

Accountability and transparency: fundamental to building confidence?

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CHARITY
COMMISSION



“...easy access to accurate and relevant information about charities is essential for real accountability, and for trust and confidence in charities.”

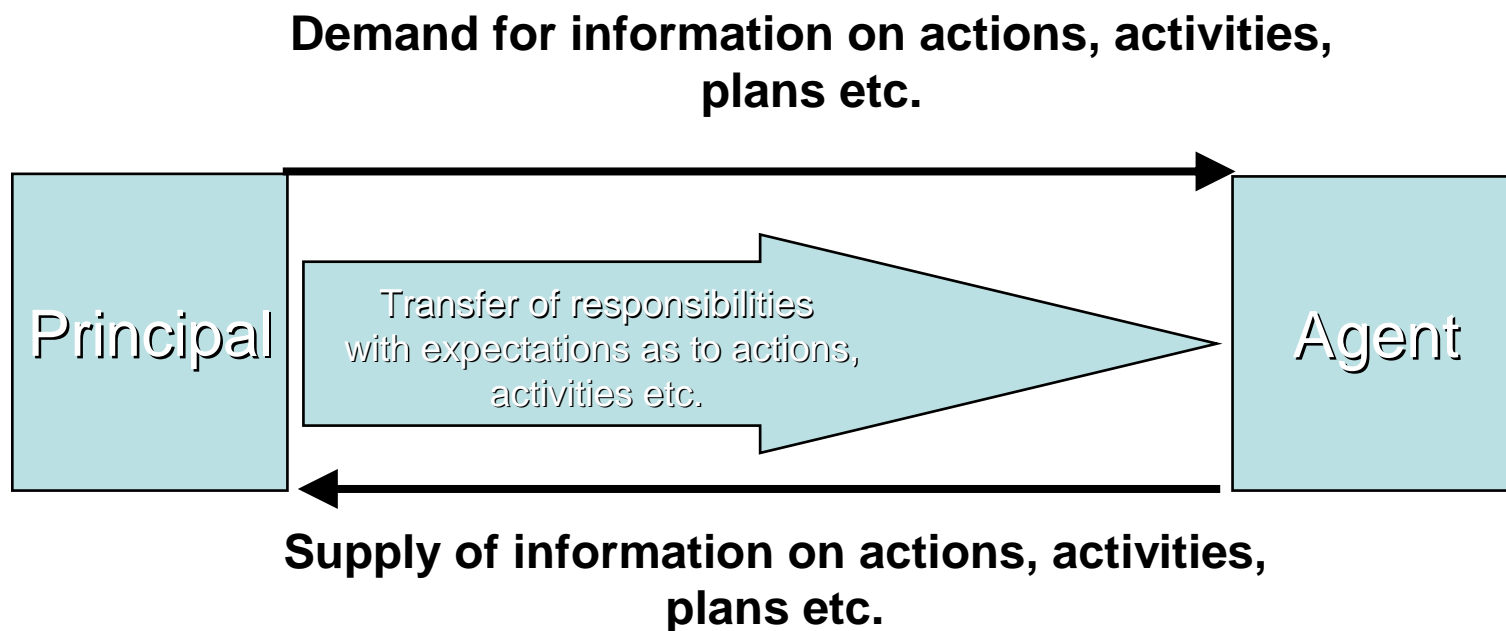
“There is some evidence to suggest that, in general, charities and other not-for-profit organisations are not producing information which is sufficiently accessible and relevant to the public’s needs. Credible comparative information about impact is particularly lacking. This could in the longer term undermine public trust and confidence.”

“The Charity Commission interprets transparency and accountability as providing relevant and reliable information to stakeholders in a way that is free from bias, comparable, understandable and focused on stakeholders’ legitimate needs.”

Wikipedia definitions:

Transparency, as used in the humanities, implies openness, communication, and accountability

Accountability is defined as “A is accountable to B when A is obliged to inform B about A’s (past or future) actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct”

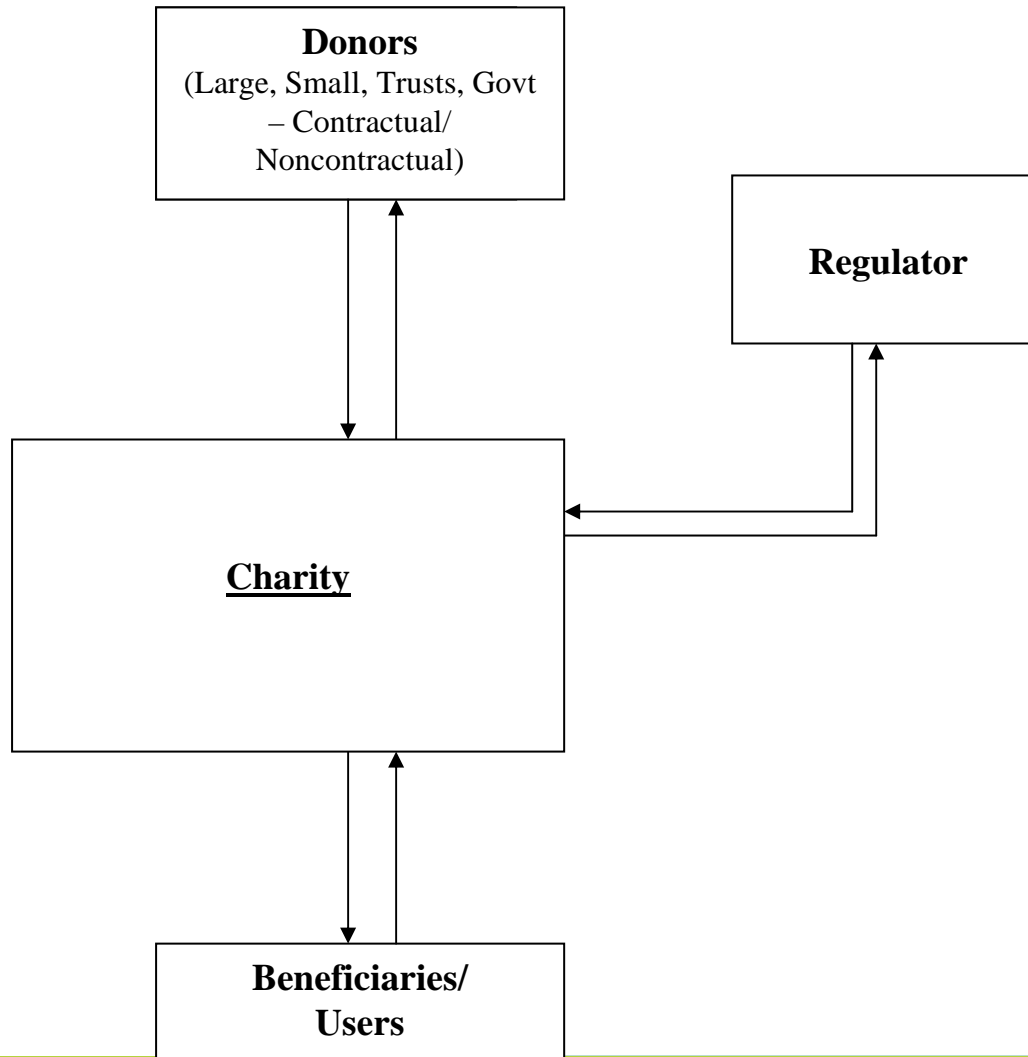


The Hallmarks of an Effective Charity (2004)

Stakeholders are those who have an interest in, or expectation of a charity either as individuals or representatives of a group. These might include service users/beneficiaries, staff, volunteers, trustees, donors and so on.

One hallmark:

An effective charity is accountable to the public and other stakeholders in a way that is transparent and understandable.



- Finance
- Performance

Contentious accounting treatments:

- Legacies
- Deferred expenses
- Fixed assets (including freehold property)

“...management is fearful that if it reports truly and fairly, its fund raising activities will be adversely affected and therefore ways and means are found for tucking away revenue and charging expenses which would not be tolerated in business accounts. This results in an understatement of the surplus for the year of an overstatement of the deficit.”

Gray (1984):

- “...financial accounts can provide useful additional information. However, the financial accounts can only play a subsidiary role.”

Boyne and Law (1991):

- suggest that in the absence of performance information “the concept of accountability and indeed the whole democratic process is simply a sham.”

Information type	Disclosure: Rank	Importance: Rank
Audited operating statement	<u>1</u>	11
Audited balance sheet	<u>2</u>	12
Audited funds flow s'ment	<u>4</u>	=13
List of officers	<u>3</u>	=13
Statement of goals	5	<u>1</u>
Statement of objectives	14	<u>6</u>
Information on problem	=10	<u>2</u>
Measures of output	6	<u>4</u>
Measures of efficiency	12	<u>5</u>
Administration cost %	8	<u>3</u>
Simp. operating statement	7	8
Simp. balance sheet	9	10
Future objectives	13	7
Budget information	=10	9

Brace et al. (1980)	AAA (1989)	Carter et al. (1992)	HM Treasury (2001)
INPUT	COST AND INPUT	INPUT	INPUTS
PROCESS		PROCESS	
OUTPUT	OUTPUT	OUTPUT	OUTPUTS
RESULT	OUTCOME	OUTCOME	OUTCOME

- Effectiveness- concerned with the relationship between the outputs or results of an organisation and its objectives.
- Efficiency- the ratio of outputs to inputs, or the amount of input per unit of output.

- Reduces scandals
- Builds confidence in the charity/charity sector
- Increases support for the sector
- Supports management