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# **ENHANCING NDPB ACCOUNTABILITY: IMPROVING RELATIONSHIPS WITH UPWARD AND DOWNWARD STAKEHOLDERS**

## **Abstract**

This paper examines the relationship between Northern Ireland Non-departmental Public Bodies (NDPBs) and two key stakeholders, sponsoring government departments and service users, and outlines how this relationship can impact upon a NDPB discharging its accountability responsibilities effectively. After discussing the concept of accountability, the paper presents the findings of a survey of, and interviews with, NDPB board members. Whilst the consensus was that NDPBs were effective in discharging accountability, there was frustration with an apparent absence of an arms' length relationship with certain sponsoring departments and limited engagement with service users.

Key Words: Accountability, Governance, Non-departmental Public Bodies (NDPBs), Stakeholders

## **INTRODUCTION**

An arm's-length body (ALB) (or semi-autonomous agency) is an organization that delivers a public service, is not a ministerial department, and which operates to some extent at a distance from ministers. Whilst such bodies are used globally, the term in the United Kingdom (UK) can include non-departmental public bodies (NDPBs), executive agencies, non-ministerial departments, public corporations, National Health Service bodies and inspectorates. NDPBs are bodies which are part of Central Government but not government departments, or part of one, and this, along with their purported arm's length relationship with ministers, means that they are independent, whilst operating within a framework of ministerial accountability and control (Cabinet Office 2015). There are three main types of NDPB: (i) 'Executive', which undertake executive, administrative, regulatory and/or commercial functions (e.g. Environment Agency and Health and Safety Executive); (ii) 'Advisory', which provide independent advice to ministers on particular topics of interest (e.g. Low Pay Commission, and Committee on Standards in Public Life); and (iii) 'Tribunal', which have jurisdiction in a specialized field of law (e.g. Traffic Commissioners and Valuation Tribunal) (Office of the First Minister and Deputy First Minister (OFMDFM) 2014; Cabinet Office 2015). A fourth 'Other' category of NDPB includes independent monitoring boards attached to prison

establishments and immigration removal/holding facilities, health and social care (HSC) bodies (which are prevalent in Northern Ireland (NI)) and public corporations (OFMDFM 2014; Cabinet Office 2015).

Since the 1980s, governments around the world have promoted the creation of ALBs on the basis that this will bring improvements in public sector performance (Pollitt et al. 2001; Verhoest et al. 2012); indeed, it is contended that such bodies have become indispensable to modern government globally (Skelcher et al. 2013). The reasons for this include ALBs: prevent ministers from becoming overloaded; bring expert advice to complex policy issues; and undertake regulatory and quasi-judicial tasks that need to be politically independent (Skelcher et al. 2013). However, the application of the 'agency' model and the concept of 'agencification' or 'agentification' differ from country to country with different terms being used for ALBs; for example, special operating agencies in Canada and state enterprises in Finland and New Zealand (Wettenhall 2005). Moreover, Overman and van Thiel (2016) outlined the different levels of agencification in twenty countries, with these ranging from all public services being provided by agencies in Lithuania to less than half in Switzerland; in the UK, this was approximately 80 per cent. These authors also tested the claims that such bodies improve performance at the macro level, and reported a negative effect on both public sector output and efficiency, thus refuting the economic claims underlying agencification programmes.

Building on the Nolan principles (Committee on Standards in Public Life 1995), the Independent Commission on Good Governance in Public Services (2004) developed six common principles of good governance for public service organizations that are intended to help those with an interest in public governance to assess good practice. Accordingly, good governance means: (i) focusing on the organization's purpose and on outcomes for citizens and service users; (ii) performing effectively in clearly defined functions and roles; (iii) promoting values for the whole organization and demonstrating good governance through behaviour; (iv) taking informed, transparent decisions and managing risk; (v) developing the capacity and capability of the governing body to be effective; and (iv) engaging stakeholders and making accountability real. This latter point requires a relationship and a dialogue, and for organizations to understand to whom, and for what, they are accountable. As it involves not only reporting on what has happened but also engaging with stakeholders to plan future activities, it is consistent with accountability being viewed in the context of stakeholder theory (Freeman 2010).

Despite initiatives by the UK government that aimed to reform public bodies (see Skelcher et al. 2013) the House of Commons Public Administration Select Committee (HoCPASC) (2014) raised a number of concerns about their accountability, contending it was transactional in nature, with an insufficient emphasis on the human factors, confused and neglected. HoCPASC (2014) also advised the Government to promote good relationships between Central Government and public bodies. It is against this backdrop of issues with NDPBs' accountability that this paper aims to answer the following research question: how do the relationships NI NDPBs have with two key stakeholders, sponsoring government departments and service users, impact upon their ability to discharge their accountability responsibilities effectively? The paper highlights certain problems that these NDPBS face with regard to relationships and accountability and also offers some solutions that may be of benefit to other public sector organisations, both in the UK and other jurisdictions. In terms of structure, the next three sections provide background to the study, including recent changes imposed on public bodies, outline the structure of government in NI and discuss the notion of accountability and how it is operationalized by NDPBs. The research method is then explained before the results of a survey of, and interviews with, NDPB board members are presented. Finally, the findings are discussed and conclusions drawn.

## **BACKGROUND AND CONTEXT**

In May 2010, the UK Coalition Government pledged to reform public bodies in its *Programme for Government*, emphasizing two key objectives: saving money and increasing accountability (Skelcher et al. 2013). However, while the reforms have led to significant reductions in the number of public bodies, this has often involved all or some of the functions being transferred to a new ALB, a government department or local council or the not-for-profit or business sectors (Skelcher et al. 2013). Thus, significant savings are unlikely if all that has changed is the organizational location of a function and not the specific functions themselves. Moreover, Skelcher et al. (2013) also contend that there is a tension between the centrifugal forces underlying the civil service reform plan's ambition for enhanced delivery and the centripetal forces of improved accountability that in part motivated the public bodies' review. For example, while integrating a NDPB into a departmental line management system may theoretically increase ministerial accountability, the functions may become a relatively minor component of the department and therefore receive less scrutiny and attention. Similarly, Tonkiss (2016) reports tensions between independence and accountability, which

come to the fore in periods of fiscal stress as governments employ financial management tools to regulate the use of resources by ALBs.

In addition to the matters referred to above, and whilst acknowledging that the UK Government has reformed ALBs (including NDPBs), the HoCPASC (2014) argued: for a taxonomy of public bodies to simplify state structures; that accountability primarily depends on relationships; that any disagreements between Central Government and public bodies are open and honest; and there is learning from mistakes. HoCPASC (2014) also expressed concern that public appointments are not sufficiently transparent, representative or accountable, which is alarming given their importance to the effectiveness and accountability of public bodies.

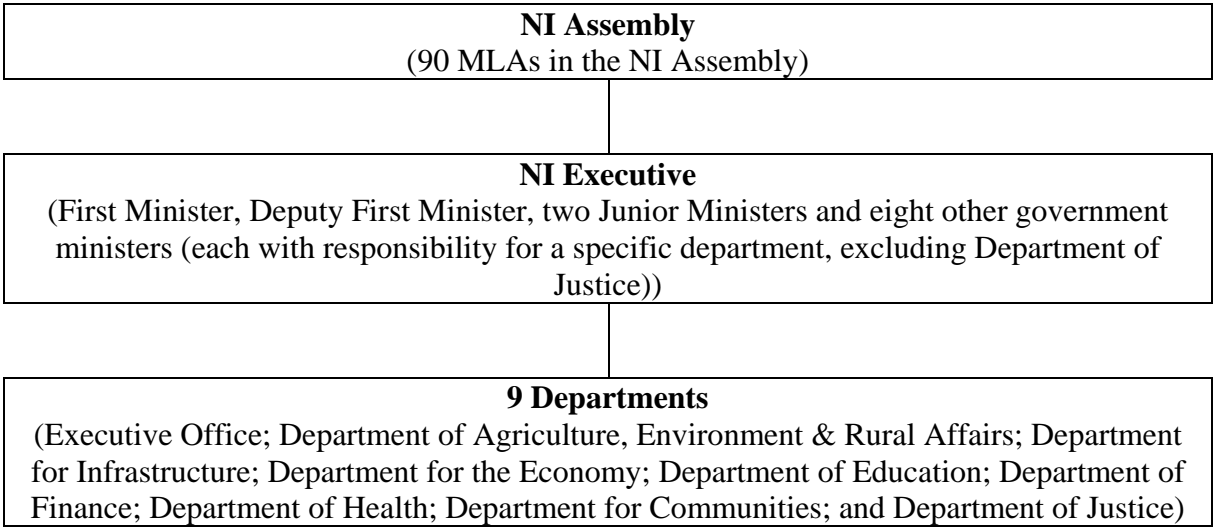
The Cabinet Office (2015) reported on the completion of the 2010 Public Bodies Reform Programme, the objectives of which were to, *inter alia*, improve transparency and accountability. In contrast to the tone of HoCPASC (2014), the Cabinet Office (2015) claimed amongst its achievements: improved accountability, by moving the functions of over 75 bodies closer to democratically elected representatives; and increased transparency, by simplifying the public bodies' landscape by abolishing and merging a number of public bodies, together with an increased percentage of NDPBs publishing an annual report and making minutes available to the public. By 31 March 2015, following the completion of the Programme, the number of public bodies under the aegis of Westminster departments had been reduced by over 290; over 190 had been abolished and 165 had been merged into fewer than 70, leaving 403 NDPBs (Executive - 111; Advisory – 146; Tribunal – 13; and Other – 133) (Cabinet Office 2015).

Having provided a background and context to the current environment in which NDPBs are operating in the UK, the next section outlines the structure of government in NI in order to clarify the setting for the research presented later in this paper.

## **STRUCTURE OF DEVOLVED GOVERNMENT IN NORTHERN IRELAND**

Following referendums in Scotland and Wales in 1997, and in NI in 1998, the UK Parliament transferred a range of powers to national parliaments or assemblies. The Scottish Parliament, the National Assembly for Wales and the NI Assembly were established and took control in 1999. The arrangements are different for each, reflecting their history and administrative structures. The structure of devolved government in NI is illustrated in Figure 1.

**Figure 1: Structure of devolved government in Northern Ireland**



The NI Assembly is the prime source of authority for all devolved responsibilities in NI. Until 2016, it had 108 members (MLAs) elected from 18 six-member constituencies. However, the number of MLAs per constituency was reduced from six to five with effect from 2017, resulting in 90 seats in the March 2017 election. The elected MLAs appoint the executive arm, the NI Executive, which is the devolved government for NI. The NI Assembly can make legislation in those areas which have been ‘transferred’ from Westminster (e.g. economic and social matters, agriculture and rural development, culture, arts, education, health, social services and public safety), with Westminster retaining legislative authority for defence and national security, foreign policy, immigration and energy.

The NI Executive comprises the First Minister, the Deputy First Minister, two Junior Ministers and eight other government ministers. The First Minister and Deputy First Minister are nominated by the largest and second largest political parties respectively and act as joint chairs of the NI Executive. Departmental ministers, with the exception of the Minister of Justice, are nominated by the political parties in the NI Assembly according to their share of seats (calculated using the d’Hondt method of proportional representation (Bogdanor 2001)). The Minister of Justice is appointed following a cross-community NI Assembly vote. With effect from May 2016, the number of government departments in NI was reduced from 12 to nine, with their role, together with their executive agencies, NDPBs and other ALBs, being to implement government policy and advise ministers.

## ACCOUNTABILITY

This paper considers how the relationship between NI NDPBs and two key stakeholders, sponsoring government departments and service users, can impact upon the discharge of accountability by NDPBs. With the previous two sections outlining the environment in which NDPBs operate in the UK and the structure of government in NI, this section presents the theoretical underpinning for the paper. After reflecting on what is meant by accountability, it examines to whom and in what ways NDPBs are accountable before concluding by considering how accountability is operationalized.

### What is accountability?

Accountability is widely recognized as a fundamental element of democratic government (Ashworth, Boyne, and Walker 2001), with Gray, Owen, and Adams (1996, 38) defining it as the ‘duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible’. This is consistent with notions of *political* accountability, whereby elected politicians are held accountable for policy decisions, and *financial* and *legal* accountability, whereby public organizations must comply with financial reporting regulations. New Public Management reforms have arguably widened expectations of who should be held accountable to senior public service officials, with the public expecting a minimum level of service and information on efficiency and effectiveness (Power 1997).

Previous research has often considered accountability in the context of stakeholder theory (Gray, Bebbington, and Collison 2006; Mäkelä and Näsi 2010), a theory developed from studies of corporate organizational behaviour (Freeman 2010) which posits that an organization is in various relationships with internal and external parties known as stakeholders. The central argument is that if organizations engage with stakeholders on a basis of mutual trust and cooperation (a key tenet of HoCPASC (2014)), they will build legitimacy and reputation and gain competitive advantage (Donaldson and Preston 1995; Jones and Wicks 1999; Freeman 2010). This suggests that organizational survival and success need stakeholder support, which requires management to legitimate organizational activities to stakeholders by demonstrating the organization’s values, beliefs and successes (Samkin and Schneider 2010). Additionally, accountability has been examined in terms of the role and value of different accountability mechanisms (O’Dwyer and Unerman 2007) and its play-out

in organizations (Ezzamel et al. 2007), including taking responsibility for actions and behaviours towards constituents (Ebrahim 2003a; Cooper and Owen 2007).

### **To whom and in what ways are NDPBs accountable?**

Any definition of a stakeholder must take into account the stakeholder-organization relationship. Whilst acknowledging that different definitions are used for identifying stakeholders, they tend to be either broad and inclusive or narrow and pragmatic. Although Freeman's (2010) well-established broad definition, that a stakeholder is any group or individual who can affect or be affected by an organization, reflects the important bi-directionality of stakeholders, it arguably allows anyone to be classified as a stakeholder. Freeman (2010) further distinguishes between primary (e.g. consumers, suppliers, employees and the community) and secondary (e.g. media, competitors, financial institutions and public interest groups). The former are considered vital to the persistence of the organization, with their withdrawal potentially leading to the organization's cessation. Whilst the latter are also important to the organization in the context of their relationship, the persistence of the organization does not depend on secondary stakeholders. In comparison, other definitions take an arguably more pragmatic approach by emphasizing legitimacy ('persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity' (Donaldson and Preston 1995, 85)). In other words, an entity must have a legitimate claim or stake in the organisation to be considered a stakeholder. These narrow definitions accept the reality that managers cannot or do not consider all possible stakeholders.

Noting that definitions such as those presented above tended to focus on either power or legitimacy (i.e. the power of an organization over a stakeholder and vice versa, or the legitimacy of a stakeholder's claim on an organization), Mitchell, Agle and Wood (1997, 864) contended that they ignored urgency (i.e. 'the degree to which stakeholder claims call for immediate attention'). Considering the principle, proposed by Freeman (2010), of 'who and what really counts', Mitchell, Agle and Wood (1997) argue that the first question calls for a normative theory, which logically defines who should be considered as stakeholders; while the second requires a 'descriptive theory of stakeholder salience', which explains what conditions are in place when managers consider certain people or entities as stakeholders (853). They argue that once stakeholders are identified, organizations determine 'who or what really counts' and rank competing stakeholder claims. Stakeholders who are perceived to have power, legitimacy and urgency are deemed the most salient and their claims are likely to



be prioritized. Power, it is suggested, reflects the extent to which a stakeholder has or can gain access to coercive, utilitarian or normative means to impose its will on an organization. For stakeholders to have legitimate claims, such entitlements must be consistent with social norms and expectations (e.g. through a contractual or moral connection with the organization, or by bearing some risk as a result of an organization's activities). Urgency represents the degree to which stakeholder claims justify immediate attention based on either the time-sensitivity or criticality of the claim. The organization would be expected to prioritize the needs of stakeholders who are perceived to possess all three attributes ('definitive stakeholders', 878). The perceived salience of other stakeholders would be less, due to them demonstrating fewer attributes; for example, 'dependent stakeholders' (877) might have legitimate claims but need the power of others to pursue them, and 'discretionary stakeholders' (875) may have legitimacy but no power to compel an organization's attention (but which may be given at its discretion). Stakeholders' salience, that is, the degree to which their influence(s) affect organizational activities, determine the hierarchical structure, with definitive stakeholders being given immediate priority.

In exploring the outworking of stakeholder theory, Donaldson and Preston (1995) describe two distinct motivations (instrumental and normative) on why organizations do or do not take account of stakeholder needs in their decision making. Consistent with Mitchell, Agle, and Wood (1997), their instrumental view is considered to typify the approach adopted by most corporate organizations, which is that businesses prioritize the interests of those who hold the greatest economic power and influence to ensure their own success and survival (consistent with Freeman's (2010) primary stakeholders); thus suggesting competing stakeholders. In comparison, the normative perspective contends that individuals have a moral duty to embrace each other's needs and opinions. In an organizational context, all stakeholders are therefore treated equitably and participation is promoted sincerely. Accordingly, in contrast with Mitchell, Agle, and Wood (1997), power differentials between accountees and accountors are deemed inconsequential and a partnering relationship is considered more appropriate than a controlling one often associated with a more business-related instrumental view (Cornforth 2003; HoCPASC 2014). This kind of substantive commitment to all stakeholders might involve trading off the (economic) interests of one group against those of another. Freeman (2010) suggests that both the owners (shareholders) and other stakeholders have a right to demand certain actions from management because they all have a vested stake in the business. However, saying this makes everyone equal when, according to Mitchell, Agle and Wood (1997), they are really not.

Fry (1995) and Gregory (1995) also distinguish between the instrumental view's externally-focussed notion of accountability and an internal dimension motivated by a felt responsibility. For NDPBs, this latter form of accountability should perhaps be an intrinsic feature of how they operate in fulfilling their responsibilities and ensuring that public trust is served. However, balancing external accountability (e.g. to a government department) and felt responsibility (e.g. to service users) may create tension (Fry 1995). As organizations seeking an equitable society, NDPBs might be expected to adopt the normative model (Donaldson and Preston 1995); therefore, accountability would be an intrinsic feature of their operations, with its outworking reflecting the characteristics of the normative perspective (Ebrahim 2003a). To the extent that NDPB practices are aligned with this model, their actions and discourse in communications (e.g. annual reports) will be characterized by openness and transparency in order to meet the (information) needs of all stakeholders equitably. In contrast, if an organization's actions and discourse reflect the instrumental model (Donaldson and Preston 1995), they will be utilized to convey that its practices align with stakeholder expectations and values, without this necessarily being the case. Accordingly, the accountability system may be dominated by self-promotion and techniques of impression management (Chen and Roberts 2010; Beelitz and Merkl-Davies 2012).

Roberts (1991, 385), who observes that 'different forms of accountability produce very different senses of our self and our relation to others', presents two contrasting forms of accountability: hierarchical and socialising. Based upon Foucault's (1979) notion of disciplinary power (i.e. the power exercised by those who represent the sovereign authority in everyday transactions by their own or the sovereign's rules), Roberts defines hierarchical forms as those that create in those held accountable a mental absorption with the self and with how one is seen; this is typically through institutionalized and invisible channels of disciplinary power. In contrast, Roberts claims that socialising forms can produce a more rationally-grounded consensus. While these forms also aim at confirming the self, they acknowledge the interdependence of the self and the other and are characterized by a relative absence of power inequalities. In contrast to hierarchical forms, socialising forms promote dialogue, engagement and reciprocal recognition, resulting in acknowledgement of the other.

Albeit using different terms, Laughlin (1996) categorizes accountability in a similar manner to Donaldson and Preston (1995) and Roberts (1991). His contractual accountability equates to instrumental/hierarchical accountability, while communal accountability is aligned with normative/socialising forms. Laughlin (1996) argues that contractual accountability exists in formal relationships where actions, including information demand and supply, are

clearly defined in enforceable terms, often through the judicial process (Dubnick 1998). In contrast, communal accountability occurs in less-formal relationships, where expectations over conduct and information demand and supply are less-clearly defined. This involves meeting stakeholders' needs through consultation and seeking their involvement in the decision-making process. Laughlin (1996) attributes the different forms of accountability to the potential for trust and value conflict between principals and agents. He contends that formal mechanisms are less important where there is a high inter-party trust, as it is assumed that the agent will fulfil the principal's expectations. In contrast, if trust is low, the principal is likely to place greater reliance on formal and contractual mechanisms to exert control over the agent's behaviour. Similarly, with respect to value conflict, if the principals' and agents' values are aligned, communal accountability is more likely; if this is not the case, the principal may employ more contractual forms of accountability.

### **How is accountability operationalized?**

Depending on the stakeholders involved, contractual (instrumental/hierarchical) and communal (normative/socialising) accountability may be discharged differently. For example, reports may be contractually required by 'upward' stakeholders (e.g. the sponsoring department), whilst communal accountability is more likely to be provided 'downward' (e.g. to service users) in a less-structured format (Broadbent, Dietrich, and Laughlin 1996). As upward accountability may be linked to ensuring that organizational funds are utilized effectively and efficiently, NDPBs can gain legitimacy from their upward stakeholders by reporting the financial aspects of their activities. However, there is often a disparity in the power of downward stakeholders, compared to upward stakeholders. While the limited power of downward stakeholders may discourage NDPBs from discharging accountability, NDPBs being value-driven organizations may provide a counterbalance. This may generate intangible sources of legitimacy such as credibility, reputation and trust, with increased consultation and participation leading to more appropriate and effective management. Downward accountability is consistent with Fry's (1995) notion of felt responsibility and transfers the right of accountability from those in a position of power to enforce it to those affected by an organization and its activities.

In practice, upward and downward accountability may represent end-points on a continuum; furthermore, upward stakeholders may bolster the position of downward stakeholders (for example, by making beneficiary participation a funding condition).

Reflecting such considerations, O'Dwyer and Unerman (2007) discuss the concept of holistic accountability which encompasses multi-directional accountability, not just upward and downward, between different stakeholders. They argue that this is desirable from both a practical perspective, as it helps ensure that organizations are aware of the most effective ways to deploy finite funding, and from a moral perspective, as it helps discharge accountability derived from felt responsibilities.

Operationally, there are multiple instruments of accountability. Public discourse enables organizations to communicate with constituents and demonstrate that they are operating responsibly (Samkin and Schneider 2010). This can be employed to shape stakeholder perceptions and expectations to ensure that organizational behaviours are (or perceived to be) aligned with societal values (Gray, Bebbington, and Collison 2006). Such mechanisms include the statutory annual report<sup>1</sup> and other voluntary documents that organizations publish for stakeholder consumption. Supplementary accountability mechanisms include: participation, where organizations engage with (downward) constituents and involve them in decision making; and the adoption of standards and codes of conduct which convey appropriate and accountable behaviour (Ebrahim 2003b). In practice, accountability mechanisms operate collectively and connectedly. Codes of conduct may, for example, inform attempts to account through discourse, while simultaneously the (self-imposed) pressures to account through discourse may encourage the adoption of specific standards.

In relation to public bodies, HoCPASC (2014) states that being accountable means taking responsibility for actions, with examples of accountability mechanisms including responding to Parliamentary questions, holding board meetings in public, taking the views of stakeholders into account and publishing an annual report and accounts. The annual report is often viewed as the principal, formal means through which management communicates with their (often predominantly upward) stakeholders (Yuthas, Rogers, and Dillard 2002). As the communication lens through which stakeholders can understand and monitor organizations' activities, successes and failures, it occupies a prominent position as a statutory document (Gray, Bebbington, and Collison 2006) and, as a systematically produced document, attracts a degree of authenticity not associated with other such organizational outputs (Boyne and Law 1991; Coy, Fischer, and Gordon 2001). Moreover, high-quality reports and accounts can lead to greater confidence in the organization, and greater confidence generates increased legitimacy (Steccolini 2004).

Despite being widely debated, what constitutes accountability and how it should be operationalized remains unclear, chameleon-like and abstract (Patton 1992; Sinclair 1995).

Moreover, with respect to organizational communication, deciding what information should be provided is difficult (Reynolds and Yuthas 2008). Having considered different forms of accountability, to whom an organization might be accountable and how a duty to account might be discharged, the next section explains the research methods adopted in undertaking this research.

## **RESEARCH METHODS**

In order to assess how the relationships NI NDPBs have with two key stakeholders impact upon their ability to discharge their accountability responsibilities effectively, this research utilized a survey and semi-structured interviews, with the latter developing the responses to the former. Summarizing the discussion above, accountability involves providing an account (not necessarily financial) and engaging with upward (e.g. sponsoring department) and downward (e.g. service users) stakeholders, taking into consideration their needs and views and providing explanations for actions. The elements or attributes of accountability include: transparency (Donaldson and Preston 1995; Independent Commission on Good Governance in Public Services 2004; HoCPASC 2014; Cabinet Office 2015); responsiveness (e.g. explaining and responding to stakeholders) (HoCPASC 2014); and responsible decision making (Fry 1995; Ebrahim 2003a; Cooper and Owen 2007). It may be operationalized by publicly defining the organisation's values, mission and strategy, establishing strategies to accomplish objectives and measuring and reporting on outcomes (i.e. board effectiveness). Moreover, HoCPASC (2014) contends that accountability above all depends on relationships based on trust, openness and mutual support including those between the sponsoring department and the leadership of the public body. Therefore, drawing upon these themes, the main body of the survey comprised nineteen questions: questions 1 and 3 dealt with governance; questions 2 and 4-6 addressed values and mission; and the remainder focussed on organizational and board effectiveness, including stakeholder relationships (see Table 1<sup>2</sup>). In addition, the questionnaire included a number of background questions relating to the NDPB and respondent, which are discussed below.

Whilst the majority of questions were closed, respondents had the opportunity to develop some of their responses. Using OFMDFM (2014), which provides details of the 105 NDPBs sponsored by the NI Executive, as well as their board members, details of the online survey, which was open between October-December 2014, were sent to all NI NDPBs' board members using contact details obtained from their websites or via the chief executive (CEO)

or chair. One hundred responses were received, with the vast majority (75 per cent) of respondents representing service delivery bodies (i.e. Executive and HSC NDPBs), and the remainder being involved in regulation (20 per cent) (i.e. Advisory, Tribunal and some 'Other' NDPBs) and funding (5 per cent) (i.e. Executive and HSC NDPBs). This means that 75 per cent of the NDPBs represented has experience of the frontline delivery of services.

Using their annual budget as an indicator of size, 32 per cent of respondents represented 'small' NDPBs (i.e. a budget of less than £5 million) and 40 per cent 'large' (a budget of over £50 million). If the number of employees is used as a measure of size, 33 per cent of respondents were from NDPBs employing less than fifty, whilst 52 per cent of respondents were from bodies employing more than 200. A sizeable majority of respondents had prior experience having held board appointments before (79 per cent), with 62 per cent having two or more previous appointments. Thus, while the views expressed include those from members sitting on their first boards (21 per cent), it should be noted that some respondents might come from the 'revolving door' cohort of NDPB appointees, who could be less critical of appointment processes and governance than newly appointees. With regard to the position of respondents, 20 per cent were chairs, 16 per cent CEOs, 48 per cent non-executive directors (NEDs) and 9 per cent executive directors (EDs). Seven respondents did not indicate their position.

A semi-structured interview guide, informed by the theoretical issues and empirical findings discussed above, was developed in order to expand on some of the responses to the questionnaire. Specifically, the NDPB's relationship with the sponsoring department and service users, from the public body's perspective, was further investigated. With regard to the NDPB's relationship with the sponsoring department, responsibility ('governance delegation') and decision making ('independence' and 'risk management') emerged as key issues. With regard to the NDPB's relationship with services users, the main issue related to the effectiveness of communication. Moreover, given the emphasis placed on transparent public appointments in the context of accountability (Independent Commission on Good Governance in Public Services 2004; Skelcher et al. 2013; HocPAC 2014) this area was also discussed. Respondents who had indicated in the survey that they were willing to be interviewed were subsequently contacted by the researchers, with the interviews taking place between May-September 2015. Given the difficulties of gaining access to interviewees, NI's provincial nature, the potential sensitivities of the matters being discussed and the researchers' desire for the interviewees to be as candid as possible, each potential interviewee was informed (prior to agreeing to be interviewed) that the interviews would be reported in a

completely anonymised format so that specific statements could not be attributed to particular individuals. It was considered that such assurances were necessary to increase the number of participants and the quality of participation. However, each interviewee has been given a unique reference (I1-I27) so as to illustrate that the views are expressed by a range of individuals, enable the reader to identify comments from the same interviewee, while maintaining confidentiality, and reflect some of the diversity of opinions<sup>3</sup>. In total, the authors conducted twenty seven interviews, which ranged from one to two hours. All interviewees, each of whom held a senior role in their organization, allowed their interviews to be recorded, with notes also being taken. The tapes were transcribed immediately to ensure accuracy and comprehension.

## **FINDINGS**

The Independent Commission on Good Governance in Public Services (2004) and International Federation of Accountants/Chartered Institute of Public Finance and Accountancy (2014) build upon the Nolan Principles (Committee on Standards in Public Life 1995), one of which is accountability. Using a seven-point Likert scale, respondents were initially asked whether their board culture and its decision-making processes reflected the Nolan Principles, with 'seven' indicating a complete reflection. The results were positive, with an average score of 6.18 (see Table 1, question 1). Two noteworthy issues are: firstly, there was a high degree of recognition of the principles; and secondly, the high scoring further reflects the relevance respondents attach to the principles in terms of their application to decision making in practice. However, in the open responses to the questionnaire and the interviews, a number of participants expressed dissatisfaction with current decision-making processes, commenting that such processes were complex and that the proximity to decision making was further removed than expected when initially joining the board. This may be as a result of NI NDPBs not formulating strategy, but putting into practice that emanating from their sponsoring departments. Respondents and interviewees also referred to the protracted nature of decision making, with a common theme being 'the civil service way of doing things' (I13). Furthermore, there was a belief that process outweighed outcome, the result of which was a tendency for board members to be reactive rather than proactive and reticent about making decisions for fear of being criticized. This is discussed further when addressing the boards' relationship with their sponsoring departments.

**Table 1: Responses to questionnaire**

| Question   | Likert Scale Results – Average Score                    |           |                   |
|--|---|-----------|-------------------|
| 1. How does your board’s decision making reflect the Nolan Principles?                                       | [1 = does not reflect, 7 = completely reflects]<br>6.18 |           |                   |
| 2. Are vision and values at the forefront of decision making?  | [1 = never, 5 = all the time]<br>3.64                   |           |                   |
|  | <b>Yes</b>  | <b>No</b> | <b>Don’t Know</b> |
| 3. Do corporate governance processes enhance decision making?  | 89%   | 7%        | 4%                |
| 4. Does your organisation have a mission statement?  | 91%   | 3%        | 6%                |
| 5. Is your mission statement used as part of the stakeholder engagement process?                             | 85%   | 2%        | 13%               |
|  | <b>Likert Scale Results – Average Score</b>             |           |                   |
| 6. Do you find it difficult to adhere to your mission statement when making decisions?                       | [1 = very easy, 7 = very difficult]<br>3.55             |           |                   |
| 7. How effective is your board at promoting effective working relationships with executive management?       | [1 = not effective, 7 = very effective]<br>5.49         |           |                   |
| 8. How effective is your board at fostering a culture of constructive challenge?                             | [1 = not effective, 7 = very effective]<br>5.42         |           |                   |
| 9. How effective is your board at taking a structured approach to succession planning?                       | [1 = not effective, 7 = very effective]<br>4.60         |           |                   |
| 10. How effective is your board at increasing citizen awareness of public body activities?                   | [1 = not effective, 7 = very effective]<br>4.63         |           |                   |
| 11. How effective is your public body at developing relationships with stakeholders?                         | [1 = not effective, 7 = very effective]<br>4.79         |           |                   |
| 12. How effective is your board at promoting effective working relationships with the sponsoring department? | [1 = not effective, 7 = very effective]<br>5.00         |           |                   |
| 13. How effective is your board at articulating organizational values?                                       | [1 = not effective, 7 = very effective]<br>5.31         |           |                   |
| 14. How effective is your board at using evidence to enhance the quality of decision making?                 | [1 = not effective, 7 = very effective]<br>5.34         |           |                   |
| 15. How effective is your board at assessing the adequacy and relevance of the information it receives?      | [1 = not effective, 7 = very effective]<br>5.32         |           |                   |
| 16. How effective is your board at making appropriate interventions?   | [1 = not effective, 7 = very effective]<br>5.12         |           |                   |
| 17. How effective is your board at working to agreed deadlines?  | [1 = not effective, 7 = very effective]<br>5.48         |           |                   |



| <b>Question</b>  | <b>Likert Scale Results – Average Score</b>     |
|--|---|
| 18. How effective is your board at shaping board agendas and meetings? | [1 = not effective, 7 = very effective]<br>5.18 |
| 19. How effective is your board at strategic management?               | [1 = not effective, 7 = very effective]<br>5.28 |

As discussed above, there are multiple instruments of accountability, with the statutory annual report and accounts being a well-established accountability mechanism. Indeed, HoCPASC (2014) states that accountability can be operationalized by the publication of such reports. Whilst participants were not specifically asked about the availability of their annual reports, a review of the websites of the 105 NI NDPBs revealed that eighty six (82 per cent) published such documents on their website. Those NDPBs that did not do so tended to be Advisory NDPBs, which typically do not have their own budgets, and their results were reported as part of their sponsoring department's resource accounts. Another way of operationalizing accountability is for an organization to explain its values and progress in achieving its vision/mission (Drucker 1973; Ingley and Van der Walt 2001). Moreover, by demonstrating progress towards this, an organization can gain legitimacy from its stakeholders (Samkin and Schneider 2010). Using a five-point Likert scale, with 'one' representing 'never' and 'five' representing 'all the time', the results were positive with an average score of 3.64, indicating that vision and values frequently form part of decision making; therefore suggesting that these influenced how accountability was discharged (see Table 1, question 2). With regard to a mission statement, 91 per cent of respondents stated their organization had one, with 85 per cent sharing it with wider stakeholders (see Table 1, questions 4 and 5). Consequently, not only are such documents used by public bodies, but they also form part of the stakeholder engagement process, perhaps indicating that significant importance is attached to them. The board members were then asked about the difficulties faced achieving their organizational objectives whilst adhering to their mission statement. Using a seven-point Likert scale, with 'one' representing 'very easy' and 'seven' representing 'very difficult', responses were spread fairly evenly across each of the scales with the average score being 3.55; this suggests that this can be problematic for some boards (see Table 1, question 6).

Questionnaire respondents were also asked how effective their board was at certain activities, with 'one' representing 'not effective' and 'seven' 'very effective'. Two characteristics of board behaviour deemed to be the most effective were: promoting effective working relationships with executive management (average score: 5.49) (see Table 1,

question 7); and fostering a culture of constructive challenge (average score: 5.42) (see Table 1, question 8). The former suggests that respondents are satisfied with their dealings with one group of stakeholders, whilst the latter indicates a belief that there is a culture within the boards of NI NDPBs that enables constructive challenge; an important duty of a NED in discharging accountability to stakeholders. However, two of the least effective behaviours identified were: taking a structured approach to succession planning (average score: 4.60) (see Table 1, question 9), which is discussed later in the paper as it is linked with public appointments; and increasing citizen awareness of public body activities (average score: 4.63) (see Table 1, question 10). Interestingly, with regards to the second issue, whilst this was perceived as one of least effective activities, an average score of 4.79 suggests that typically respondents believe their organizations were effective in developing relationships with stakeholders (see Table 1, question 11). The relationship with the sponsoring department and service users, two key stakeholders, are now discussed in turn; this is followed by a consideration of public appointments.

### **The relationship with the sponsoring department**

One of the aims of this paper is to examine the relationship between NDPBs and certain stakeholders. Whilst the findings reported above indicate that overall there is an effective working relationship between NDPBs and their stakeholders, (for example, see Table 1, question 12, the relationship with the sponsoring department was considered to be broadly effective (average score: 5.00), some of the open questionnaire and interview responses suggested that the relationship with the sponsoring department (in the parlance of Freeman (2010), a primary stakeholder) is transactional and procedural, which can cause accountability tensions (HoCPASC 2014). As these particular stakeholders have power, legitimacy and urgency, their claims are likely to be prioritized (Mitchell, Agle, and Wood 1997). While a minority acknowledged that the relationship with the sponsoring department was akin to that of an ALB, others used terms such as ‘autocratic’ (I11), ‘micromanagement’ (I15) and ‘disproportionate scrutiny’ (I3) to describe the relationship, especially in situations where the NDPB was relatively small in comparison to the sponsoring department. Furthermore, it was reported that because of a tendency for civil servants to be risk averse, departments continually requested information from their NDPBs, which hampered their day-to-day activities. The relationship between NDPBs and their sponsoring department is discussed further below in the context of governance delegation, independence and risk management.

## Governance delegation

Governance delegation relates to the assigning of responsibility, with interviewee responses ranging from ‘clearly defined’ (I8) to ‘woeful’ (I11), with a representative comment of the latter being:

*‘...delegations [are] quite narrow....[the] government doesn’t allow ALBs to do their business...doesn’t understand the nature of the business, [it is] not best placed to run the business’.* (I15)

While delegation occurs, is clearly recognized and has improved, many contended that there was scope for further improvement. For example, a common concern was that the delegation of authority was overly complicated and could be simpler. Delegation issues were believed to arise from a number of factors. Firstly, it was suggested that too many individuals were involved in the delegation process (e.g. the Accounting Officer, the sponsoring department and the departmental minister, all of which had different perspectives). Secondly, scrutiny was considered disproportionate, with the preoccupation with process slowing down decision making; one interviewee referred to this as ‘wading through treacle’ (I9). Thirdly, there was discontent with the perceived approach of the Northern Ireland Civil Service (NICS) to apportioning responsibility when something went wrong and the impact of this on the relationship between the NICS and public body. Typical phrases to describe this were ‘blame culture’ (I22) and the ‘insularity of the civil service’ (I24). Fourthly, there was the cost and resource implications of compliance, particularly at a time when funding was being constantly reduced. Finally, the different roles that participants play in the board process were highlighted. For example, there was confusion over the responsibilities of the Accounting Officer and EDs in particular felt uncomfortable as they did not want to be seen as criticizing the CEO. This problem could be exacerbated by the fact that many board members to a certain degree ‘dipped in and out’ (I19).

Suggestions were put forward by interviewees as to how governance delegations could be improved, one of which was examining the ED/NED relationship, with a common suggestion for improvement being that both parties meet outside of the boardroom in a more social setting. Indeed, there was a general feeling that it was important to invest time into building good relationships with all individuals involved in the governance process:

*‘Relationships are key to making delegations work. Following policy blindly from the department is never good’.* (I8)

Furthermore, it was suggested that there is a need to review governance terms of reference locally and the Management Statement and Financial Memorandum (MSFM) at a system-

wide level. The MSFM sets out the broad framework within which a public body operates and there was a belief that it needed to focus on issues pertinent to governance.

### Independence

With respect to NDPB independence, which impacts on board decision making and effectiveness and consequently accountability, there were calls for a greater understanding of the organization's role, together with two related issues. Firstly, what type of body is the NDPB? This was seen as essential to understanding to whom the organization is accountable and thus enabling the board to work within this context with the executive team.

*'[It is necessary] to know you are not an independent body, but a body with a high degree of independence'. (I26)*

Secondly, there were calls for greater clarity on to whom the NDPB is accountable. While interviewees believed that an arm's-length relationship could operate effectively for both parties, there was 'frustration at the short arms' (I17) of the NICS compared to other UK jurisdictions as 'independence only goes so far as operable under the sponsoring department's authority' (I18). It was contended that the particular form of government in NI resulted in continual renegotiation of issues at departmental level, which impacted upon NDPB business plans. There was consensus that board independence is linked to effectiveness, but close proximity to politicians in NI often negatively impacted upon this. Some politicians were perceived as being overly influential, meaning board members were reticent about voicing their opinion.

### Risk management

Political influence was also seen as a factor that affected risk management in NDPBs, with a consequential impact on board decision making. Generally, while risk was seen as being better managed than it had been previously, it was an area identified as being particularly process heavy, often associated with 'red tape', box ticking and too much risk assessment. Interviewees commented that this area had become something of an industry in itself and one that was in need of review. A majority observed that the political system, and its functioning, impacted on how risk was managed at the NDPB level. For example:

*'The PAC [Public Accounts Committee] [is a] blood sport...no issue with accountability, the issue becomes point scoring'. (I3)*

*'NICS risk aversion is exacerbated by the PAC and NI Audit Office'. (I13)*

*'[The] risk aversion of the civil service...use of outside consultants to cover themselves and avoid the PAC'. (I20)*

Overall, it was argued that a sensible approach to risk management was required and that public bodies could not simply apply private sector risk management practices. There was also a belief that the threat of the PAC was overplayed, but that this did affect how risk was managed at both the departmental and NDPB levels, with departments operating to scrutinize, rather than advise and assist.

Moreover, it was contended that decision making was influenced by the 'civil service way of doing things' (I13) where there was no individual incentive to take risks due to the system penalising people for taking judgements around risk. Risk aversion was perceived to be part of the 'NICS's DNA' (I20) due to a disproportionate sensitivity to criticism, and it was felt that people 'who don't make mistakes get promoted' (I20), which leads to the wrong type of behaviour. Therefore, public sector boards did not want to take risks, or took an inordinate period of time to reach a decision:

*'[The] willingness to stand up to be counted when the organization is unfairly criticized is impacted by a lack of belief and confidence that they are going to be supported...this makes people risk averse'. (I17)*

A further manifestation of NICS risk aversion was a culture of wanting to know everything, which led to demands from multiple sources for the same information which slowed down NDPB decision-making processes. Furthermore, it was acknowledged that longstanding board members had a habit of stifling newer members who might be more willing to take risks.

Responding to how public bodies can more meaningfully engage with risk as a key corporate governance issue, interviewees advised that: there needed to be better compatibility between the department and NDPB risk register; it was necessary to 'push the risk appetite' (I24), particularly due to funding restrictions, as organizations were going to fundamentally change; risk management processes needed to be challenged in line with the priorities of a minister's wishes; and with regard to risk registers, it was necessary to ensure that issues are captured in a 'meaningful amount of pages' (I26) so that they become 'dynamic documents' (I5). It was suggested that the arm's-length principle should be safeguarded, with the understanding that NDPBs would be severely penalised if they acted illegally. It was further highlighted that a more mature political environment was needed if the task of managing risk was to be less daunting.

## **The relationship with users**

According to Mitchell, Agle, and Wood (1997), dependant stakeholders are those who have legitimate claims, but depend on the power of others to pursue them. In the parlance of Donaldson and Preston (1995), the relationship with the main users of NDPB services was seen as normative in nature; and, given their position as service users (or consumers), they can be categorized as ‘primary stakeholders’ (Freeman 2010). Notwithstanding, several interviewees opined that their NDPBs were not engaging with service users in a meaningful way and that measures to increase awareness of their activities were perceived as ineffective. It was considered essential that NDPBs engaged with these stakeholders, despite such processes being particularly time and resource intensive. Therefore, the processes needed to be underpinned by an effective communication strategy linked to the organization’s values if they were to have traction, and the NDPB needed to be clear about its purpose. Moreover, engagement needed to be a continuous process in order to be sustainable. However, given the prevailing pressures on resources, this was not seen as an easy task:

*‘[The] problem with the public sector... stakeholder engagement is the first thing to go when you need it most...unfortunately time, money and energy is dissipated when dealing with a crisis’. (I9)*

Interviewees also pointed out that it is difficult to secure effective engagement with the wider public unless the matter the NDPB is dealing with affects them directly; although public bodies have attempted to widen stakeholder engagement by using different venues for board meetings. This was seen as being important in presenting ‘a board that is not faceless’ (I11). While a small number of NDPBs had considered holding meetings externally to encourage greater attendance, there was concern about accusations of wasting taxpayers’ money as boardrooms are a sunk cost. Others had experimented with podcasting meetings and making these available on their websites, with this practice being considered successful based upon the number of ‘hits’. Notwithstanding, NI was thought to be a good location for developing such initiatives, given the proximity to the local populace.

With regard to how actual experiences relating to public engagement had been evidenced, interviewees were generally positive with the feeling that ‘openness is appreciated by the public’ (I8); however, there were two main concerns about how these processes could be taken forward in the future. First, an uncertainty about the best time to do this, with interviewees stating it was ‘difficult to know when and how to do it’ (I17) and ‘public bodies are shy about coming out to meet the public’ (I3). Second, resource constraints were

identified as being a factor that would potentially impact these activities, with social media being raised as a solution. However, it was emphasised that such communication needed to be clear and effective and not trivialize the message.

## **Public appointments**

The Independent Commission on Good Governance in Public Services (2004), Skelcher et al. (2013) and HoCPASC (2014) highlight the importance of transparent public appointments in the context of good governance, with succession planning being a component of this (Public Sector Commission 2016). The questionnaire results confirmed that succession planning was seen as one of the least effective board behaviours, possibly due to the nature of the role and low, or non-existent, remuneration. Moreover, given the time commitment required, vacancies tend to attract a certain type of applicant, mainly semi-retired, professional males. This also led to similar individuals sitting on multiple boards, which could result in conflicts of interest. However, whilst several interviewees would like to see younger board members, such people needed the appropriate skills and competences to fulfil the role (e.g. dealing with multi-million pound budgets). One interviewee referred to this as ‘diversity within reason’ (I6). Another factor that could be deterring potential candidates is the media scrutiny that public sector officials can attract, possibly due to local broadcasters and newspapers having a fairly narrow scope for material. Additionally, the public appointments system was seen as process heavy and lacking transparency, with NDPBs preferring to:

*‘appoint the wrong person with the right process than the right person with the wrong process’.* (I13)

Therefore, interviewees believed that it was necessary to expand both the diversity and skill sets of board members and streamline the public appointments system. Consequently, the concerns of HoCPASC (2014) that public appointments are not sufficiently transparent, representative or accountable appear justified. In April 2016, the NI Executive agreed targets for the equal representation of men and women on NDPB boards, with an equal number of women as Chairs by 2020/21 (Commissioner for Public Appointments Northern Ireland 2016). Thus, in some areas of social diversity there are encouraging signs; however it was acknowledged that more work needs to be done to make posts more attractive to all members of society and remove redundant or superfluous processes from application procedures. The use of informal leaders to smooth the process of strategic succession planning on the board was proposed (e.g. a Deputy Chair or another individual supportive of the group as a whole),

with staggered, and longer, terms of appointment also being seen as ways of improving the current system.

## **DISCUSSION AND CONCLUSIONS**

This paper presents the results of a survey of, and interviews with, members of NI NDPB boards. Overall, the findings indicate that although there was a general belief that these bodies are effective in discharging their accountability duties, there remain areas where this could be enhanced. These include: balancing compliance with outcomes; relationships with sponsoring departments and service users; and public appointments.

The governance system was viewed as process-heavy and following a process was perceived as being more important than the outcome. Therefore, it is recommended that boards embrace modes of working that go beyond simple compliance issues, as is arguably the case with much governance guidance. For example, the Professional Accountants in Business Committee (2004) promotes a holistic view of governance that considers two dimensions: conformance, encompassing what would be commonly recognised as governance issues; and performance, to help the board make strategic decisions and understand its risk appetite and key performance drivers. It is contended that this approach will facilitate boards in becoming less embroiled in process.

With respect to relationships with sponsoring departments and service users, which Broadbent, Dietrich, and Laughlin (1996) refer to as upward and downward stakeholders respectively, NDPBs should have an externally-focussed notion of accountability towards the former and a felt responsibility towards the latter (Fry 1995; Gregory 1995). Although, according to Fry (1995) balancing both stances has the potential to create tension. The impression gained from the survey and interviews was a sense of frustration at how these relationships operated in practice. With the sponsoring departments this frustration was due to what was typically referred to as a lack of an arm's-length relationship, whilst with users it arose from not being able to engage as effectively as desired. Indeed, there was no suggestion of strategically utilizing a discourse, self-promotion or impression management (Chen and Roberts 2010; Beelitz and Merkl-Davies 2012). Therefore, although NDPBs were keen to increase their transparency there was a feeling that communication with users could be improved. One way of enhancing the relationship with the sponsoring department would be for the NICS to undertake a review of engagement processes to ensure consistency. Moreover, communication processes between the NICS and public bodies need to be



enhanced, particularly with regard to excessive information requests, so that the ability of the NDBP to fulfil its role is unhindered. Thus, a move away from what Roberts (1991) refers to as a hierarchical form of accountability to one more akin to socialising could free board members to devote more time to their core activities. As NI government departments have recently been restructured and reduced from twelve to nine, this provides an opportunity for a more consistent approach to their relationships with their NDPBs in order that the latter are treated more like ALBs. With regard to improving communication and thereby relationships with users, particularly in a time of austerity, greater use of social media and other interactive web-based tools could assist, without being seen as a waste of resources. This could lead to more consultation and user involvement in decision-making processes, which according to Laughlin (1996) is a form of communal accountability.

Finally, with regard to public appointments, the recently announced targets for female appointees will address some of the social diversity issues of NDPB boards; however other barriers still need to be overcome to make the process fully transparent and seen as open to a wider pool of applicants.

The austerity that continues to impinge on the budgets of NDPBs has clearly had an adverse impact on their activities; however, there is much that could still be done to enhance their accountability. In this regard, research that compares the board practices of NDPBs in NI with those of other UK jurisdictions could lead to more sharing of best practice, as would a move away from the silo mentality that often beleaguers public sector organizations. As this paper only focusses on two stakeholders from the NDPB's perspective, the sponsoring department and the user, future research could consider a wider range and ascertain whether, as suggested by Mitchell, Agle and Wood (1997), a ranking of competing stakeholder claims is conducted. Therefore, such research could address which groups or individuals are considered stakeholders, what taxonomies, if any, NDPBs use to categorize these stakeholders, how do senior management deal with competing stakeholder demands and how is the dynamic nature of stakeholders dealt with, i.e. do senior management take a proactive or reactive approach? Moreover, the views of the sponsoring department and users could also be sought in order to ascertain if they concur with the assessment provided by NDPBs regarding the latter's discharge of accountability.

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<sup>1</sup> The term annual report here refers to documents which comprise an organization's annual financial statements as well as narrative reports by management (e.g. directors' or trustees' reports).

<sup>2</sup> The responses to all questions in Table 1 are not discussed in the paper.

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<sup>3</sup> Whilst NI offers unique access to key public sector decision makers and a subsequent richness of data, the provincial nature of the country makes these people more easily identifiable than they might be in other parts of the UK. Therefore the researchers were constrained ethically with regards to the extent to which interviewees could be identified. All interviewees only agreed to participate on the condition of complete anonymity as attaching a label such as 'ED Health' could lead to that person being identified.