations with their services typically benefitting other people or projects

[1] The New Zealand Charities Act (2005) and the Singapore Charities Act (2006) include public benefit as one of the four tests of charitable status, in line with the Pemsel Case ([1891] AC531).

(Saxon-Harold 1990). In order to be financially sustainable, however, charities have diversified their revenue streams from sole reliance on public donors to, for example:

- contracting with government to provide services,
- obtaining grants from funders,
- entering into sponsorship arrangements and
- charging for services.

Such diversification increases the number of stakeholder relationships and may reduce a charity's dependence on a dominant funder (government or private) (NCVO 2004).

Financial sustainability is also an issue when charities' funds and reputations are placed at risk by scandals. For example, Fremont-Smith and Kosaras (2003) found 152 reported cases of malfeasance in US charities, yet acknowledged that these were only the 'tip of the iceberg'. Further, Gibelman and Gelman (2001, 2004) also highlighted international scandals suggesting that wrongdoing is not isolated to particular countries or charities. They call for charities to develop board competencies as preventive strategies and also for enhanced charity accountability to ensure continued public support for worthy causes (Gibelman and Gelman 2004).

As financial losses affect social services and public donations, regulators have responded by increasing their scrutiny of the charity sector (Mayer and Wilson 2009). Such scrutiny aims to restore public trust by requiring charities to report that performance in exchange for taxation concessions and other benefits. For example, the New Zealand Charities Bill was "intended to ensure that the [charitable] sector becomes more accountable and transparent to the donating public, funders, regulators, and the Government" (Hansard 2004). The intent of this Act effectively ignores the needs of the beneficiaries for whom the charities originally formed. If the diversity of charity relationships is not acknowledged by regulators, a limited understanding of these inter-relationships may reduce the effectiveness of legislation (NCVO 2004).

Further, there is doubt that charity regulation is able to improve charity accountability, even to the stakeholders listed. Mayer and Wilson (2009) cite enforcement barriers such as regulators being unable to share information, regulators' constrained resources and the burden on charities of compliance. These point to the need for additional self-regulation, so that charities discharge accountably to their salient stakeholders and maintain public trust.

For What are Charities Accountable?

Accountability is a relational concept, as Gray et al. (1997, p. 334) note: "accountability is the duty to provide an account of the actions for which one is held responsible". From an economic standpoint, the accountability relationship begins when one party accepts delegated resources and/or tasks, reports on the use of the resources or performance of the tasks and is sanctioned for any failures. However, the range of accountability relationships is broad.

When a charity is involved in social services, external evidence of the acceptance of responsibility may include a contract with government for service provision. Under such a contract, a government funder will expect that the charity's service will meet "predicted outcomes and rational expectations" (NCVO 2004, p. 9). A government funder is likely to require standardised measurement and reporting as evidence of a charity's accountability for financial delegations (Mack and Ryan 2006). These funders will also employ sanctions when the contractual relationship is impaired by accountability not being discharged adequately. Indeed, the fear of reprisals such as reduced funding may tempt the charity to make dishonest disclosures.

The funding focus of other major charity stakeholders such as individual philanthropists and Foundations is also akin to a contract, as, in order to obtain further grants, a charity will be required to report on its outcomes and outputs from the original funding. However, it is only infrequent that a sanction (such as having to repay a grant) would be applied to the charity if it did not achieve its stated aims.

Charities also have moral obligations to non-contractual stakeholders, for example, the donating public and beneficiaries. These relationships are founded on the vision and the values the charity shares with its smaller stakeholders. The charity's performance reporting against these values will be underpinned by high levels of trust between the parties (NCVO 2004). Trust suggests a deeper level of personal engagement and vulnerability than that employed in contractual relationships, and is a critical issue for charities' value-based relationships.

When charities meet stakeholders' expectations and report transparently against the manner in which they have met their mission in the public interest, trust will be enhanced. In the private sector it has been shown that trust has three benefits and we suggest these benefits are likely to be applicable also to the charity sector. These benefits are: increased public funding, organisational stability and ongoing independence (Mazzola et al. 2006). Charities seeking to be independent from a limited funding stream will attempt to maintain public trust and support for their cause.

Funding and other accountability relationships can contribute to building a charity's identity through three processes. First, self-reflection and accounting for its actions to a funder will help a charity understand the difference it makes through its programmes (Roberts 1991). In addition, through its reporting, a charity projects an image of its ability to achieve its mission and be accountable to its funders and other stakeholders. The charity's image may also be affected by the public's perception of the types of beneficiaries to whom it offers assistance.

Any incidence of charity fraud or deception that changes its image reflects not only on the charity but also on the sector overall. A decline in public trust might initiate a call for more transparency, and concern in the sector about how to restore trust (NCVO 2004). However, respondents to interviews in the United Kingdom by the MORI Social Research Institute (2001) suggested three elements can rebuild trust. When a transgression such as fraud or mismanagement occurs, the organisation could admit the incident, apologise to those affected and provide evidence that increased controls are initiated to ensure that the incident was unlikely to re-occur. An integral part if this research is to assess to whom a report of such incidents is necessary. This is addressed in the next section.

Identifying and Satisfying Stakeholders

The term stakeholder has been defined by Freeman (1994, p. 46) as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives”. The identification of an NGO’s stakeholders should equip governors to respond appropriately to parties on whom the entity depends, or those who the entity affects (Gray et al. 1997) in order to survive and achieve its aims. This would involve identifying stakeholders who have a contractual or moral ‘right’ to organisational data.

Simple stakeholder analysis has previously assumed that when charities discharge accountability to regulators and major resource providers, these stakeholders act as a proxy for beneficiaries and other stakeholders. However, the pull of powerful stakeholders may marginalise those who share values with the charity—the donating public and the charity’s beneficiaries. Preble (2005) suggests that a sorting criterion for identifying and prioritising stakeholders will improve the accountability process. Further, in a recent study from the US, O’Connell (2005) found that assessing stakeholders’ expectations and paying closer attention to the interactive web of relationships also increased the likelihood that accountability processes would meet stakeholder demands. The charity accountability partners in O’Connell’s (2005) study extended beyond those recognised by regulators (donors, funders and government and regulators themselves) to include employees, suppliers, other charities and beneficiaries.

This expanded list presents numerous stakeholders with a bewildering or complex array of needs and demands for the charity to attend to. Balancing these competing demands has been observed to be a challenge for charitable organisations (Lawry 1995). For example, Irish NGOs have recently been encouraged by government funders to include an extended set of stakeholders; yet, O’Dwyer and Unerman (2008) reported that NGOs’ managers were so focussed on accountability to their large funders that they were unsure of how to engage with other stakeholders. Further, research in health charities in the US found that excessive demands for accountability by sizeable funders left charities with few resources to discharge accountability to other stakeholders (Milofsky and Blades 1991). Such resource constraints were borne out in Irish Credit Unions where Hyndman et al. (2004) found that managers “were often unable to devote significant consideration to the wider issue of accountability” (p. 276).

On the contrary, in New Zealand, Cribb (2005) studied four NGOs and found that when governors were required to balance multiple competing accountability demands, they limited their accountability discharge by preferring one set of stakeholders over others. These mission-centred governors perceived they were primarily accountable in a moral sense to client/beneficiaries, secondly to internal stakeholders such as organisational members, and thirdly to government, their primary contractual-based funder. Cribb’s (2005) study, however, was based on managers’ preferences for accountability, rather than the charity’s discharge of accountability; thus, her findings are dissimilar to those of others (e.g. Hyndman et al. 2004; Milofsky and Blades 1991; O'Dwyer and Unerman 2008). Each of these alternative studies shows that NGOs are forced to prefer those stakeholders who are large and powerful (especially governments) at the expense of accountability to beneficiaries, staff, supporters and public donors.

These studies highlight the tension underlying the management of accountability discharge between charities and different user groups where the currency of one relationship is based on power (especially a large funder or as a regulator or government), and alternative relationships are based on charities' moral obligations to those who share values such as legitimate beneficiaries and the donating public. An analysis tool is required to define which stakeholders "really count" in charity accountability.

Refining Accountability Through a Model of Stakeholder Salience

In their 1997 article, Mitchell, Agle and Wood defined instrumentally the principle of stakeholder identification combined with salience, or which stakeholders 'really count'. Mitchell et al. (1997) noted that when organisations seek to take a stakeholder viewpoint two issues are uppermost: a taxonomy (or descriptive stakeholder identification) and the normative theory of stakeholder salience. A comprehensive list of stakeholders reflects neither how a charity can balance stakeholders' competing demands, nor the temporal nature of stakeholder salience. Accordingly, it may help to use an instrumental theory to show which stakeholders 'really count' and who can influence the organisation's performance and reporting. Whilst other models exist,[2] we propose applying three qualitative distinctions between stakeholder groups on the basis of the Mitchell et al. (1997) model in order to understand more clearly the underlying characteristics of charities' disparate relationships. The attributes of power, legitimacy, and urgency are defined in the Mitchell et al. (1997) model. These provide a mechanism to identify the relative salience of stakeholder groups in order to develop insights into those stakeholders' relative influence on the charity. Salience refers to the conspicuous prominence of particular stakeholders. Thus, the most salient stakeholders will be enabled to demand accountability from the organisation.

Weber (1968) defines the first attribute, power, as the probability that one actor in a social relationship is in a position to carry out their own will, despite resistance. Powerful stakeholders will be able to coerce organisations to comply with their demands including those for accountability. Mitchell et al. (1997) identified the likelihood that powerful stakeholders will be dominant in the organisational relationship; for example, as a major resource provider or regulatory body. As has already been demonstrated, and confirmed by Lawry (1995) and Milofsky and Blades (1991), the power major resource providers can wield can be detrimental to other stakeholders.

[2] For example: Gray et al. (1997) and Cotton et al. (2000) in respect of social audit and stakeholders and Wolfe and Putler (2002) who considered alternative aspects of disparate stakeholder groups.

The concept of legitimacy describes stakeholders who bear some form of risk, or are placed at risk (financial and/or non-financial) as a result of the entity's action (Clarkson in Mitchell et al. 1997). Legitimate stakeholders include those that contract with the charity, as well as those with moral legitimacy, such as the donating public and beneficiaries. Charities may explicitly legitimate their beneficiaries. For example, in television advertising by World Vision and other international charities working in under-developed countries, sponsored children are observed to offer a 'face' to the charity. These children appear to allow the use of their image to cement a relationship in which the charity acts as an intermediary with donors to alleviate these children's plight. Another example of a beneficiary explicitly legitimating their stakeholder position is when they assign their income to a budget advisory service for it to manage.

Mitchell et al. (1997) highlight stakeholder attributes which are, as with accountability, socially constructed realities. They assert that stakeholders with the highest degree of salience or influence on the entity will be those who possess both power and legitimacy. In addition, they add urgency as the third attribute to their model. Urgency delineates stakeholders who call for immediate attention or action. The Press may lack legitimacy and power to control the entity's governors but, in highlighting a lack of accountability, media may raise the salience of non-powerful stakeholders (Baskerville-Morley 2004). These displays of urgency may also give voice to legitimate stakeholders as they now possess two attributes: legitimacy and urgency. This addition potentially empowers otherwise non-powerful charity stakeholders who could influence organisational performance and the charity's discharge of accountability.

Whilst acknowledging the diversity in the charitable sector, we summarise the likely attributes of the main stakeholders and accountability in Table 1.

In Table 1, it is predicted that neither the donating public nor the beneficiaries of a charitable activity will ever exhibit high salience without urgency, because they lack the power to coerce the trustees or management or to impose their will, as will be further illustrated. A normative perspective may posit that the regulators act on behalf of the beneficiaries—the *raison d'être* of the charity. However, regulators do not automatically require charities to provide beneficiaries with the information and voice this perspective might suggest. Indeed, an increase in regulation, combined with frequent calls for increased charity accountability, can be attributed partly to charities' failures to acknowledge both explicitly and normatively the wide range of stakeholders with whom they have accountability relationships.

In respect of other stakeholders in Table 1, both the donating public and beneficiaries may have expectations or moral rights, but as they have these alone, they are bereft of power. Donors may choose to stop donating, or move into the powerful category if they can wield sufficient clout as significant donors. However, beneficiaries who depend on charities need to work with others to achieve this salience that would give them voice in the operation of charity accountability. We posit that a challenge to a charity's reputation is one tactic that can be managed by donors and/or beneficiaries when charities breach trust, and accountability fails.

We demonstrate these positions with two case studies of transgressions against beneficiaries. These dramatically illustrate two possible reactions to breaches of

Table 1 Charity stakeholders and attributes linked to accountability type

Potential charity stakeholders	Stakeholder attributes			Accountability relationship type	
	Power	Legitimacy	Urgency	Contractual	Communal
Government regulator	Granted by statute	Through legal means	Unlikely	Granted by statute	Unlikely to share values
Government department with service contract	Contractual power	Through legal means	Funding used to sanction	Yes	Unlikely to share values
Significant donors, sponsors	May be through Board representation	Through donations	Through Board representation	Possibly	Moral dimension/ shared values
Donating public	Unlikely	Through donations	Unlikely	Unlikely	Moral dimension/ shared values
Beneficiary	Unlikely	Through charity mission	Unlikely	Unlikely	Moral dimension/ shared values

accountability to these beneficiaries. The first case considers a budget advisory service operated by a mainstream church. Its New Zealand beneficiaries suffered from an employee 'skimming' beneficiary bank accounts. The charity was not sufficiently empowered by urgency to save this Safe Budgetary Service in a timely manner. In the second, a Singaporean case, the outrage of the donating public has caused the health charity to reform its image and practices for the beneficiaries' overall good.

A Case Study of Methodist Mission Northern (MMN)

Mission	To challenge injustice, to make visible signs of hope, empower those whom society has dehumanized, celebrate change and diversity (MMN 2005).
Beneficiaries	Homeless, low- and middle-income families in Auckland's inner city and North Shore. This is part of a service to these people that includes counselling, food banks and aged care.
Contractual relationships include	New Zealand Government's Ministry of Social Development's Work and Income Department with whom MMN had an agreement to use client's benefit money for the benefit of those clients.
Significant donors	The 2005 Annual Report lists a number of significant donors, philanthropic trusts, companies and churches (MMN 2005), whose funds would pay for staff and premises to provide the service.

Donating public	Churches, community groups and individual donors whose funds would pay for staff and premises to provide the service.

The Transgression Timeline

Organisational actions: November 2002	MMN discovered that an indeterminate large sum of money had been stolen from clients of its 'Safe Budgeting Service', who had entrusted MMN with administration of their social welfare benefits. The malfeasance by the staff member was hypothetically estimated at $676,000[3] per annum (Smith 2004). How long the defalcation had been going on was not established.[4] The culpable staff member, described as "a highly regarded senior staff member with strong connections to Maori" (Smith 2003), was sacked. MMN initially did not advise clients of the suspected theft. In assessing what money was owed, there was a degree of confusion between clients and church management as, in addition to administering clients' social welfare benefits, sometimes MMN had advanced clients loans, whilst other clients had bills paid by the charity and were then given the remainder of the benefits as spending money. Irregularities were also discovered in the tithe that the MMN took from each benefit to defray administration costs, called '*koha*'.[5]
January 2003	MMN hired a criminal investigator and barrister to further investigate if there was sufficient evidence to initiate criminal proceedings against the staff member, and 3 months after the discovery of the fraud they lodged a complaint of fraud with the police.

[3] The dollars in this case study are New Zealand dollars. NZ$1 = approx US$0.70.

[4] One client, Aranui, who, ironically, is now a budget adviser, related noticing $100 missing from her account some weeks, but was always given a credible explanation. She is reported as saying "it's a lot of money and I just want to know [more about this fraud]" (Smith 2004).

[5] In researching for "The Listener" Smith (2004) stated he had "seen accounts for one year, where, typically, a benefit of $184.50 would be paid by Work and Income New Zealand, and $4.50 withdrawn by the Methodist Mission as koha, mischievously referred to by Mission whistleblowers as 'the slush fund' and prompting a management instruction to staff to stop calling it by such a pejorative label. In one day, koha of $48,000 (requiring more than 10,000 beneficiaries) was recorded and it is claimed but unverified that $8 million in koha went through the accounts in one year". (Koha is a term in the language of New Zealand's indigenous people. It can be translated as 'gift'.)

March 2003 communicating with government	Government officials from the Department of Work and Income met officers of the MMN to express concerns that beneficiaries had received neither advice nor restitution. At that point MMN reassured officials that they would advise clients of the "failure" of the Safe Budgeting Service. The letter sent by MMN to clients advising of the closure, did not mention the suspected theft, nor the possibility that an MMN employee had stolen clients money. MMN promised government officials they would put aside $160,000 to cover any "proven shortfall" in the clients' accounts.
March 2003 communication with beneficiaries	MMN reported "We sent letters to all clients that said we were reviewing the records of past transactions and they should come in and help us update our records. In every case where there was no documentation for a deduction from an account we reversed the transaction" (Titus 2005, p. 1).
June 2003	The Budgeting Service was closed down.
December 2004	Clients are still waiting to be paid (Titus 2005). Some clients have learnt of the theft independently of any advice from MMN (Smith 2004).
May 2006	MMN continues to reap the fallout of the Safe Budgeting Service, with the Superintendent announcing that other services were being scaled back (and a drop-in centre closed) because of the lack of funds being donated by individuals and charitable trusts (Slade and Broadhurst 2006).

Discussion

In line with the Mitchell et al. (1997) model, the 'Safe Budgeting Service' clients of MMN were legitimate claimants as they had appointed the charity as their agents to handle their benefit income and MMN had a moral obligation to them. Most of these client/beneficiaries were unable to open a bank account because of personal circumstances; they were people with whom most governmental agencies would not deal. Instead, the government hoped charities would provide an 'ambulance-at-the-bottom-of-the-cliff type service' for those with myriad problems, usually related to alcohol and substance abuse (Smith 2004). These beneficiaries were not powerful enough to demand the accountability due to them, nor force the charity to take further action aimed at retribution. The beneficiaries had insufficient knowledge of the defalcation; they completely trusted MMN and, in the act of appointing the MMN as their agent, had lost control over their own personal income.

Whilst MMN staff contacted the media to generate urgency to empower beneficiaries, it was too late, as the service had closed. MMN blamed the failure on an individual, rather than a failure of internal controls or systems in place to check the suitability of that person for employment in the first instance. MMN also shifted to focus on the inability of beneficiaries to monitor their finances, constructing the idea that the charity was forced to operate accounts for people who were not trustworthy or sufficiently educated to operate them. This was a fundamental dissonance, in light of the fraud perpetrated by charity staff. MMN failed to admit the incident sufficiently to beneficiaries, did not apologise, and did not take any subsequent action to rebuild trust with them. The poor social image of the beneficiaries created by MMN appeared to give MMN a reason to overlook their losses.

MMN closed its budgeting service; it also stated it was unable to locate and refund many beneficiaries who were the victims of fraud. Whilst three beneficiaries received $3500 compensation in 2004, this was only after intervention by concerned MMN employees who campaigned on their behalf (Smith 2004). There has been no further commentary regarding an equitable resolution of all possible claims. These actions appeared to do little to improve public trust and MMN has continued to report financial woes due to reduced support from its donor base (Slade and Broadhurst 2006). By selectively pruning their charitable activities because of an embarrassing incident, MMN not only failed in their mission to serve beneficiary needs, but failed to discharge accountability to that shared mission or recognise the salience of these legitimate beneficiaries, despite the urgency applied.

A Case Study of National Kidney Foundation (NKF)

Vision	"Providing high quality programmes for: (a) prevention of kidney disease in the community, (b) affordable subsidised care, (c) rehabilitation of patients to achieve a better quality of life in partnership with our donors" (NKF 2007).
Beneficiaries	Those in need of dialysis treatment, who must pay a co-payment towards their care at one of 22 dialysis centres NKF operates in Singapore. Also screening, medical, and administrative support.
Contractual relationships include:	Singapore Government's Medisave and Medishield programmes for subsidisation of patients who are treated at the dialysis centres.
Significant donors	Significant corporate donors are awarded platinum, gold and silver status. Legacies have also represented a significant income in the past.
Donating public	Some 200,000 individuals are registered as monthly contributors at 31 December 2006.

The Transgression Timeline (as summarised from KPMG 2005)

Organisational actions: 1997–2001	Accusations of management overspending and failure to delivery on its mission were made against NKF from 1997 onwards. NKF managed to successfully sue three of its accusers for defamation during this period. In 2001, NKF temporarily lost its public benefit status that allowed collection of tax-free donations.
April 2004	A senior correspondent of *The Straits Times* alleged that NKF mismanaged donors' funds, overpaid staff and had opulent offices. NKF served a defamation writ against the reporter and the newspaper for $3.24 m[6] in damages.
July 2005	At the defamation trial, the revelation that the CEO had received $1.8 m over 3 years led 3,800 regular donors to cancel their contributions and the NKF Headquarters were vandalised by graffiti. The Board resigned *en masse* and were replaced by the Health Minister. KPMG were commissioned to report on the organisation.
December 2005—KPMG report	Irregularities revealed by the KPMG report included NKF had reported that 52c in each donated $1 went to beneficiaries in 2003. The report found that in fact only 10c in each donated $1 went to beneficiaries NKF had low reserves and overspending by staff was confirmed Internal auditing was poorly carried out The external auditors depended unduly on internal controls and the audit was also poorly executed
NKF Annual Report 2005	Donations reduced 30% from the 2004 financial year. Expenses reduced 47% from the 2004 financial year In addition, giving to other related charities by NKF reduced by 44% and the number of staff reduced by 37%. Related party transactions reduced dramatically.
April 2006	The CEO was arrested and the new NKF Board took a civil suit against him and four other ex-Board members.
November 2006	Following eight press conferences over the prior 4 month period, NKF released its annual report projecting a S$6.3 million write-off due to prior management's accounting inconsistencies (NKF 2005; Staff 2005b). This November announcement was accompanied by a progress report on the

[6] The dollars in this case study are Singapore Dollars. S$1.00 = approx. US$0.76.

	re-building of NKF. This had an immediate effect on donor support and the organisation was commended for its transparent disclosures (Staff 2005a). The establishment of a Patients' Appeal Committee also added to transparency in operations and improved care.
January 2007	The CEO conceded the charges.

Discussion

The NKF was a major foundation that had received funding from the Ministry of Health to service beneficiaries who needed dialysis treatment. The NKF met its contractual accountability obligations to powerful bodies such as the Ministry of Health, which supported the NKF, reinstating NKF's tax-free status in 2007. Dialysis patients and the donating public had legitimate accountability expectations from the NKF, but they had previously lacked power. On four separate occasions, these less powerful stakeholders used public accusations as tactics to sanction NKF. The NKF fought back with defamation writs. Three of these writs were successful and NKF management continued their defalcation. Until the NKF lost the fourth defamation trial in 2005, this organisation continued to command trust from the donating public and beneficiaries, as shown by the large number of continuing regular donors.

The defamation case and growing media attention were used as urgency tactics to strengthen claims from legitimate (if not powerful) stakeholders. Donors gave legal resources for the civil suits when they believed the suit would lead to a reformed charity (Staff 2005b). By taking the civil case against the previous Board members, the new NKF Board has sought to regenerate trust. It published full details of the KPMG report and took steps to provide evidence that lavish spending will not re-occur (KPMG 2005; Staff 2005a). As NKF rebuilds its reputation it is eager to report on shared goals, efficiency and other tactics in order to discharge accountability. The outcome of increasing trust is enhanced public support. Through renewed communication of a commitment to the beneficiaries and shared goals, the new NKF is seeking to discharge accountability to the satisfaction of all stakeholders.

Comparisons

These two case studies illustrate that the donating public and beneficiaries can use sanctions to remind charities that shared values are critical to effective discharge of charities' accountability. However, it also shows that 'urgent' stakeholders are not normally powerful enough to force charity accountability. The capacity of individual beneficiaries to pressure for change, or use moral intensity to challenge those in power, is rare; and these two cases demonstrated divergent outcomes. There are two distinctive differences between these cases—one is the type of beneficiary and the other is organisational structure.

MMN’s beneficiaries lacked power not only because they were needy, but also because they had no fixed abode, abused drugs and alcohol, and had a low social image. As a disadvantaged minority, they depended on more articulate and powerful allies to argue their case (for instance, MMN staff and government employees). The NKF beneficiaries also “lost” millions of dollars; yet the media’s tactics in not acceding to a defamation claim provided urgency to catapult the donating public and beneficiaries to salience. NKF recognised its shared mission and the effect of its tarnished image. The NKF beneficiaries, unlike the MMN beneficiaries, were from all walks of life and included influential corporate donors and lawyers, and were persistent in their accusations against the charity. Their social image was high and many were articulate.

The structures of these organisations also differed. The NKF was independent, whilst the MMN was part of a larger organisation (the Methodist Church). Whilst MMN was similar to NKF in that it had government funding for services it delivered, MMN’s donating base comprised people who were committed to the church and may well have seen this defalcation as the failure of one person, rather than a whole organisation. In addition, their donations could be used in other organisational divisions, rather than the budgeting service alone. However, their support has waned.

The regulators did not intervene in either of these case studies. The regulators were newly formed and focussed on registration, rather than charity accountability. This is an example of the resource constraints signalled by Mayer and Wilson (2009). In addition, neither the new Charity Acts in New Zealand nor in Singapore provide all stakeholders of failed charities with comfort, due to a focus on funds providers and regulators.

Conclusion

This study is a contribution towards recognition of the primacy or salience of beneficiaries in stakeholder analysis as a necessary step to improving accountability discharge in the charity sector. This is illustrated with two cases from charities that depended on funds from disparate sources (including public donations), whilst serving individual beneficiaries. Each of these charities was subject to significant internally-sourced transgressions that affected beneficiaries materially.

Those who seek more accountability do not always demonstrate sufficient appreciation of the range of charity-stakeholder relationships. Simplified stakeholder analyses, with “bicycle wheels” or flow charts based on systems theories appear to confound academic efforts to clarify the nature of accountability in this sector. These studies show that charities should not only identify their salient stakeholders, but also develop effective processes to discharge accountability to them. If they do not, the charity may privilege accountability relationships with regulators and resource providers who use power and legitimacy to demand accountability, at the expense of other stakeholders.

In the case studies presented from two different jurisdictions, each organisation appeared to place a higher priority on powerful stakeholders, diverting public attention from their defalcation and treating informants as untrustworthy. Initially, these organisations failed to recognise their accountability relationships with the donating public and beneficiaries and thus assisted fraudsters to misappropriate funds. In both case studies, beneficiaries and donors used publicity to effect change when they perceived that charities had not discharged accountability.

In the MMN case, had the beneficiaries been able to apply informed 'urgency' to obtain timely information, the magnitude of the defalcation would have been less likely to occur. Donors would continue to support the Safe Budgeting Service and other services of this charity delivered to beneficiaries. Yet, their salience was ignored as the public's perception of these beneficiaries was low. In contrast, the NKF case study showed that urgency can catapult the donating public and beneficiaries to salience when high social image is present. NKF developed new Board competencies (as recommended by Gibelman and Gelman 2004) to increase stakeholders' trust, to reform the charity and re-focus on their mission.

Whilst increased regulation is often the response to charity fraud, these case studies have confirmed that the diverse nature of the charity sector and a constant struggle for resources within the sector means powerful and legitimate stakeholders will continue to receive the most attention. It appears that donors and beneficiaries will be unlikely to garner the required power and urgency to receive adequate accountability in the face of a charity transgression. Regulatory proposals to improve charity accountability cannot therefore be relied upon, and self-regulation needs to occur in order to restore trust.

Analysis of other charity transgressions should provide more details of the way in which the donating public and beneficiaries can use urgency as an effective tactic to become salient especially when they are socially disempowered. Further research will also provide more evidence of how charities emphasise shared values and their accountability, in order to rebuild their reputation after a transgression.

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