Abstract
This paper takes an exploratory approach to investigating the relationship between accountability stakeholder and legitimacy theory in public benefit entity. It explains that while the accountability relationship is traditionally applied to managers as the accountors and shareholders the accountees, this relationship also extends to public benefit entities and their stakeholders. The primary vehicle for the discharge of accountability in public benefit entities is the annual report, which provides performance evaluation information which can be construed as a mimetic response to legitimise DoC from the perspective of its stakeholders.

This paper adopts both a narrative/descriptive and interpretive/analytical research approach. The narrative provides the context to a number of significant events that occurred between 1987 and 2006, while the interpretative aspect relates the changes in the non-financial disclosures to those external events. A longitudinal case study compared the annual report beginning with the financial year 1987/1988 with the content of the annual report for the following year. The print media news items in each financial period were reviewed to determine whether the annual reports addressed any of the issues raised.

Using stakeholder and legitimacy theory it is argued that impression management techniques have been used by DoC to mould how its various stakeholders ‘know’ or ‘feel’ about the organisation or alternatively legitimise its activities in light of the extensive negative publicity experienced by the organisation. The analysis found that the annual report of a public benefit entity can play an important legitimisation role.

This paper provides a valuable contribution to researchers and practitioners as it attempts to extend the understanding of how those public benefit entities that are required to use accrual accounting can make use of financial reporting for legitimacy purposes. This is one of the first studies to examine the relationship between financial reporting and legitimacy in the public sector.

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