



The Tr-Ac-Net Organization

Transparency and Accountability Network

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Community Accountancy

**PUTTING ACCOUNTANCY TO
WORK FOR ALL OF SOCIETY**

FUNCTIONAL STRUCTURE

FOR DISCUSSION ONLY

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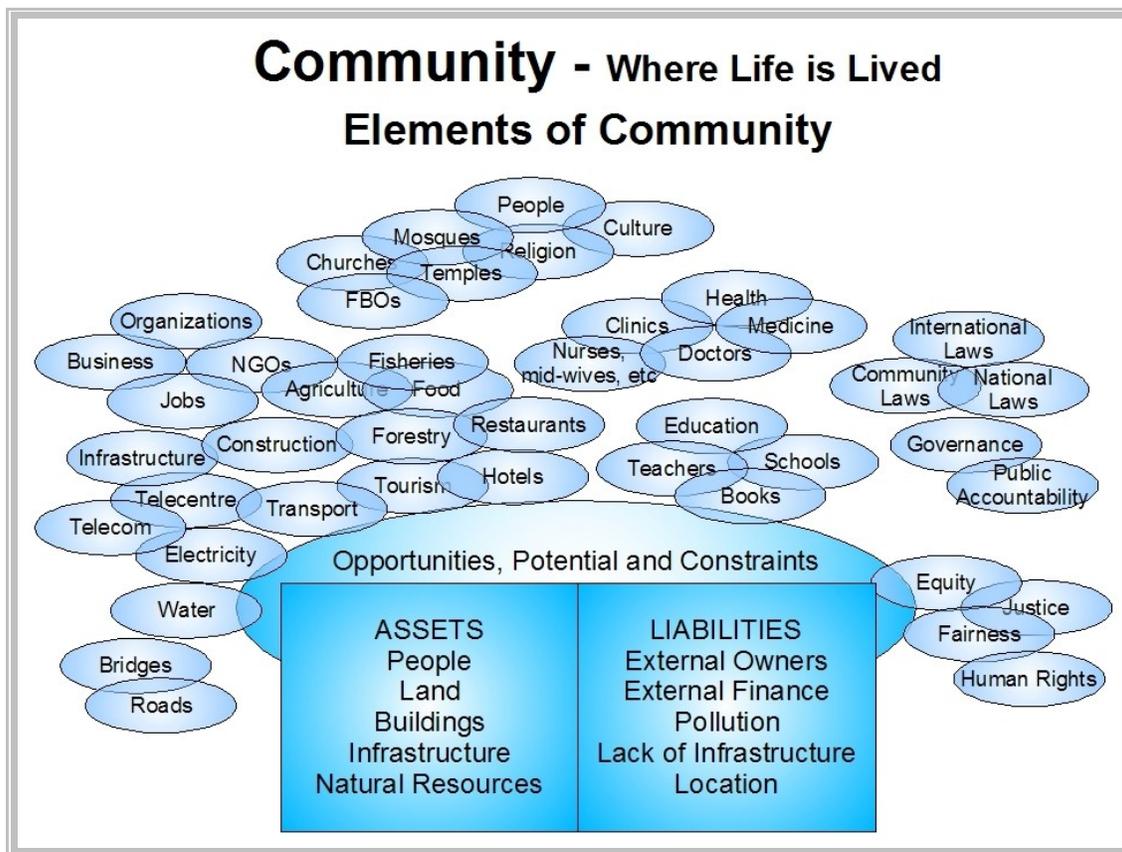
FUNCTIONAL STRUCTURE

COMMUNITY IS THE STARTING POINT

Community is central

It has been said that all politics is local ... but even more so, all life is local. More than anything else, this is the central concept of Community Accountancy.

People in their own community know what is going on ... and have an ability to hold people accountable most of the time. People in a community often know about things ... even if they cannot do anything about them. People need a structure that will make it possible for what they know to be used for the good of society ... to make their knowledge valuable ... and people need to be able to see metrics about society that have local meaning.

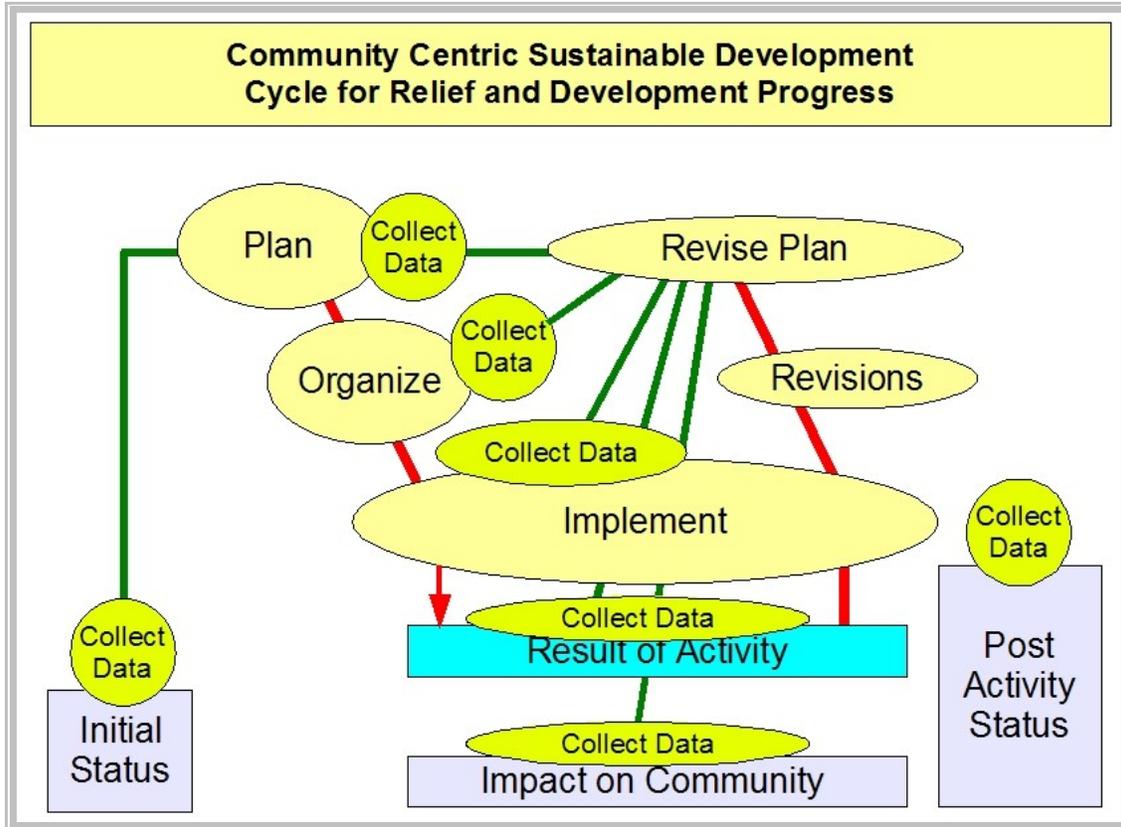


The challenge is to build a structure that does the job of facilitating the collection, transmission and storage of data without the structure becoming the dominant piece of the system. The data are at the center of everything ... with the structure being merely something to facilitate the data related activities.

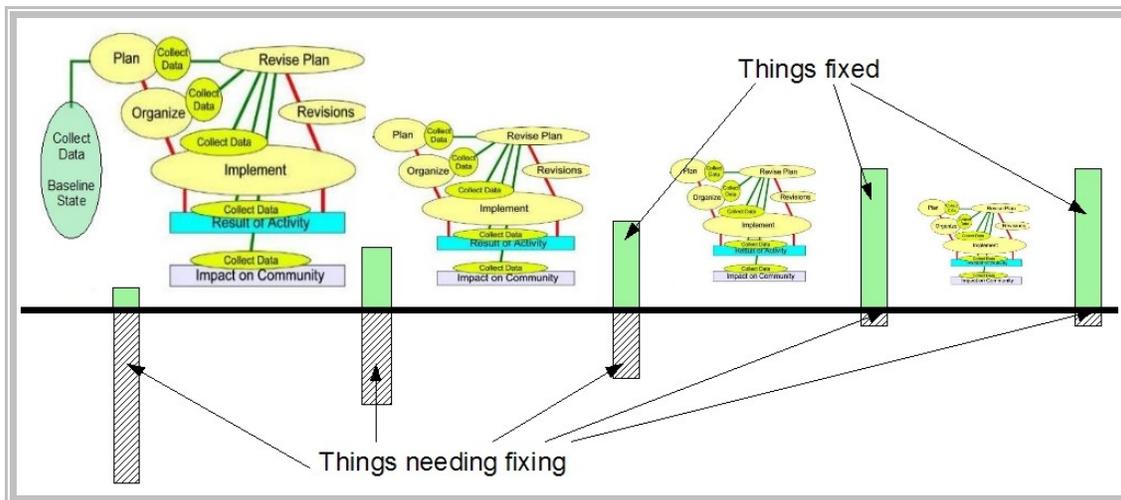
Reality ... data ... analysis ... activity ... impact

Community Accountancy is a datacentric management process. The process goes from reality to data, to analysis, to activity, to impact. Data are critical to decision making ... and the management process. The following graphic shows how pervasive data need to be in the management process. Without data, decision making is nothing more than guesswork, and the results are unlikely to be very good.

Implementation is at the center of making progress ... but before successful implementation there is planning and organizing ... and everywhere there is data collection and the use of data to improve everything so that results and impact are optimized.



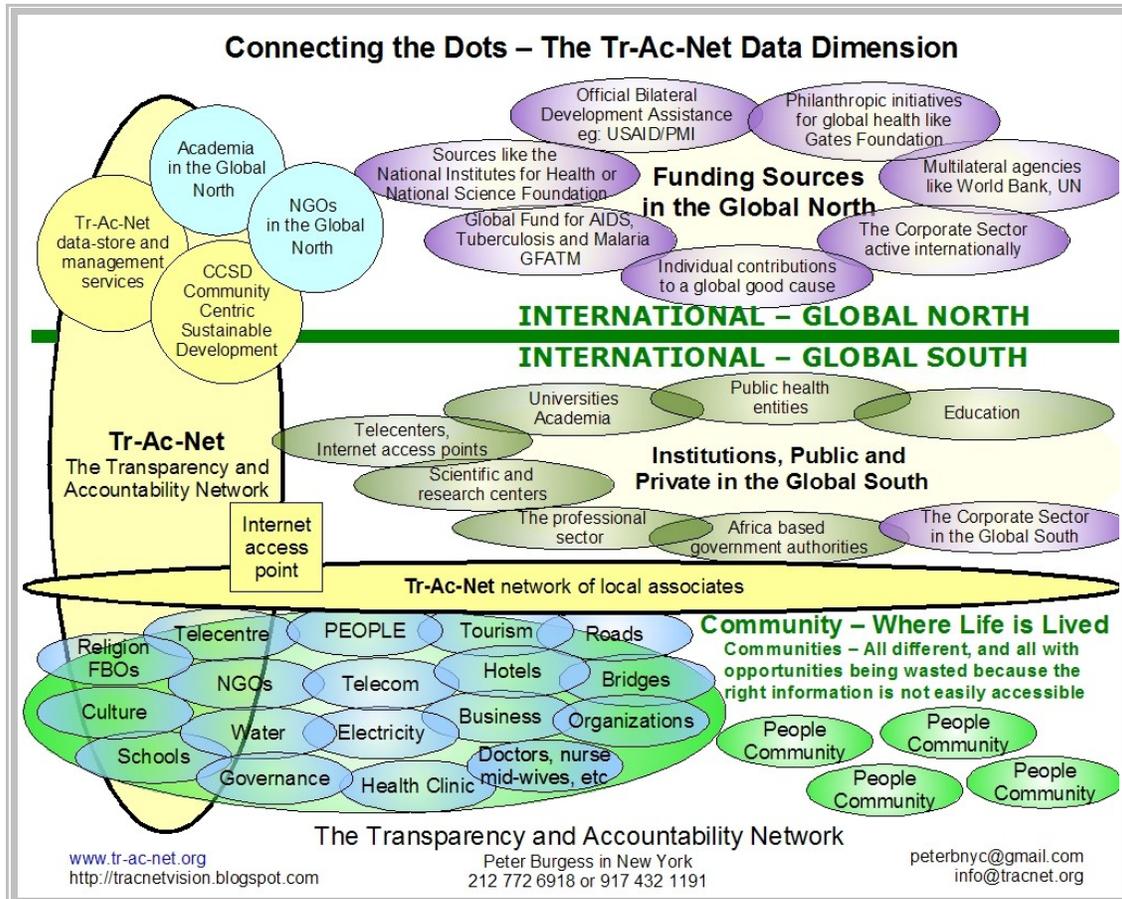
The following graphic shows the connection between implementation interventions and results. An initial development intervention may need to be quite substantial because there are many big things to fix. As time goes on things needing fixing get smaller and things fixed have continuing value. When done well, a much smaller intervention will sustain progress into the future ... sustainable development.



Part of a possible functional structure

Community Accountancy has the metrics to put all the dimensions of socio-economic progress “on the record”. There needs to be a functional structure so that data may be collected and put into a system where the data can be used. With this, where results are good, there can be replication ... where the results are poor, changes can be made and the responsible organizations and people held to account. Community Accountancy provides some of the essential checks and balances so that resources are not lost or wasted.

The following shows something of how the Transparency and Accountability Network (Tr-Ac-Net) might serve as the catalyst for the widespread deployment of Community Accountancy.



In order for community accountancy to work, there has to be system management, and this system needs to operate independent of the entities needing measurement. The basic framework provides for the following:

- Independence
- Reliability
- Objectivity
- Neutrality
- Low cost
- Timeliness

FUNCTIONAL STRUCTURE

Design of the structure

The structure or framework must be totally unobtrusive. There is a need for a framework but it is merely present to facilitate what needs to be done to have data. The goal is (1) to have data; and, (2) to have progress. Structure is needed to frame the data, to facilitate the data collection and is not an end in itself.

There are different functions that a structure must facilitate ... and the best structure is one that does not in any way distort the connection between the reality and the data representing the factual reality.

The cost of community accountancy

The cost of community accountancy must be small relative to the economic activities that are going on.

Because community accountancy aims to be useful in low income communities, the cost of the system is designed to be very very low ... and using only ultra low cost technology and systems.

This is possible ...

A good accounting system does not come free, but it should not be excessively expensive. Good design especially of analytical codes helps to reduce cost without sacrificing analytical power.

A Community Accountancy system can be deployed with very low costs making use of existing available infrastructure. Good design, together with effective use of the Internet and relational database systems makes Community Accountancy much lower in cost than its value.

The purpose of Community Accountancy is to facilitate the easy access to data that will help improve decision making and help the public to hold decision makers and their organizations accountable.

Comparison with corporate structures

In the following table the structure needed to facilitate universal deployment of Community Accountancy is contrasted with the Corporate Accountancy functional structure. There are similarities between the structure of the accountancy functions for accountancy in a large global organization ... with Community Accountancy not constrained within organizational boundaries but reaching into everything.

The dislike for objective accountancy in the corporate world is likely to be replicated in Community Accountancy ... objective neutral data about performance are not the first step in winning popularity contests ... rather a declaration of war on those that have unfair advantage and want to keep it that way.

Accounting organization

Corporate Accountancy	Community Accountancy
<p>In a typical corporate setting, the Chief Financial Officer is responsible and there is an accounting department to do the work. Accounting is essentially something that is done within the organization and for the organization.</p>	<p>In Community Accountancy there is a need for data ... but the organization to collect data is not obvious. What is clear is that no single organization should have the responsibility for collection of data nor control of the data.</p> <p>So Community Accountancy looks to have multiple flows of data that relate to the same fact so that together they provide data that are reliable.</p> <p>An organization with a interest in the facts my be a very reliable source of data ... but this is only going to be so when there is a strong independent system that validates the data.</p>

Accounting for whom?

Corporate Accountancy	Community Accountancy
<p>Corporate accountancy provides data and reports for the corporate stakeholders.</p> <p>In efficient corporate organizations accounting data are used for reporting to management and to the stockholders. Accounting is used for day to day analysis and for the control of corporate resources. The same data are serving many purposes.</p> <p>Reporting to the public is not a part of the corporate accounting system. The public may get information from the public but it is because of either legislation or public relations, and not an integral part of any system of accounting that embraces community issues.</p>	<p>Community Accountancy is a system that aims to provide important data for the public ... all the stakeholders in society.</p> <p>The public ought to know how resources are being used in their community, who benefits and who does not. The role of knowledge is to make the market mechanisms of economics work, and to make it more difficult for those that have unfair advantage to keep it in perpetuity.</p> <p>Reporting to the public is the essential core of Community Accountancy. But who are the public? The simple answer is that “we” are the public ... but that is not enough since most of this community has little appreciation of either rights, responsibilities or the use of data to build understanding and opportunity.</p>
<p>The accountancy profession and legislators and regulators have spend hundreds of years trying to ensure that corporate investors should not be defrauded by those entrusted with the investors' money.</p>	<p>Nobody has seen fit to do the same to ensure that the interest of the public is similarly protected. Rather the system has been allowed to develop into a rule of law where due process stands too frequently to protect crooks and those in power at the expense of everyone else.</p>

Accounting by whom?

Corporate Accountancy	Community Accountancy
<p>Corporate Accountancy provides reports that are useful for analysis ... but in areas of significant public interest the reports suggest more questions than they provide answers. The corporate entity is rarely required to give meaningful answers to the stakeholders of society, merely to its own stakeholders.</p>	<p>Community Accountancy is accounting for the public ... for everyone ... with dataflows about socio-economic transactions and issues originating anywhere and everywhere. Community Accountancy provides a system and repository for these data so that the data may be used for analysis and conclusions drawn about socio-economic performance.</p>
	<p>Bits of the needed oversight have been set up ... but it is by no means a universal system, and is hardly recognizable as a system. It is largely missing in most countries. Examples are rules about safety, about product labeling, checks and balances in government financial management ... but the whole thing does not work as an integrated coherent way, and is not very effective viewed from a global perspective.</p> <p>Community Accountancy is accounting for the public ... to let the public know how well resources are being allocated and how well resource are being used</p>

Accounting by the public

Corporate Accountancy	Community Accountancy
<p>This idea is totally alien in the corporate accountancy framework.</p>	<p>Community Accountancy on the other hand has a place for everything that is important to the public. Community Accountancy puts everything in its place as accurately and as meaningfully as possible.</p> <p>In the corporate setting, there is no mechanism for public input into the corporate accounting system. There is no role for data that are important to the public ... from a corporate accounting perspective the public does not exist.</p>

Audit

Corporate Accountancy	Community Accountancy
<p>Audit has its name because in the early days of accountancy someone listened to the account. In modern times, independent audit has been a requirement in most corporate and organizational settings. The aim of audit is to get an independent assessment of the accounting system and the reports being prepared for the stakeholders.</p>	<p>Audit is not a big part of the Community Accountancy system. There is a need to have valid data, but this is done by means other than independent external audit.</p>
<p>Audit - conflict of interest In recent times, audit has been weakened by an inherent conflict of interest. The fees for conducting and audit are paid by the organization being audited ... and it is to be expected that the client that is paying the auditor would want one that sees things from the client perspective. Accountants need to be paid ... and it is easier to be nice to the client in order to continue being paid for their work.</p>	
<p>Internal audit Internal audit helps to make the independent audit less costly.</p>	
<p>Government audit Government accounts are usually subject to audit, and normally done by government auditors that, while independent of the operating units, are still a part of the civil service. The typical audit is usually done way too late, and its content often suppressed when it is inconvenient.</p>	
<p>ODA sector Audit has been used excessively in the official relief and development sector to compensate for bad accounting ... a misguided approach that has failed to solve major accountability issues.</p>	

Internal check and internal control

Corporate Accountancy	Community Accountancy
<p>Good corporate accounting systems put accurate and reliable data into the record. This is done by the use of internal check, which can be described as the technique where all data are given some form of double check to ensure that the data are good and valid.</p> <p>Internal control is another element of a good accounting system ... and is used as another level of effort to ensure that the accounts have good data and there is control over these data and the underlying transactions.</p> <p>The labels used to describe internal check and internal control do not matter ... what does matter is that the system has good reliable data in the records (referred to here as internal check) ... and that the system has the depth to stop inappropriate transactions being undertaken (referred to here as internal control).</p>	<p>Community Accountancy needs to work with reliable data ... and must handle the data at the least possible cost.</p> <p>The techniques if internal check and internal control form the basis for validation of data that flows within the Community Accountancy system.</p> <p>Data must be an accurate reflection of the fact that is measured. This is a simple idea ... and must remain simple and very clear even as Community Accountancy as a whole scales.</p>

Internal audit

Corporate Accountancy	Community Accountancy
<p>Internal audit helps management with oversight of the accounting function of the organization. It helps to get feedback about the performance of the accountants and the correctness of their reporting.</p> <p>Internal audit exists in many forms in the GAAP environment. Internal audit may serve as a way for an external audit to be done at less cost or to ensure tat internal rules are followed.</p> <p>Internal audit has a role in Community Accountancy. Every possible step has to be taken to help get the data as accurate as possible as reliable as possible ... and for reports to reflect a responsible interpretation of what is going on and what could be improved.</p>	<p>There is a role in Community Accountancy for a similar activity ... but this is the mainstream oversight of the system.</p> <p>The oversight element of the system is essential and central to success.</p>

Monitoring and Evaluation

Corporate Accountancy	Community Accountancy
<p>Monitoring and evaluation (M&E) is used by organizations in the international relief and development industry as a management tool. It serves as a way for donors and implementing organizations to have the appearance of having management control with a minimum of change.</p> <p>But it really is ineffective, and serves as window dressing more than anything else. M&E is used instead of adequate accounting and related management reports, and has been largely ineffective because M&E is almost always too little and too late.</p> <p>M&E is widely used as a way of showing funding agencies than an implementing entity has done the work responsibly. It is rarely a deep analysis of performance.</p>	<p>Community Accountancy does not use standard M&E. In the Community Accountancy system, there is a strong system of data collection, data analysis and reporting provides a means for all stakeholders to be informed.</p> <p>Community Accounting is in time and on time in contrast to M&E that is too little too late.</p>

Structure for collecting data

Community data collection

Corporate Accountancy	Community Accountancy
None	Everyone may be involved The system allows everyone who has information to contribute to the pool of data ... the system uses ALL techniques for putting data on the record.

Structure for organizing data and putting it on the record

Getting data organized

Corporate Accountancy	Community Accountancy
None	A system of accounts The system
	Account codes
	Local data stores
	Area consolidating data stores
	Global data store

Structure for global data storage

Data store ... the relational database

Corporate Accountancy	Community Accountancy

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