Accountability Through Reporting: The Case of Foundations in Malaysia

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ABSTRACT

A non-profit entity faces multiple accountabilities as the main stakeholders are wider. Reporting is arguably one of the mechanisms to show the discharge of accountability. This paper identifies the reason for the reporting practices of foundations – non-profit entities. Using the 'accountability reporting' framework (Ebrahim, 2003a) the reporting practices were viewed from the legal, bureaucratic, and social perspectives. Four foundations with different legal structures were examined through semi-structured interviews, supported by document reviews. The study found that the reporting practices were guided by the perceived importance of the main stakeholder. In the absence of dedicated accounting standards, the reporting practices follow who the foundations perceive they should be accountable to the most. Different foundation undertook reporting practices differently. The study indicates the importance of being sensitised towards the organisational and legal structure of foundations. As NPO – including foundation is established to assist beneficiaries, this main mission should always be privileged despite different organisational/legal structures. Future research may be undertaken to itemise the reporting difference among these foundations in order to identify the trend and relationship of accountability and reporting choice.

Keywords: accountability, foundation, non-profit organization, reporting, Malaysia

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INTRODUCTION

Non-profit organizations (NPOs)- also known as the third-sector force, have grown rapidly. The oft-repeated difference distinguishing NPOs and private entities is the absence of a profit motive. Meanwhile, its advantage over public organisations is – to a certain extent, bureaucratic constraints (Osman, 2010). The aim generally is to serve social good; from a simple one-off project to a strong permanent entity aspired to continuously serve the underprivileged. To accomplish their objectives, most NPOs rely on the generosity of the public. This necessitates them to be accountable to the use of public funds. Reporting is one of the mechanisms ensuring such accountability is discharged. A Foundations being a form of NPO is one organization that provides a fertile area to explore accountability through reporting practices in a developing country, especially Malaysia. While there are few research on accounting and reporting on NPOs generally (Zainon et al., 2013), religious organisations (Said et al., 2013), mosques (Sulaiman et al., 2008), the study on reporting practices of foundations (fondly known as Yayasan) is certainly lacking.

Gomez and Kunaratnam (2021) highlighted several cases in Malaysia on how foundations may be misused to pursue personal and political interests. This attracts more attention towards NPOs generally and foundations specifically (Connolly & Hyndman, 2013). In Malaysia, there are few government-related foundations which are currently involved in court cases where the funds are allegedly used inappropriately (Wright, 2015). Purportedly established to help underprivileged Malaysians through education and sport, these foundations are charged with spending to pursue the interest of politicians and political parties to retain power. This incidence indicates a lack of accountability on the part of the foundation. Regulators claimed that the foundation failed to submit the required financial statements since its inception in early 2013 (Companies Commission of Malaysia, 2013) This indicates the importance of reporting (and its regulatory enforcement) as an accountability mechanism for NPOs. Poor accounting and reporting could severely undermine confidence in the NPOs. The adoption of appropriate accounting and reporting practices lends credence and legitimacy to the NPO's activities. To attain such credibility and legitimacy in reporting, it is pertinent to look at the accountability structure. Reporting practices in itself may not be useful if the report is provided to an accountor at the expense of overall mission. Therefore, the real reason for reporting practices needs to be fully comprehended. This can be achieved by understanding the accountability structure of such organisations. Arguably, public confidence can be enhanced if a proper accountability structure is in place.

The issue of 'to whom' they are accountable or 'who are the stakeholders' is one of the enduring challenges facing NPOs as there are potentially numerous accountors – beneficiaries, government, fund providers; not necessarily mutually exclusive. These multiple accountabilities (Hyndman & McDonnell, 2009) lead to either an information's over-provision (which may be costly) or under-provision, as each user assumes that another is monitoring the entity. Meanwhile, in an environment where monitoring is lacking, NPOs are generally reluctant to share information with its stakeholders as they do not feel the need for accountability (Arshad et al., 2013).

Accountability can be achieved through reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits (Ebrahim, 2003b). A majority of the NPOs will use reporting as the main accountability mechanism (Samkin & Schneider, 2010). The reporting practices and format follows the recommended standards such as the Statement of Recommended Practice for Charities (SORP) in UK, Statement of Financial Accounting Concept (SFAS) 116 and 117 in US, and Charities Accounting Standard in Singapore. These guidelines provide an idea on how to account for financial information and are a basis for reporting in NPOs. However, most of the NPOs in developing countries face challenges in being accountable and transparent because they operate in a setting where regulation is non-existent or lacking including in Malaysia. The need for self-regulation is imperative (Othman & Ali, 2012). The CCM's annual report (2013) revealed 825 notices sent to CLBG (foundations) and their directors for failure to submit Annual Returns and Financial Statements[1] This weakness requires the specific attention of the regulatory bodies. It is also suggested to initiate and establish accounting standards or at least a reporting framework for NPOs.

Therefore, the reporting practices tend to follow the accountability structure. In the case of foundations, the reporting practices is moulded by

1 The latest CCM's annual report published on 2018 stated the total of 480 cases convicted by the companies including CLBGs for failure of submission of annual return and financial statements.

who the foundation feels it is accountable to the most. The paper aims to identify the accountor and the reason why reporting is practiced as it is.

LITERATURE REVIEW

Overview of Foundations in Malaysia

The establishment of foundations are to benefit communities. A foundation is considered as a more 'formal' NPO relative to other types of NPOs as it is governed by a legal framework and specific regulations (Palmer, 2013). They are monitored by several authorities and ministries (Othman & Ali, 2014). The presence of various authorities and the existence of several governing laws potentially create multiple accountabilities. These characteristics render a study on foundation's reporting practices an interesting context to study.

Othman and Ali (2014) categorised NPOs in Malaysia into two – societies and charitable corporations. Regulation-wise, societies are governed by the Societies Act 1966 while charitable corporations are governed according to its legal status. Among the entities in this category are institutes, chambers, councils, and foundations. For foundations, they are generally established as companies limited by guarantee (CLBGs) – under Companies Act 2016, or trust bodies under Trustee Incorporation Act 1952. To date[2],1,008 CLBG foundations have been established while another 556 are incorporated as trust bodies.

Another classification is categorising foundations according to public and private. A public foundation is generally established by federal or state governments. As Malaysia is established as a federation comprising of 14 states, these states are given discretion to create their own state-funded foundation. These foundations assist the state government in delivering services to the public. Most state foundations focus on education, such as providing loans and scholarships to youths, while others give aid in the entrepreneurship sector and housing loans. The objectives of a foundation

2 The information has been retrieved on 27th August 2021 from https://www.ssm.com.my/Pages/Services/Registration-of-Company-(ROC)/CLBG/CLBG.aspx and http://www.bheuu.gov.my/portal/index.php/ms/senarai-yayasan-berdaftar

usually serve as the backbone of the state's mission and vision. Although most state foundations are established under the State Enactment, some state foundations are established as CLBG.

Private foundations can be categorised as charitable trusts and corporate-owned foundations. Trust Incorporation Act 1952 (Act 258) states that organisations under this Act can be defined as a trusted body or group of trustees registered for the purpose of education, health, linguistics, science, charity, and social responsibilities. This purpose is similar to the purpose of the establishment of CLBG, which must be non-profit motives and benefit societies either in religion, trade, science, charitable, pension, health, sports, or environment (Companies Act, 2016). The foundations are prohibited from issuing bonuses and dividends out of the contributions received. Private foundations can receive funding directly from corporations (if they are established under the Companies Act) and others. However, private foundations are not allowed to collect any donations from the public or individuals without the approval of the relevant minister. The income is earned only to fulfil the foundation's objectives and not to be used for unintended purposes. Like a public foundation, a private foundation is also required to have a Board of Trustees (BOT). Any appointment of new board members must be through the authorities charged with the responsibilities of the foundation, such as the ministry governing the foundation

Perspectives in Accountability

Accountability can be externally imposed - an obligation to meet certain prescribed standards and behaviours or/and internally motivated - the feeling of responsibility in the NPOs through the actions and organisational missions (Ebrahim, 2003a). The source of accountability, i.e., the stakeholders are numerous - internal stakeholders, donors, external partners, regulatory bodies, ecosystems, beneficiaries, the media, civil society, and the public at large (Najam, 1996; Zainon et al., 2013). The stakeholders' ability to demand accountability depends on the nature of power it possesses – legal, bureaucratic, and social as informed by (Ebrahim, 2003a). To this we now turn to.

Legal perspective

Organisations are legally accountable due to responsibilities enacted by authorities/regulators. It is an obligation to meet prescribed standards of behaviour (Ebrahim, 2003a). The legal accountability places certain responsibilities on the directors. They are held to account for the extent to which these responsibilities are met. In reporting practice, regulations impose NPOs to submit the financial statements and annual reports to relevant authorities for documentation and transparency (Gray et al., 1996). They are accountable to shareholders and discharge this accountability through the legally required annual accounts. Since these are legal reporting, trust holders would be liable when they fail to follow standards set by the authorities and other codes of conduct attached to the members in the foundation. The relevant reporting standard normally follows the legal enactment. Hyndman & McDonnell (2009) asserted that there is substantial information asymmetry in the non-profit sector mainly due to lack of specific regulations. Therefore, better regulation of the NPO sector would lead to an increase in accountability (Morgan & Fletcher, 2013). In a NPOs setting, Statement of Recommended Practice (SORP) in the UK, Financial Statements of Non-profit Organisations (SFAS 117) US, Canadian Accounting Standards for NPOs in Canada, and Guidelines 640 for reporting NPOs in the Netherlands are some such reporting standards. For example, Section 501(c) (3) of the United States Internal Revenue Code, private foundations or public charities need to pass the requirements to prepare audited annual reports if they intend to apply for tax exemption. The existence of a legal enactment compels foundations to be accountable.

Bureaucratic perspective

Bureaucratic accountability implies positional power. Bovens (2006) discussed this in the context of public sector where a lower-ranked staff (an agent) is accountable towards the higher-ranking public officials, a principal. This equates the notion of accountability as control (Mulgan, 2000). This notion is also applied when a foundation receives funds from government. A foundation is viewed as a lower-ranked entity accountable to the government (or its representative). Extended to a private setting, a private foundation is accountable to the funders – corporations or eminent individuals (businesspersons, royalty). The funders (either government or corporation) would have their representative in the foundation's board of trustees (BOT). Najam (1996) views this as an 'accountability to the patrons' – where financial aid is provided conditioned on specific objectives and targeted beneficiaries. Therefore, in a foundation setting, bureaucratic accountability appears to subsume financial accountability –funds employment is according to their vision and mission. Reporting is important for private foundations that rely on public contributions to support their operations. Donors require regular reports from the organisations they fund (Ebrahim, 2003; Mato-Santiso et al., 2021). They also experience information asymmetry as they do not have a right to the management and need to rely on 'formal communication' to satisfy their information needs (Connolly & Hyndman, 2013). Reporting also ensures that the funds donated are serving the right purposes and objectives. Gordon et al. (2010) also found that annual reports are the best accountability mechanism to attract potential donors and maintain existing donors. In this scenario, the principal has the right to 'receive the account' from the agent and authorise any decision in the foundation.

The management of the foundation is responsible for providing reports to the funders as a means to report the effectiveness and transparency of managing the funds. Through SORP, for example, the government as the funder is able to assess the performance and governance of an NPO (Hyndman & McMahon, 2011). Thus, it encourages NPOs to report with the objective of showing its accountability through proper fund use. This subsequently secures government trust and therefore continuously receiving assistance. Hyndman and McDonnell (2009) argued that government funded NPOs would have greater accountability compared to NPOs financed mainly by private donors. Government's requirement necessitates foundation to be better governed. This compels them to cultivate more extensive internal control systems, measurement, and performance reports (Connolly & Hyndman, 2004). In a situation where the principal/funder is perceived to be weak, agent/foundation may exploit the opportunity to deceive the defenceless principals (Mulgan, 2000). This issue is further exacerbated with a loose or non-existent reporting standard. It is imperative for funders to identify foundations that can be bureaucratically accountable to them serving the best interest of foundations' vision and mission.

Social perspective

One of the main reasons for the proliferation of NPOs is its ability to fill the gap and provide services that the government could not serve

(Ebrahim, 2003b) arguably due to their closeness to the beneficiaries. Therefore, the notion of social accountability comfortably sits in this perspective (Najam, 1996). However, achievement of social accountability is more nuanced because it relies on internal feeling of the foundation. This mainly is because the associated stakeholders, i.e., the beneficiaries do not command any authority – neither legal nor bureaucratic power. Therefore, there is a tendency that social accountability to the beneficiaries is ignored (Osman & Agyemang, 2020). NPOs respond more to the government's coercive mechanism (upward accountability) rather than the motivation to fulfil social needs (downward accountability).

In the absence of regulation imposing accountability to beneficiaries, social accountability is discharged through 'felt accountability' (Osman, 2012) – an internal motivation of NPOs actors and their sense of responsibility (O'Dwyer & Boomsma, 2015). This 'felt accountability' to the beneficiaries motivates foundations to provide a regular report to society through publicly accessible annual reports, brochures and websites. The urge to be accountable, i.e., reporting to the beneficiaries, can potentially be more powerful despite lacking legal and bureaucratic clout as it haunts like a ghost and overpowers like a higher being (Sinclair, 1995)

The different perspectives of accountability tend to drive the foundations to prepare different types of reporting. Therefore, it is interesting to see the influence of these difference perspectives on the party it is accountable to (accountability to who) and the reason (accountability for what) - despite their similar mission and vision.

Conceptual Framework

Ebrahim (2003a) identified three general group of stakeholders, funders, regulators and client and communities. Their stakes and the degree of involvement differs.

Figure 1. Principal-Agent Relations of Accountability

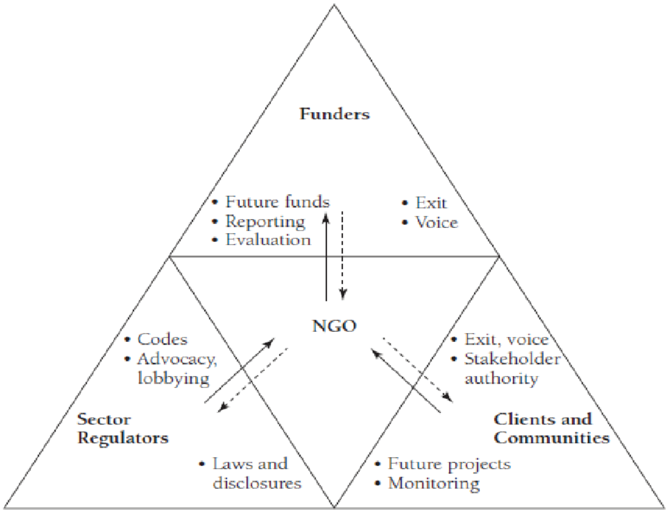


Figure 1: Primary Stakeholders of NPOs (Adopted from Ebrahim, 2003a)

Figure 1 explains the 'accountability relationships' between NPOs and their stakeholders based on the principal agent theory (Ebrahim, 2003a). The stakeholders may influence the decision and actions in an NPO (foundation). The complete arrows represent the strong relationship of NPOs to the group, while the dashed arrows show the weak connection from the group to the NPOs. The dominant relationship is determined by the presence of an accountability mechanism to enforce it.

NPOs need to be accountable to donor/funders as they fund NPOs to accomplish their mission. These are corporations, state governments, and any institution that contributes a regular amount of money to the foundation. In return, the NPOs provide regular reporting showing the fund's application. Accountability is served through management reporting. Management reporting is prepared by management for internal consumption. These are reported to the BOT, i.e., the funder representative siting in the board. Similar to profit-making companies, this reporting is to enhance the management decisions made by the top management or BOT regarding the direction and future of the foundations (Granof, 2007). BOT monitors the overall management of the foundation. Cash flows, budgets, and strategic planning are the best examples of management reporting. This report is used to evaluate NPOs performance including management effectiveness, financial and strategic accountability, and fiduciary accountability. Management performance is also concerned with securing and managing charitable funds to ensure organisational continuity (Agyemang et al., 2017; Dhanani & Connolly, 2012). Based on the report, the funders would have two options - to exit (withdraw from giving fund) or to voice out the opinion for improvement. Therefore, the BOT demands accountability from foundations.

Secondly, NPOs are accountable to the regulator to comply to the laws and disclosure requirements. Regulators impose law to safeguard the interest of the stakeholders and ensure the transparency of the NPOs. Subsequently, NPOs establish codes of conduct to shape the behaviour of their members. Regarding the setting of standards and regulations, NPOs need to lobby for changes or strong influence to create new rules (Palmer, 2013) as most regulators and standard setters encourage the contribution of affected parties in the process. That indicates the strong relationship from the regulators to the NPOs which enable the standard to be implemented by the codes of conduct practiced by NPOs. Thus, NPOs act as an agent for constituents to demand the policy and act as principals for the elected representative. Legal accountability can be accomplished through submission of legally required reports to the regulator. This usually includes audited financial statements (Companies Act, 2016) and annual reports (Trustees (Incorporation) Act, 1952). For example, in Trustees Incorporation Act, the BOT is responsible for recording the proof of payments and receipts and presenting the audited financial report to the Legal Department of Minister in the Ministry of the Prime Minister before 30th June annually. The annual reports must also compile all the activities of the foundation. The trustees are also responsible to inform the Minister of changes in the board and any related information.

Finally, the third stakeholders are clients and communities. They are individuals or groups that receive service from the NPOs (Najam, 1996). NPOs need to deliver adequate service to the clients and communities to ensure their sustainability. If they are not satisfied, they can opt to refuse the service (exit) or/and complain about it (voice). They also may not cooperate in any future projects. While funders may be the clients – monitoring service delivery, they should not actively involve operationally. In short, NPOs dealing with services should be more concerned with the communities' interests they are the agents for the communities served. NPOs are encouraged to be accountable, transparent, and trustworthy (Dhanani, 2009). Some countries have established publicly accessible information on NPOs, for example, Guide Star Web (www.guidestar.org) in the United States. Since communities do not have any power (legal, bureaucratic, financial) to force NPO, felt accountability is imperative. NPOs which have this internalised accountability (Mulgan, 2000) are therefore more aspired to report information relevant to the communities, i.e., social reporting. Therefore, felt accountability is highly related to social accountability where the concern towards the beneficiaries is privileged (Osman and Agyemang, 2020). Social reporting which includes environmental reporting and performance reporting, is provided to increase the foundations' credibility and transparency and boost public confidence. The emphasis on beneficiaries-orientated reporting balances the possible skewed reporting towards the powerful (Najam, 1996, Osman, 2012). This inclusive notion of accountability – a holistic one, is achievable through foundation's felt accountability (for social) and power (for legal and bureaucratic). (O'Dwyer & Unerman, 2008; Osman, 2020). Dhanani (2009) also believed that NPOs should garner support from all stakeholders to sustain their operations.

However, this framework does not indicate that foundations should only provide specific types of reporting, i.e., legal reporting, management reporting, and social reporting. Instead, it highlights the reason for such reporting more due to the accountability towards certain groups of stakeholders being stronger than the others. A foundation may exercise all three types of reporting since it feels accountable to all stakeholders – hence discharging holistic accountability. Meanwhile, another foundation may incline towards reporting information needed by a particular stakeholder. This framework provides a guideline to explain the reporting phenomenon in foundations since this study explored accountability through reporting in a foundation.

Table 1: Linking Accountability to Reporting

Accountability to who	Accountability for what	Reporting
Funder	Bureaucratic	Management reporting
Regulator	Legal	Legal reporting
Communities	Social	Social reporting

METHODOLOGY

This was a qualitative study employing semi-structured interviews supported by document reviews. Four foundations comprising two public and two private foundations were selected for this study. Six interviews were conducted with the foundations' accountants, three from each public and private foundations respectively. The foundations were selected using purposive sampling from a list of foundations taken from the CCM's and the Prime Ministers' Department's websites. The recordings were later transcribed. According to Groenewald (2004), the number of interviewees for qualitative research could be between two and ten participants. The interviews focused on accountability and reporting practices in the foundations. The semi-structured interview questions were adapted from Masdar (2015) with modifications to suit the research objectives. As the interviewees were all at the managerial level, they were assumed to be well versed with the foundations' operations. They have been working for several years in the foundations. This study identified the participating foundations as FA, FB, FC, and FD. The interviewees were labelled according to the name of the foundations and their positions. To support the interview data, the study also reviewed the annual reports, financial statements, brochures, and foundation websites. These documents were collected from 2013 to 2015. Some of the documents were private and confidential. These documents helped ensure that interview data was analysed in the proper context and provided another data source for comparison. Data was also collected through casual conservations with the clerks and staff of the foundations. The conversations were not recorded. Instead, notes were prepared where necessary. The conversations helped this researcher to understand the accountability practised in the foundations better.

All the transcripts for this research were analysed and coded manually. Repetitive words, important points mentioned by the participants, interesting findings, and information relevant to the study were noted as initial coding. The initial 46 codes were later categorised into several groups according to the research objectives to form three major themes – which were legal, bureaucratic, and social perspectives.

RESULTS AND DISCUSSION

This section is divided into three. The first outlines the organisational context of the four foundations. This is followed by presentation of findings and discussion.

Organisational Profiles

Foundation A (FA) is a state statutory body established under the State Enactment in 1972. It focused on education sector for the state's citizens - from primary school to tertiary level. The activities included promoting scholarships, loans, and excellence awards. FA received funds on a monthly basis from the state according to the budget prepared by the accountant and approved by the Chairman of the BOT. The Chief Minister *(Menteri Besar),* State Secretary *(Setiausaha Kerajaan Negeri)* and State Financial Officer *(Pegawai Kewangan Negeri)* were among the 11 members of the FA's BOT. Regarding reporting, every department would prepare the relevant reports and submit them to the management team annually. As in the Finance Department, there wasone specific unit to record all the transactions related to cash inflows and outflows. The mandatory reporting that FA needs to comply with was the annual report and financial statement. Their financial report was prepared in accordance with approved accounting standards.

Foundation B (FB) was incorporated as a company limited by guarantee under the State Islamic Religious Council B (SIRC-B) in 1990. The main activity of FB was to distribute the *zakat* fund to the *asnaf.* Its programmes focused on education, welfare, and *da'wah.* FB was considered a public foundation since it received a yearly contribution from the SIRC to organise activities and events for the communities. Most private foundations raised funds independently through investments and programmes, such as charity dinners. However, foundations established under CLBG are not allowed to receive any individual donation from the public, as stated in the CLBG's incorporation guidelines revised on January 2011.[3]

This was observed in FB, as stated by its Administrative and Finance Manager,

3 The [Foundation/Institute/Chamber/etc.] is not allowed to solicit donations from the public without the approval of the Minister charged with the responsibility for companies (Memorandum of Association, CA 1965).

> *"For now, we cannot receive any contribution from individual or corporate bodies because we do not know how to… and we do not have the account. (Pause) I do not know how to explain, but currently, we just don't accept it…"*

FB's BOT was chaired by a Federal Minister. The BOT member comprised the SIRC-B CEO, the State Mufti, and two other notable individuals. All financial accounts were prepared based on the financial reporting standards for private entities since FB was a company limited by guarantee. FB was the reference entity of other SRC foundations regarding the preparation of financial accounts. This has been agreed by other foundations in the similar establishment (under SIRC) of the completeness and detailed reporting by FB.

Foundation C (FC) was a private-independent foundation, incorporated in 2013 as a company limited by guarantee. Its mission and vision was to establish a system of fund distribution that is more efficient, transparent, and of high quality and to generate a stable income to meet the demand of its target groups. *Zakat* fund was the primary source of funding for FC as it was appointed as an *'amil'* agent (*zakat* collector) by one of the SIRCs. Upon collection, FC will receive a certain percentage from total collection. As FC was established as a company limited by guarantee, it prepared financial reports in accordance with the Companies Act 2016 and approved accounting standards for private entities. During each meeting, the BOT would check the expenditure by matching the amount disbursed with the balance in the petty cash account.

Foundation D (FD), was a private corporate foundation, established by Corporation D in 2005. The main focus of the foundation was education and welfare. FD's BOT consisted of four members of which two were from Corporation D's Board of Directors. Another two were individuals chosen by the Corporation based on their contribution to society. There were 25 management staff. FD received funds annually from Corporation D. RM10 of the dividend earned by each member of FD (individuals and cooperatives) every year was donated to the foundation's fund. Corporation D would pump in a similar amount to the members' total contribution to the FD fund. It prepared a report according to the Trust Act 1952. FD's financial statements the Annual Report follow the Private Entities Reporting Standards (PERS).

Hence, it was not bound by bureaucratic reporting compared to public foundations.

Table 2: Information Summary of Foundations

	Foundation A	Foundation B	Foundation C	Foundation D
Organisation profile:				
Types	**Public**	**Public**	**Private**	**Private**
Legal structure	State Enactment	Companies Act	Companies Act	Trust Act 1952
Focus area	Education	*Da'wah*, Education, Welfare	Health, Education, Welfare	Education
Source of fund	State fund	SIRC's fund	Independent	Corporation D
Number of staff	479	18	1(Full time) 10 (Mgmt team)	25

Reasons for Reporting

The findings showed some variations. Some foundations were more likely to emphasise legal accountability or/and bureaucratic accountability. Accountability to bureaucratic authorities (BOT/funders) influenced the decision of what reporting should be made. An accountant responded when asked the reasons for reporting:

> *... (we did the reporting) because our chairman asked us to do so... (Accountant, FA).*

The interviewee also stated that the annual report was prepared following the Chairman's order. In this case, FA was more likely to be accountable to the BOT. In other words, the reporting was made to fulfil the requirement of the regulations and the instruction of the BOT. Chairman's emphasis can be different from communities' interest – hence this affected accountability to them. This was further aggravated as FA also did not disclose its financial reporting to the public. The accountant in FA noted that,

> *"Outsiders will not get the financial report since the report is confidential and cannot be disclosed.*

This practice could be attributed to its legal form – a state foundation arguably answerable to state government. It was bound by the state government's policy. FA admitted that reporting was important for the BOT and audit purposes. It also perceived that the foundation was not accountable to the public as it received funds directly from the state government – although ironically the state theoretically received funds from public (in the form of taxes, assessment, fees etc).

> *"Yes, the state government allocate the fund to the statutory bodies, including foundation. [...] we don't have any other sources of fund"*
>
> (Accountant 2, FA)

This practice showed that the public foundation's, such as FA, responsibility was tilted more towards the funders (bureaucratic accountability) than the communities. The accountant also claimed that the foundation was not putting much effort to be accountable to the downward stakeholders as long as it fulfiled its responsibility to them (funding scholarships to students).

> *"We already sponsored the students, what else should we show to the public?"*
>
> (Accountant 2, FA)

FA seemed to regard the community such as student as a receiving end in accountability relationship (Osman & Agyemang, 2020) having no voice. It undertook such a responsibility because the funder-state government asked them to rather than viewing this as the best interest of the student.

In FB, it seemed to pay more attention to the beneficiaries. Its annual report indicated their engagement with beneficiaries. FB's annual report was also claimed to be excellent reporting compared to other foundations owned by SIRCs (Staff of *Yayasan W*). Since the SIRC provided the reporting template to the foundation governed by them, it was for comparability and reference to other SIRCs-owned foundation. FB changed this practice later to distribute such report internally to the management only. The content was however still the same.

> *"Yes, we prepare (the report), but we don't distribute to everyone. We cannot do that. The report is only to SRC, agencies related to ministries for them to compile as Annual Report"*
>
> (Administration and Finance Manager, FB).

A review of its websites recently also revealed that the content was limited to only reporting of the programs, and did not disclose other types of financial reporting to the public.

In contrast, FC as a private-independent foundation had advantages where it understood the real objectives of a foundation's establishment. The challenge to secure funding, however, influenced the accountability discharged. In comparison to other foundations, there was less (or no) demand from the fund provider to prepare any report specifically for them (Osman, 2012). Hence, this made reporting less of a concern for the management.

> *"So far, they (independent fund provider) never ask any reporting of our programme. They are also making a donation for the purpose of CSR to their companies. Normally when people donate, they don't usually want any report unless the fund is for a specific project. However, sometimes just to maintain a good relationship, we just provide a simple report"*
>
> (Executive, FC).

This seemed to be one of the characteristics in a religiously inspired donation. From donor's perspective, accountability has already been discharged once the donor donates. They trusted that the manager will channel the money appropriately (Osman, 2012, p. 253). Since FC received funding from independent sources, it did not receive pressure to do the reporting. In addition, it did not have enough staff to prepare sufficient reporting to inform the stakeholders and discharge its accountability due to financial limitations. The preparation of FC's financial statements was also outsourced. However, it managed to set up one Facebook account as the communication medium between FC and the public. Thus, similar to the FB, FC seemed to be lacking slightly in social accountability, albeit for different reasons. FB and FC were moving towards holistic accountability through more reporting on communities and greater engagement with them. However, it still seemed one-sided in that the communities were not meaningfully engaged (White, 1996) hence needing improvements in social accountability.

FD seemed to have a balanced reporting between legal, bureaucratic, and social accountability – a holistic reporting. The form of foundation, which was a 'corporate-owned foundation' appeared to contribute to this. It was exposed to the best practice in a corporate setting. FD never missed preparing its annual report and financial statements.

> *"Last two months, there was a meeting with the members (funders) of the foundation. We give our Annual Report to the members for them to see our activities and programmes. Even Corporation D also provided its Annual Report; we as well prepare our report to show them (our accountability)"*
>
> (Accountant, FD).

There were currently changes from traditional reporting to CSR reporting to show accountability to a wider range of stakeholders (Otto, 2003). Thus, it gave FD more experience and benefits regarding its presence in the sector. FD received direct knowledge from its funder-corporation on how to increase public accountability and build stakeholders' trust through reporting. FD's reporting seemedto be 'corporation-like' in that it was publicly accessible through the websites, hence increasing the transparency of its operations. It believed that reporting is essential because it had to discharge its accountability to all stakeholders.

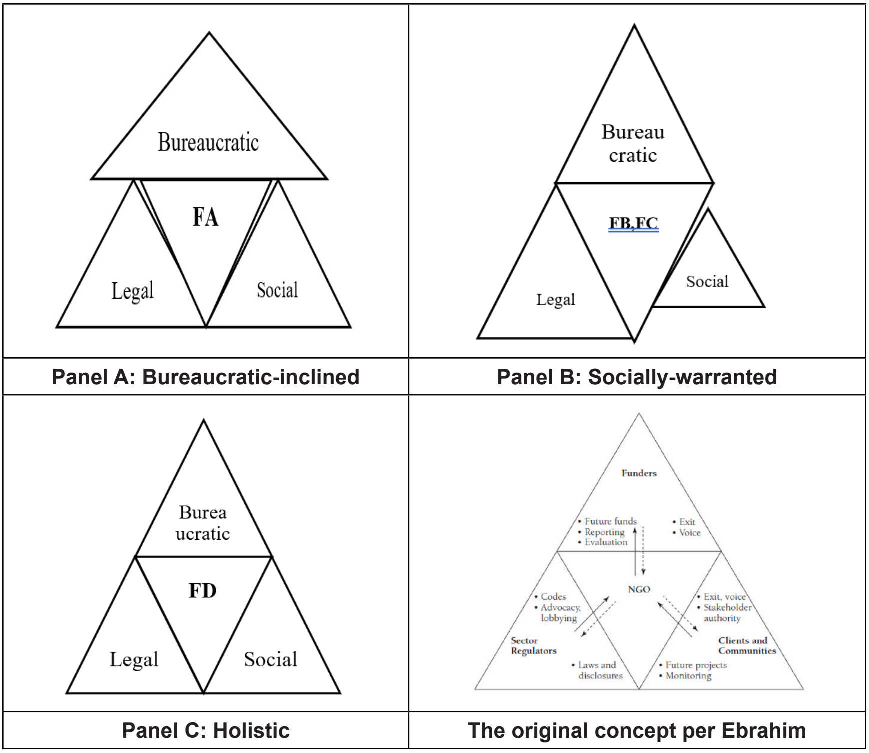
Based on the above discussions, it seemed that the reasons for reporting by the foundations reflected the stakeholders they are accountable to the most. The reporting would be more corporate-like if the foundations were incorporated under the CCM because they were bound by the Companies Act 2016. Similarly, public foundations were liable under the State Enactment. Thus, their reporting was inclined to have the government style of reporting. The foundations established under Trust Incorporation Act and owned by corporations tended to mirror the corporations' reporting.

Breen, (2013) found that financial reporting and disclosures remained the most important determinants for funders and stakeholders in the selection of NPOs. This study found that all the foundations exercised various types of reporting for different purposes. The most frequent reporting types practised by the foundations were legal reporting (financial reports and annual reports); management reporting (e.g., budgets and strategic planning); and social reporting, for example, websites, social media, and other reporting media (i.e., pamphlets, bulletins, and newspapers). Table 3 shows the summary of the reporting practices in all four foundations. However, the reasons for the foundations discharging their accountability through reporting varied.

Table 3: Accountability to Who

	Foundation A	Foundation B	Foundation C	Foundation D
Legal accountability and reporting:				
Monitored by (Regulators)	State Ruler	PM's Ministry SIRC SSM LHDN	SSM LHDN	PM's Ministry LHDN Corporation
Financial Statement	Yes	Yes	Yes	Yes
Audited annual report	No	Yes	No	Yes
Bureaucratic accountability and management reporting:				
Board of Trustees (BOT)	6	6	2	6
Funders	State	SRC	Individuals and corporations	Corporation D
Budget	Yes	Yes	Yes	Yes
Strategic planning	Yes	Yes	Yes	Yes
Social accountability and social reporting:				
Public Participation	No	Yes	Yes	Yes
AR Publicly Access	No	No	No	Yes
Website-reporting	Yes	Yes	Social media (Facebook and YouTube)	Yes

FA's reporting was attributed to bureaucratic reasons as shown in Panel A (Figure 2), while FB's and FC's reporting were influenced by both legal requirement and top management order (Panel B). As for FD, the influence of funder-corporation drove it to be more holistically accountable (Panel C). Framing this understanding into Ebrahim's framework, the triangle was seen as follows. The size of the triangle indicated accountability- dominant towards certain group of stakeholders.



Panel A: Bureaucratic-inclined | **Panel B: Socially-warranted** | **Panel C: Holistic** | **The original concept per Ebrahim**

Figure 2: Accountability Inclination

Discussions

All stakeholders demanded organisations to be accountable and responsible towards them (Dewi et al., 2021; Monfardini et al., 2013). However, what "accountability" meant was much more nuanced. Most interviewees seemed hesitant and unsure when the question was posed to them. For example:

> *"Accountability means (pause) the importance of reporting? Is it?"*
>
> (Accountant, FA).

Another officer similarly responded,

"(Hesitant) Accountability… I think (accountability) is like trust.
(Admin & Finance Manager, FB).

It appeared that they had some idea what accountability is. However, they foundit difficult to translate it operationally. The issue of 'to whom the foundation reports' arose when the foundation had difficulties identifying which stakeholders, they should be accountable to the most. Ebrahim's conceptual lens argued that the foundations' reporting would mirror the parties they are accountable to most (Kilby, 2006).

The overarching strength of legal influence

Every NPO should be accountable to all stakeholders to ensure continuous support by all related parties (Dhanani, 2009). All four foundations were accountable to the regulators - legal authorities and government agencies that monitored the foundations. They complied with the reporting guidelines of the regulations. Najam (1996) also noted that NPOs were found to be more accountable to government agencies rather than communities due to the coercive nature imposed by the government. The interviewees noted that regulations were necessary to build public confidence and reduce the possibilities of fraud activities in the foundation (Irvin, 2005). Also, rules were implemented to safeguard donors' contributions, beneficiaries' rights to receive, and the foundations' reputations.

FA and FD asserted that the current reporting requirement placed upon them was adequate and there was no need for any new requirement. FB and FC however were less comfortable with the current requirement as they felt that it was excessive for a foundation. Hence, they recommended less rigorous requirement - relative to profit-making entity, should be considered (Irvin, 2005). The yardstick in monitoring foundation should also be different. Irvin (2005) suggestedto track non-profits' fraudulent activities, including consumer complaints, annual return submissions, and investigating colleague activities from other states.

Despite the need to have a review at monitoring foundation, financial reports remained an essential element for funders (Breen, 2013). Annual reports were still being perceived as a formal document to show accountability (Dhanani & Connolly, 2012). Besides, stakeholders need to access financial and non-financial information (Connolly & Hyndman, 2001). The Malaysian Accounting Standards Board (MASB) highlighted the importance of non-profits having a single reporting framework. It would enable stakeholders to compare the financial positions and performances of all similar entities in Malaysia meaningfully (Malaysian Accounting Standard Board, 2014). Travaglini (2008) also suggested implementing international standards for all NPOs to allow the comparison of different nations' third-sector organisations. Audit of financial standing on foundation still needs to be undertaken as it is an integral part of the accountability process (Cooper & Owen, 2007). However, the orientation of audit can be reviewed - for example, instead of wholly for monitoring purpose, the learning perspective can be incorporated (O'Dwyer & Unerman, 2008)

The enduring presence of bureaucratic structure

Funders are necessary to ensure continuous financial support. Funders vary according to the type of foundation. The federal and state governments are the main funders for public foundations, while private foundations may receive from corporation and individuals. Institutional funders are represented in the Board of Trustees to monitor the foundations. They are also involved in major purchases, contracts, programmes, employment agreements, and significant operating policies. They may also involve in decisions made by the managers (Granof, 2007). In this scenario, the foundation needs to prepare sufficient reports and information for them (Ebrahim, 2003a). Reporting is essential to show accountability towards the funders. The findings showed that all foundations discharged their accountability to the funders through their reporting. They prepared budgets and strategic planning according to their guidelines. The notion was more visible in FA where the reporting was dictated by bureaucratic structure. Granof (2007) noted that a budget reports rather than annual reports, were the most significant financial document in the non-profit context. Similar to public sector organisations, they are more likely to exercise formal accountability to the higher-ranked officials since the roles and responsibility of the organisation was prescribed in the bureaucratic job scope Secretary (Otto, 2003). Therefore, FA tended to limit its reporting to upward stakeholders only. Dhanani (2009) outlined two possible reasons why organisations such as public foundations, do not disclose more information to the public as downward stakeholders. Firstly, these organisations account directly to the grant providers for appraisal and evaluation, which would limit the disclosure costs of the charities. Secondly, this reporting may be due to the nature of the foundation. FA is a less well-defined than a pure foundation such as FC. FA merely acts as a conduit to state government while FC is established with "pure" aspiration to assist communities. This nature would reflect the reporting and accountability practice of the charities (Dhanani, 2009). Schatteman (2013) added that the relationship between non-profits and government is complicated and increasingly under public scrutiny, especially with a tight government budget. Dhanani (2009) argued that, despite an inclination towards bureaucratic accountability, foundations must exert more effort to discharge accountability to the general public to maintain its credibility. Raggo, (2007) however opines that organisations with larger budgets report to their various stakeholders because they could potentially offer more resources for comprehensive performance assessments. This however relies on the bureaucratic instruction or/and the felt accountability.

In need of downward social accountability

Some stakeholders do not require formal accountability, i.e., formal reporting (Palmer, 2013). In FC's case, it claimed that the independent fund providers are not likely to demand reports. Since the foundation is a non-profit entity, it is expected to have more social and downward accountability towards the beneficiaries and public (Osman, 2012). This opinion is consistent with the mission and vision of all foundations to maximise the benefits to the beneficiaries (Connolly et al., 2011). Foundations must balance their raison d'etre with the needs and aspirations of the communities in which they work (Mayer, 1971). Downward accountability legitimises foundations' existence (Connolly et al., 2011). However, the concern is on the extent, how much accountability efforts should be expended to the communities since there is no regulation imposed on them to do as such. This results in hesitant and unsure responses from interview in defining 'accountability. Therefore, when there is a clear "to-do" task in a formal upward accountability, it affects the downward accountability since it is less clear (Kilby, 2006). For example, in the case of FA, the higher accountability discharged to the funders affected the view of accountability to the public and communities.

The study found that FB and FC did not emphasise on discharging downward accountability, although both sources of funds are from public –

indirectly through state SIRC in FB and directly through zakat fund in FC. Najam (1996) asserts that NPOs often ignore communities. This is because communities do not possess authority to demand accountability (Dhanani, 2009). As a result, social reporting to the public is intermittent at best. This absence of authority is compounded by the lack of staff as in the case of FC. Such lacking in accountability is also found by Othman and Ali (2012) in that the stakeholders are unaware and are not likely to demand reports after contributing money. This is typical when the donation is religious in nature. For a donor, the act of giving already denotes discharge of accountability.

However, O'Dwyer and Boomsma (2015) suggested that even if there is no demand by the stakeholders, the organisation should feel the responsibility to provide the report to inform the stakeholders, including the BOT/funders, of the programmes and activities they organised. Parsons (2007) also indicated that potential donors think voluntary disclosure is important when making a donation decision. In the absence of transparency in reporting, the foundation would face challenges related to donor uncertainty, which would lead to volatility in resource contribution (Kennedy, 2014). Thus, it is recommended for the foundations to prepare all types of reporting, including mandatory and voluntary reporting, to satisfy the information needs of the stakeholders.

The different reporting types are shown in FD's initiative to provide a 'social forum' and publicly accessible annual report to all stakeholders through its website. Websites are examples of social reporting to build support and communicate with stakeholders efficiently and effectively (Schatteman, 2013). The increasing number of narratives, photographs, tables, and graphs reported, as exercised by FD, is also an attempt to gain, maintain, or repair organisational legitimacy in the eyes of their stakeholders (Samkin & Schneider, 2010). FD also fulfilled the characteristic of effective annual reports, as highlighted in Gordon et al. (2010). It reports complete audited financial statements and notes with the opinion letter, including narrative discussions, non-financial data, readily available annual reports on the websites, and full disclosure of related party transactions.

The above discussion showed the discharge of social accountability by the foundations, influence the reason for social reporting to all stakeholders. The foundations would focus more on social reporting when there was social accountability to the communities.

CONCLUSION

NPOs need to fulfil the interest of all stakeholders - upward and downward (Chu & Luke, 2021; Connolly & Hyndman, 2013). The absence of profit motive renders discussion on accountability more important as it informs stakeholders of the activities and performance of the foundations (Dhanani, 2009). This accountability is derived from the stewardship function to the stakeholders. It also relates to the understanding and responsibility of foundations to work according to their vision and mission which benefits society. However, this study showed that different forms of foundation discharged accountability differently towards different stakeholders. This study argued that the reporting of the foundations would be inclined towards the stakeholders they are accountable to the most.

The findings showed that state foundations (e.g., FA) were more accountable to the funder (the state). Thus, the reporting was also prepared according to the preference of the funder. In other words, bureaucratic accountability dominated in state-owned foundations. Secondly, foundations established under CLBG (FB and FC) attempted to fulfil the voluntary reporting to society because they were aware of their accountability to society. However, some significant information was not publicly accessible, thus lacking in socially inspired downward accountability. It also showed that corporate-owned foundations under the Trust Incorporation Act (e.g., FD) was closer to the notion of holistic accountability, balancing legal, bureaucratic, and social perspectives. The reporting information seemed quite attractive and was effectively prepared for all types of stakeholders. As a corporation owns the foundation, there was an advantage regarding building relationships and engagement with the stakeholders.

These findings indicated the need to have a dedicated reporting standard for foundations specifically and NPOs generally. The absence of accounting standards for foundations in Malaysia leads to diverse financial accounting practices in the foundations. In addition, the difference in the information disclosed may sway stakeholders' decisions, hence, the need for guidelines on reporting information, including financial information. Better regulations could increase public confidence and support of the non-profit sector (Connolly et al., 2011; Cordery et al., 2019). The standardisation of the reporting format also enables the stakeholders to compare the financial statements and the cost of performance delivered between the NPOs. In terms of government involvement, the monitoring effort seems to be focus only at foundation establishment stag. No further action or initiative was undertaken after the establishment (e.g., FD). This should include governance for foundations which ensured that the reporting was aligned with the objectives. It would also prevent any incidents that might tarnish the foundations' image, hence eroding public confidence in this sector. These results might not be generalisable to other foundations as it covered only four foundations. However, the study provides insights into the reporting practice of foundations as the reporting seemed to be determined by the foundations' legal structure. Future studies may focus on examining the trend and relationship of reporting and accountability of various foundations established in Malaysia. A focus on the accountability perspective and the demand from the specific stakeholders (either upwards or downwards) might present an additional understanding of how they might influence the reporting choice of the foundations.

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