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Financial Accountability of South Australian Independent Schools to External Stakeholders

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ABSTRACT

This paper explored independent schools of South Australia (SA)'s financial disclosures policies and the motivations behind them, prior to the Australian Government's establishment of the My School website in 2010 and the current not-for-profit (NFP) regulatory reforms in Australia. A qualitative approach was used with case studies of three independent schools, using data triangulation including interviews, documentation and direct observation. An iterative approach to the data analysis was used to provide insights into which competing theories between socio-political and economic-based theories can explain the voluntary financial disclosures. This study found a positive association between schools' performance and the level of voluntary financial disclosures as predicted by economic-based theories. Further to their contractual accountability, the nature of the information ('good' news) influenced the voluntary disclosures due to the promotional and signalling value of financial reporting. In addition, the schools viewed fee-paying parents as a powerful group of stakeholders, consistent with the stakeholder theory. However, contradictions were found between the schools' self perception of being willingly accountable and the lack of announcement and accessibility of the financial reports to parents. Limitations included limited access to certain financial data and the lack of opportunity to interview additional participants due to privacy constraints. Independent schools form an integral part of the communities they serve. This exploratory study contributes empirical evidence to the NFP reform regarding financial accountability to stakeholders. The author is not aware of any empirical research into the financial reporting and accountability of SA independent schools to fee-paying parents.

Keywords: Not-for-profit; stakeholder accountability; voluntary financial disclosures; economic-based theories and socio-political theories