Management Accountability for Public Financial Management

By

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Abstract

The paper aims to present ideas and principles that can help public managers understand their obligations toward financial management. Section one of the paper introduces the concept of accountability and its various dimensions. Section two defines the principles of accountability and section three identifies the actors whose accountability is under discussion. Section four defines criteria for accountability and mechanics of holding public managers accountable. Section five discusses how accountability is enforced. Section six takes the discussion a step further by identifying various issues in holding the watchdogs accountable. This section discusses the mechanics of accountability of the auditors. In section seven, the paper proposes a mechanism to assess the state of accountability in a country. The mechanism can help in identifying gaps in the existing accountability framework and indicate policy action for strengthening it. For putting the whole discussion in a proper perspective, section eight explores constraints and challenges involved in introducing a robust framework of accountability. It describes the dilemmas of public managers with respect to accountability. The last section makes policy recommendations.

1. Introduction

There is a recent upsurge in public demand for the accountability of public servants at all levels. It has emerged from greater acceptance of democratic values and traditions around the globe. Although on a first look the idea of holding public servants accountable seems attractive, yet a closer look unravels several issues which require discussion and policy recommendations for making the concept of accountability of public servants operational. The objective of this paper is to present ideas and principles that can help the public service managers understand the dimensions of their accountability and their obligations toward financial management.

Definition of accountability

Accountability has been variously defined. Some more common definitions are as follows:

“Accountability is the obligation to render an account for a responsibility conferred. It presumes the existence of at least two parties: one who allocates responsibility and one who accepts it with the undertaking to report upon the manner in which it has been discharged.”\(^1\)

“[Accountability] is the liability assumed by all those who exercise authority to account for the manner in which they have fulfilled responsibilities entrusted to them...”\(^2\)


“[A]ccountability is synonym for responsibility. It is a type of relationship that comes to existence when an obligation is taken on by an individual (or corporate entity), such as the responsibility to assume a role or discharge a task.”

“Accountability is a relationship based on the obligation to demonstrate and take responsibility for performance in the light of agreed expectations.”

In brief, accountability requires a relationship of conferring responsibility and reporting back on the expected and agreed performance and on the manner in which the responsibility was fulfilled. The rendering of account, whether obligatory or on a voluntary basis, establishes the relationship of accountability. The report on performance on the agreed expectations lends a sort of flexibility but increases the emphasis on accountability for results. The agreement about expected performance could be explicit or implicit between superiors and subordinates. A robust framework of accountability, thus, moves away from the traditional outlook of blameworthiness or ‘catching a thief’ toward reporting on results achieved as compared to agreed expectations, highlighting practical constraints and willingness to improve in the light of experience.

**Dimensions of accountability**

Accountability has several dimensions. For example, accountability could be internal or external. Internal accountability refers to rendering of account to higher echelons of the organization by lower levels in the light of delegated authority and planned targets. The external accountability refers to the accountability of a department or agency to some external body like legislature or governing board. Accountability could be *ex ante* requiring a department or agency to report before an action is taken. It could be *ex post*, requiring to report on results of action. Accountability could also be *amendatory*, requiring a remedial action to redress a grievance. Accountability could be political, referring the accountability of the executive branch of government to the legislature. It could mean managerial accountability, referring delivery of services by government agencies or departments to the public for a fee or otherwise or for the utilization of public resources to deliver the services. Public financial management falls into this last category. The present paper deals with this type of accountability.

**Rationale for accountability**

The rationale for holding public managers accountable lies in the very nature of their relationship with the public resources. They have a relationship of trust with these resources. Public would like to know how did they discharge their responsibility with regard to this trust. The degree of trust varies with the level of the public managers. The senior managers have overall responsibility for the organizational goals; the lower level managers are accountable to the extent of the authority delegated to them.

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5. However, it is not to suggest that sanctions or penalties should not be imposed if a person is found guilty of willful negligence, fraud or corruption.
The recent emphasis on managing for results has enhanced the ability of public managers to adopt innovative techniques in using public resources. This has, at the same time, increased the need for greater accountability. The public managers should be able to answer about the manner they implemented a program, the constraints they faced and the remedial action they took. It also implies a need for independent review of the assertions made by the managers about their performance.

**Stakeholders in accountability**

The primary and foremost stakeholders in an effective system of accountability are the people of a country. They look up to their legislative bodies for holding the executive government accountable for collection of revenue, management of public debt and expenditure on public programs. At the operational level, the ministers as head of departments and ministries hold the senior civil servants accountable, who in turn hold junior levels accountable for proper execution of programs and achievement of results. Within the government the supreme audit institutions, internal audit departments, ombudsman, anti-corruption agencies, other investigating organization involved in enforcing conduct and discipline have interest in a proper functioning system of accountability. Besides, the non-governmental organizations operating in a country remain alert to the accountability information published by the government departments and agencies. Local and internal media also have a stake in proper functioning of the accountability mechanism.

**Scheme of rest of the paper**

The scheme of rest of the paper is as follows. Section two defines the principles of accountability and section three identifies the actors whose accountability is under discussion. Section four defines criteria for accountability and mechanics of holding public managers accountable. The section tries to explore an answer to the question: how do we know that an accountability framework is effective? Section five discusses how accountability is enforced. Section six takes the discussion a step further by identifying various issues in holding the watchdogs accountable. This section discusses the mechanics of accountability of the auditors. In section seven, the paper proposes a mechanism to assess the state of accountability in a country. The mechanism can help in identifying gaps in the existing accountability framework and indicate policy action for strengthening it. For putting the whole discussion in a proper perspective, section eight explores constraints and challenges involved in introducing a robust framework of accountability. It describes the dilemmas of public managers with respect to accountability. The last section makes policy recommendations.

**2. Principles of Accountability**

The joint discussion paper by Office of the Auditor General of Canada and Treasury Board Secretariat Canada defines the following five principles of effective accountability.

**Clearly defined roles**

An effective accountability relationship takes place only when the roles and responsibilities of all the parties to the relationship are clearly defined. In the absence
of a clear definition, the possibility of holding anyone responsible, if anything goes wrong, becomes difficult.

Clear performance expectations
Every actor in the accountability framework should know his or her performance targets. The goals, objectives and expected accomplishments should be clearly defined. If they are not done, the accountability framework loses force, as responsibility for non-performance cannot be easily fixed.

Balanced expectations and capacities
The performance expectations need to be clearly linked to and in balance with the capacity of each party to deliver. Performance expectations that exceed or fall short of the resources weaken the accountability framework. There should be a balance between the resources provided and performance expected.

Credible reporting
Reporting performance based on reliable information, on a timely basis and in a manner that highlights the contribution made by the reporting entities, enhances the effectiveness of accountability.

Reasonable review and adjustment
There should be some follow-up action where the expectations about performance have not been met. The follow-up action could take the form of revising the targets, adjusting the resources or other actions to overcome the obstacles.

3. Whose Accountability?

3.1 General

The public servants are entrusted with public resources for performance of certain well-defined functions. From the point of view of public they have a fiduciary relationship with the people at large. Although all public servants are accountable for the performance of their respective functions, the senior management has a broader responsibility to account for the resources at their disposal. The need to generate information on their role as stewards of public resources, their duties and obligations to preserve, maintain and foster government enterprise. This information should contain details of the resources consumed and the results achieved.

Although the heads of all government departments, like federal or provincial secretaries, are responsible for everything, including proper financial management of their organizations, yet they have to delegate much of the authority to lower levels and have to rely on the work being done by their subordinates. The heads of the organizations need to be assured that the work being done by their subordinates is as it should be. The financial management responsibilities of the heads of the organizations can be stated simply as follows:

- The programs under control should be delivered by obtaining best value for money.
- Decisions are taken on a timely manner and in the light of reliable financial information and analysis.
• Cost effective internal controls for safeguarding the assets and information are in place.
• Suitable environment exists for public servants to perform their functions with probity and prudence.
• There is a mechanism in place for all tiers of management to report on their respective performance and financial accountability.
• The financial management structure meets the current and foreseeable future needs of the organization.

For meeting these responsibilities, the heads of the organizations should require their subordinate managers to build appropriate evidence in support of each of these responsibilities.

3.2 Specific

The public managers dealing with some aspect of financial management have additional responsibilities. They are accountable for these additional responsibilities. For example, ministry of finance has the responsibility for preparation of budget, execution of budget, controlling expenditure, issuing guidelines on financial management, training public managers in financial management, preparing financial statements, providing information on budgetary performance, etc. The collectors of revenue have the responsibility for applying the laws, rules and regulations in a transparent and fair manner, collecting taxes promptly and judiciously, reporting on the taxes collected and in default, handling appeals and resolving disputes. The public debt managers have the responsibility for ensuring that all debt repayment obligations are met on due dates. All debt contracted is recorded and channeled to the spending departments promptly and information on debt management is compiled in a timely and reliable manner. The budget officers are responsible for managing the respective budgets, re-allocation of funds between heads of accounts, maintaining ledgers for measuring budget variances and providing information on actual income and expenditure versus budgeted estimates. The accountants are responsible for maintaining books of account and preparing financial statements on a timely basis. The auditors are required to audit all financial statements as well as review internal controls. They may also be required to conduct performance audits. A satisfactory system of accountability would require that all these actors perform their functions and discharge their obligations economically, efficiently and effectively.

4. Criteria for Effective Accountability

How do we know that an accountability framework is effective? The present section addresses this issue. There are general criteria for effective accountability for financial management. Also, there are specific criteria applicable to various actors in the broader financial management framework.

4.1 General Criteria

Accountability for results
Traditionally, public managers were supposed to account for the expenditure against the approved budgets, explaining reasons for over-or-under-spending. However, there is now a greater emphasis on the achievement of results with the resources consumed. The results can be in terms of outputs produced as well as outcomes achieved. The
outputs are usually means of achieving the outcomes, the latter being the effect of the public program on the society. It is relatively easy to measure outputs. However, outcomes are more complex and difficult to measure since they may involve several actors, making it difficult to delineate the contribution of each one of them. The accountability of the public managers for achieving outcomes should be to the extent they had control over the resources and could influence the outcome. One of the implications of accountability for results is that overload of rules and regulations should be reduced, providing greater flexibility to managers for achieving the results rather than adhering to the letter of the rules. It suggests that a robust accountability mechanism would not recommend a strait-jacket of controls. It would, rather, recommend a management culture that focuses more on achievement of results than literal adherence to rules.

Accountability for results presumes that there would be a system of performance indicators to show whether the results have been achieved or not. This in turn requires a system of monitoring, performance information gathering throughout the year and evaluation of the performance.

It is to be noted that the evaluation of programs for results is distinct from personal accountability of senior managers. The senior managers are accountable for the manner in which they implemented the programs and discharged their responsibilities. They are responsible for implementing internal controls. However, it does not mean they are personally responsible for results. If, for example, it can be shown that there was no negligence on the part of the senior managers in implementing a program, yet there are shortfalls or damages beyond their control, they would not be held personally responsible for these losses.

Accountability for financial considerations in decision-making
Public managers make decisions for conducting the official business. A significant number of these decisions involve expenditure of financial resources in the form of procurement of goods and services. An essential aspect of accountability is that the public managers routinely take decisions with due regard for probity, prudence, and value for money. It means there should be a conscious analysis of economy and efficiency aspects of a proposal before a decision is taken. They should manage the assets, liabilities, revenues and expenditures to optimize cash flows and minimize capital costs. The public managers should issue timely, accurate and consistent financial reports. They should maintain all records in manner that an audit trail exists.

Accountability for management of financial resources
The usual process for allocation of public resources is through approved budgets by legislative bodies. The public managers get authority to spend these resources on specified programs. However, the nature of public business requires that the senior managers delegate some authority to spend these resources to lower echelons. Effective accountability requires that the limits of delegation of authority are defined clearly; communicated in writing to all levels; and exercised within the overall framework of internal controls. Delegation of authority does not absolve the delegating officers from their responsibility for proper spending of these resources. Besides, the public managers remain accountable for keeping an accurate record of all transactions, with proper audit trails. They should make all record available for periodic audit or evaluation. The public managers should be answerable for audit
observations and implementing audit recommendations. Accountability for financial resources also requires that the public employees remain personally responsible for any loss to the public exchequer due to their gross negligence or by willful violation of rules and regulations.

**Readily available information and advice on financial management**

The managers handling public resources have to keep in view financial rules and regulation relating to collection of revenues and expenditure from the public exchequer. Over a period of time, the plethora of laws, rules and regulations and procedures grows. It becomes difficult for anyone to master all this information for use without reference to the applicable texts. Mistakes can be made in all honesty and sincerity. It is therefore, extremely important all laws, regulations, rules and procedures are made available to public managers in a readily useable format. They should get proper training and awareness courses for refreshing their memories about the applicable rules. There should also be a sort of help-desk facility in the ministry of finance or its equivalent body for public managers, to which they can look for clarifying their doubts and seeking guidance on newly emerging situations. In the absence of such an arrangement even honest and hard working public managers may be caught unaware in the rigmarole of rules and regulations.

**An integrated internal control framework to be in place**

The traditional concept of an internal control system revolved around a mechanism for following policies, rules, regulations and procedures, recording of transactions on a timely basis and in a reliable manner and safeguarding of assets. However, during the last decade the concept of internal control has undergone a significant change. The Committee of Sponsoring Organizations of Treadway Commission in USA issued a report on integrated concept of internal control in 1992. The concept has stood the test of time and has been widely accepted. The salient feature of the concept is that internal control system consists of five elements: **tone at the top; risk assessment; control activities; information and communication** and **monitoring**. An integrated set of these elements generates a robust system of internal control. An effective framework of accountability would require that the integrated control system as defined by COSO is in place. It implies that managers at all levels should be aware of their financial management responsibilities, should have necessary training and resources to discharge those responsibilities.

### 4.2 Specific Criteria

**Accountability for procurement**

All public managers have a role in procurement of goods and services either as requisitioners or as procurers. An effective system of accountability for procurement staff would require that the regulations relating to limits or authority are clearly defined, mechanism to define situations requiring emergency purchases is clearly spelt out, and all transactions are conducted in an open manner and with a proper audit trail. The actions of the procurement staff should be subject to periodic review internally by supervisors and by independent auditors. The staff not involved in procurement is also accountable for proper and timely requisitions, defining the

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requisitions in an open and generic manner and ensuring the goods and services
procured provide value for money. Thus an effective system of accountability would
require all public managers accountable for proper procurement.

Accountability for financial management performance
The actors in financial management per se, such as managers in ministry of finance,
revenue collectors, debt managers, and accountants should be held accountable for
timely production of various financial statements that are reliable and comprehensible.
They should be answerable for ensuring that all internal controls relating to financial
management in their respective areas were in place and functioning satisfactorily. The
auditors should be accountable for their performance in the light of applicable
auditing standards. There should be a system of oversight of auditors as well. We
shall discuss this question in greater detail in section six of this paper. Having said
that, the accountability of each actor will be determined in the light of overall
accountability framework that encompasses applicable rules, regulations, procedures
and practices. For example, if the rules do not require a budget officer to prepare
performance budget, he or she cannot be held accountable for not doing it.

5. Mechanism of Accountability

Lead by the legislature
Accountability is not a welcome idea with most of the people who have to render the
account. It has a built-in disincentive. Public managers are apprehensive of criticism,
blame taking or punishment that may ensue as a result of the account that they render.
On one side they have the temptation of painting a rosier picture than what it is in
reality, they have an outright aversion to avoid reporting until it has a payback to them
in some sense. For making accountability work, the legislature should take the lead
and make accountability a requirement for all levels of public management.
Additional advantages to this approach are that the law would define the limits of
accountability, would be more enduring than the departmental rules and would treat
everyone at the same footing. Needless to say that merely passing an accountability
law would not introduce a robust framework of accountability. It would only be a
starting point. The accountability law has to be backed-up by appropriate structures
for planning, monitoring, performance measurement mechanics, incentives for
reporting, training of staff and enhancing legislative oversight on the entire
mechanism.

Oversight by ministry of finance
In most of the countries, ministries of finance and economic affairs are responsible for
overall public financial management. They issue guidelines for budget submissions,
budget re-appropriations, use of delegated authorities, preparation and reconciliation
of receipts and payments accounts and internal controls for obtaining value for
money. The ministry of finance, then, has an oversight function to ensure that the
public managers complied with its guidelines and followed the rules and regulations.
It can institute ad hoc inquiries about any matter relating to financial management to
satisfy itself about compliance with its policies and guidelines. The ministry of
finance can prescribe reports to be submitted to it by all departments and agencies
relating to financial management. Besides, it can make an assessment of the internal
controls in line ministries and departments. That is in line with the generally accepted
concept that the executive government has the primary responsibility for proper public financial management.

Performance reports by ministries and departments
Public entities are engaged in utilizing public funds for delivering various goods and services. Simple financial statements do disclose the financial values. But from the public point of view the essential question remains: how well the public entities have managed the resources? The answer to this question lies in making it mandatory for the public entities to report on their performance. The public is interested in knowing the quality of the goods and services provided and the process through which they were provided. That is, they would like to know that they have received value for money and the public managers have adhered to the rules, especially ethical rules, in delivering those goods and services.

Although, public performance reporting seems to be a straightforward concept on the face of it, yet it has dimensions of subjectivity that blur accountability until the mechanism for performance reporting is robust. For example, the person reporting may use value-laden subjective opinions to cast his or her performance in a brighter shade than it actually is. Similarly, the person assessing performance may use a subjective yardstick to measure performance or the criteria being used may have become outdated with the passage of time or change of circumstances. There could be what has been aptly called ‘preparer capture’ phenomenon that refers to the way the preparers of information chose to report the information.\(^7\) They may overwhelm the reader with too much of information, or use such jargons as are not easily intelligible or present information that cannot be compared over periods of time.

There is a growing body of literature on public performance reporting. Some of the generally accepted principles of public performance reporting are as follows. The performance report should

- give a context to the whole program, explaining the environment in which the program was instituted and how the program was organized and implemented.
- provide information on the mandate, objectives, targets, achievements and the working environment. While doing so, the report should focus on indicators of achievement described in the budget documents.
- relate results achieved to the level of risks accepted.
- put into perspective the strategy adopted by the organization due to its existing capacity considerations.
- explain the factors other than the capacity considerations that are critical for its success such as social, economic, ethical, cultural, educational or ethnic.

- explain the financial aspects and integrate them with the results achieved.
- enlist the challenges that lay ahead and how the program would be implemented to meet those challenges.
- give the department’s own assessment about the success and sustainability of the program in the light of post-project environment.
- give additional assurance about the reliability of the data by explaining how the data were collected and compiled.

Internal audit
Internal audit is yet another institution for enforcing accountability. Internal auditors have the opportunity of reviewing the operations of the organization in depth. They are capable of pointing out shortfalls in performance as compared to the departmental approved plans and suggest improvements. Besides, they can pin-point any red flags indicating possibilities of corruption and fraud. All this is possible if the internal audit has a properly structured mandate, ensuring independence from those who are being audited, provision of human and financial resources and support for implementation of its recommendations. Ideally, internal audit sections in ministries and departments should be manned by an independent Chief Internal Auditor for the respective government. The rights and duties of the Chief Internal Auditors should be protected either by a law or by an administrative order issued by the head of the government with proper security of tenure and reporting independence. As a minimum, the internal audit staff should report to the head of each organization.

Government audit by Supreme Audit Institution
Supreme Audit Institutions (SAIs) play an important role in enforcing accountability. Traditionally, they were required to audit the financial statements of the government in light of approved legislated authority and applicable rules and regulations. However, recently, the scope of work of the SAIs has increased to include value for money audits in the broader framework of economy, efficiency and effectiveness. With increasing emphasis on value for money audits or performance audits, the role of SAIs in enforcing accountability has increased significantly. However, lot much depends upon the law and its implementation under which a SAI acts.

Most of the countries in the world have some form of SAI. Some SAIs are completely independent of the executive governments. In other countries, the independence of the SAI is partial or at least ambiguous. For effective enforcement of accountability, the SAI and its head should be completely independent of the executive branch of the government. Ideally, the SAI should be able to get its budget approved by a committee of the legislature, hire staff for its work, and define its own scope and methods of work and report on results of audit and on its own performance to the legislature. As a minimum, the ministry of finance should not have the authority to decline funding requests from the SAI. Only legislature should have such an authority. Besides, the service conditions of the head of the SAI should provide him immunity from removal from his post except through a due judicial procedure.

Making audit reports accessible to public
One of the mechanisms for enhancing accountability of the public managers is to make the audit reports accessible to public. It would create added awareness both among the public managers as well public auditors to act in responsible manner. The traditional concept of treating the audit reports as official (or secret) documents should give way to a more open and transparent method of reporting. Already, a number of SAIs provide copies of their audit reports on their websites for free download.\(^8\)

**6. Watching the Watchdogs**

The accountability framework would differ from country to country, depending upon the stage of evolution of democratic traditions and institutions. However, in a large number of countries, some accountability institutions like election commission, ombudsman, anti-corruption agencies, and supreme audit institutions (SAIs) are treated as essential for enforcing accountability. Some advanced countries such as Australia have also positions of Commissioner for Public Sector Standards (for enforcing ethical standards) Information Commissioner (for enforcing freedom of information law), and Inspector of Custodial Services (for oversight on prison and detention centers). Generally, in most of the countries the supreme audit institution audits all executive agencies and other accountability institutions. For completing the accountability loop, the supreme audit institution should also be accountable to some body. Accountability of the SAI does not compromise the principle of independence of the SAI. Instead, the two concepts are complementary. Accountability of the SAI reinforces its independence by giving legitimacy to its actions. The most appropriate forum for the accountability of the SAI would be legislature itself. Actual mechanics would differ in each situation. But some generally accepted principles for holding the supreme audit institutions accountable are as follows:

**Audit of the SAI**

Auditors appointed by the legislature should audit the SAI independently. The audit should be conducted in the broader framework of value for money. The audit report should be reviewed by the select committee of the legislature.

**Performance reports of the SAI**

SAIs conduct different types of audits: financial audits, compliance audits, and performance audits. They also respond to requests from the legislature or government for special reviews. All these activities require human and financial resources. The SAI should issue periodic reports on its performance. The reports should describe how the resources were allocated between different types of activities. The reports should also summarize main findings and recommendations and the status of implementation of these recommendations. The performance report of the SAI should be subject to audit by independent auditors.

**Legislative review**

A select committee of the parliament, usually, public accounts committee, should conduct an intensive review of the work of the SAI. The review should use the budget

\(^8\) For example: General Accountability Office of US, Australian National Audit Office, Auditor General of Western Australia, Auditor General of Canada, National Audit Office of UK, etc.
submission and work plan of the SAI as benchmark and assess the extent to which the SAI met its commitments with the legislature.

**External review for quality assurance**
There should a periodic external review of the work of the SAI for quality assurance. The review should assess if the auditors followed applicable auditing standards in their professional work. The report of this review should also be placed before the legislature.

**Public participation in audit planning with promise to report back**
SAIs are supposed to be independent in deciding about what to audit. Their annual plans are based on various factors such as risk assessment, money value, audit cycle, and previous audit findings. An innovative idea is that the SAIs should take into account the demands of the public for auditing certain projects and programs, especially, if there are apprehensions of corruption and fraud. A detailed framework for this involvement of public can be evolved. Suffice it to say that the SAIs can invite general public through media or its web site to propose projects or programs for audit and where a sizeable number of people so demand, the audit should be included in the annual work plan of the SAI. The accountability requirements would be met if the SAI also promises with the public to report back on its findings.

7. Measuring the State of Accountability

How good is the system of accountability in a country? This is the question for this section of the paper. Following set of indicators define the state of accountability system.

**Accountability laws**
Proper accountability ensues from accountability laws. The laws should be unambiguous about organization and personal accountabilities. The heads of organizations should be accountable for achievement of objectives, enforcement of internal controls and financial discipline and ensuring that value for money was received. Personal accountability of public managers and junior staff covers obligations to adhere to principles of probity, prudence and due care in the use of public resources.

**Existence of well-functioning oversight institutions**
The existence of properly constituted and adequately resourced independent accountability institutions is the primary indicator of a robust accountability framework. It means institutions such as independent judiciary, SAIs, internal audits, audit committees for overseeing internal audit, public accounts committee for overseeing the SAI, ombudsman for overseeing administrative branch and anti-corruption agencies for investigating into corruption and fraud should be established under appropriate legal cover. They should be independent of the executive and should not starve for resources. A system of checks and balances should exist to oversee the work of each other by these institutions.

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9 For example, Auditor General of Western Australia takes into account the public opinion in selecting topics for audit. See: Pearson, Der, *Defining the Public Interest*, Sydney: Auditor General of Western Australia, 2001, 6pp. ([http://www.audit.wa.gov.au](http://www.audit.wa.gov.au))
Regular reviews
An effective accountability system exists if all organizations are subject to periodic reviews by independent bodies. The reports of independent reviews should be available to the public. The reviews should cover, at least, the following:

- The organization carried out its approved mandate with integrity and due regard for value for money.
- The organization identified and managed the risks properly.
- The organization took remedial action to rectify areas of concern identified by oversight bodies like SAI or internal audit.

Alignment of individual and organization commitments
The organizational goals and individual performance objectives should be aligned. It means that the annual plans of the organizations should guide the individuals about their respective performance objectives. The idea is that while individuals are pursuing their respective objectives, they should move forward to achieve the organizational objectives. In the absence of such an explicit mechanism, there is a likelihood that the individuals may be pursuing objectives that do not fit well into the organizational goals.

State of audit and implementation of audit recommendations
An effective system of accountability exists if all organization report on their implementation of audit recommendations and reasons, if any, for not implementing the recommendations. The SAI should be able to monitor the implementation of its recommendations. Similarly, internal audit should be able to report to the respective audit committee about the status of implementation of recommendations. In the absence of such a mechanism, the role of audit toward enforcing accountability remains ineffective.

Institutionalizing lessons learnt
The auditors have generally observed that executive departments responsible for planning and executing projects and programs commit same mistakes and irregularities year after year. The SAIs keep on reporting these mistakes in their audit reports. No lessons are learnt for the future by the executive departments. For effective accountability, there is a need for developing an institutional mechanism for feeding back the lessons learnt into the future planning process. For this purpose, the completion reports of the projects or programs should have a mandatory section for the project manager to document the lessons learnt. For future projects, each time a project or program is submitted for approval, the planning document should have a mandatory section in which the planners describe explicitly how they have incorporated the lessons learnt in the past into the present proposal. The approving authority should explicitly document that it is satisfied with the plan in terms of the lessons learnt from the past.

8. In Defence of the Public Servants
The concept of public accountability should be enforced in such a manner that it encourages public managers to improve effectiveness of public financial management rather than deter them from doing so. The following discussion highlights some of the challenges that public managers face in complying with accountability requirements.
Neutrality
Good public administration practice requires that the public servants should be neutral in terms of collecting and analyzing facts, reaching conclusions and implementing decisions. They should not take sides with politicians, while performing their jobs. The accountability of public servants involves accountability against being neutral. Their actions should conclusively show that they acted without bias, political partisanship or personal objectives and in an explicitly expert manner. The public servants should support the elected government within the broader framework of constitution and law. However, in actual practice, public managers face situations where politician, whether minister in-charge or other parliamentarians, approach the public managers to bend or bypass the rule, or use discretion arbitrarily on promise of rewards or expression of threats. The public managers find themselves indefensible, especially in an environment where those who take stand are certain to lose. The managers perceive that ‘might is right’ is the culture of the day. In this environment, asking public managers to be accountable for all of their actions may not be fair. Until the state creates an environment of accountability and enforces rule of law upon all, the accountability of public managers would remain lukewarm.

Tribalism and customs
In some societies, especially in developing countries, the hold of tribalism and local culture is very strong. Public servants are under intense pressure from their tribes or ethnic groups to go out of the way in managing the public business. A sort of legitimacy or tolerance for irregular acts emerges in these situations. The public managers, who like to act in a steadfast manner, find themselves in a tight corner. Until the society overcomes these barriers, holding public managers accountable becomes difficult. Even those who have to hold them accountable find it difficult to do so as they are also prisoners of the same culture.

The problem of inconsistency of time
One of the problems in accountability is created by what is called ‘inconsistency of time.’ In public administration, public servants base their plans and policies on the known facts. However, in actual practice, there is always a time lag between the time plans are conceived and the time they are implemented. In the intervening period, situation may change, requiring adjustments to the original plans. Sometimes, these adjustments are significant, leading to major changes to what was originally conceived. Holding public servants accountable for non-achievement of the original plans cannot be termed as good accountability. Had the public servants followed their original plans, they would have been blamed for greater inefficiency, waste or impropriety.

Limitations of the team leader
In certain cases, program delivery is the responsibility of a team working together. However, sometimes the team leader has a limited say in the selection and retention of the team members or in assigning tasks to individuals or in getting supplementary resources on a timely basis. In such situations, holding the team member accountable makes little sense.

Incumbents defend the predecessors
The public managers act in the name of the office they hold, even though they may have acted with ulterior motives or gone beyond the applicable rules. Subsequently, if they are transferred out, the person who replaces the outgoing manager finds himself or herself forced to defend the actions of his predecessor. On forums like public accounts committee, the incumbent manager comes up with all sorts of excuses and justifications for the actions of his predecessor, as he or she acts on behalf of the organization.\textsuperscript{10} The accountability of the predecessors would remain lukewarm until the theory of public administration takes a strategic departure from one of its basic percepts.

Rush orders at the end of year
It is a common observation that in developing countries that a lot of rush orders for procurement of goods and services are generated at the fag end of the year. While all can find excuses for this, throwing blame on others, the position of financial managers is particularly precarious. They are loaded with huge stacks of claims for making payments in a short span of time due to inefficiency of others. Chances of making honest mistakes in this rush of work increase. Holding finance managers accountable for these honest mistakes is being too harsh upon them. The solution lies in setting up a mechanism for making payment for orders placed during a financial period, within a certain span of time in the next financial years. The funds could be obligated for that period.

Outdated rules and regulations
Rules go out of fashion or become outdated with the passage of time, as the real life situation evolves. However, the public managers may be required, especially, by internal auditors or government auditors, to adhere to letter of the rule. The public managers would be committing gross acts of negligence or waste if they adhered to the letter of the rule. However, they are unable to change the rule or at least it cannot be done quickly to match the changed situation. One good example is the monetary limit of certain delegated powers, which may be too low to be of any use in practice. Public managers are forced by the situation to blow those limits as changing of these limits may require quite sometime. Holding public managers accountable to such violations of rules is being unfair to them.

Incompetence or negligence of the staff
Public organizations have grown in size, employing hundreds or thousands of persons. There is no mechanism to ensure that all employees are efficient and competent at all times. Here and there somebody could be negligent, willfully or inadvertently. The question arises, who is accountable for the acts or omissions of the lower staff? Should we hold the minister in-charge responsible? Should we ask the federal secretary (senior managers) to answer for acts of their subordinates? If we do that, it is certainly not possible for senior management to operate effectively. There is no easy answer to this dilemma. One possible suggestion could that if the situation is result of a failure of policy or system, the minister or secretary should accept the responsibility. If it is result of non-implementation of internal controls, the operational managers should accept the responsibility. However, if it is sheer negligence of the operating staff, then they should be held accountable.

\textsuperscript{10} The present writer came across numerous such examples during his long career as public auditor where a federal secretary, while privately conceding that the actions of his predecessor were inappropriate, would take a strong stand to defend them before the public accounts committee.
Corruption as a way of life
In certain situations, corruption is so rampant that it is a way of life. Senior people use discretion arbitrarily and with impunity. There is complete secrecy about decisions made, and one who is caught gets away with it by bribing other people. In such a situation, singling out a public manager for accountability is being unfair. It is not difficult to see that corruption is a complex phenomenon and it flourishes with the support and protection of those in power. Those who are corrupt indulge in it at the cost of proper delivery of public programs. Catching a manager for not meeting the targets, without ascertaining what was within his or her control is placing the onus of accountability at the wrong place.

Risks in public performance reporting
Public performance reporting is a significant tool for enforcing accountability. However, by its very nature, it makes public managers resistant to it. Some honest managers may like to state everything truly and honestly. However, they are not sure how their reports would be taken. These very reports in which they mention their performance truly and admit any shortcoming may be used as a beating stick to punish them. Moreover, not all managers would be honest. Those who are able to fabricate their performance and boast about it may score a point over the honest ones. Thus public performance reporting has its risks. Until guidelines for reporting are established and until independent verification is done, the reports could cause more harm than good to the cause of accountability.

Reporting on shared programs
Traditionally, the government departments are organized in a vertical hierarchy, so that each department reports on its performance through its vertical lines of reporting. However, in practice, more than one department or agency implements many public sector programs. There is yet no clear guideline in the public sector literature on performance reporting framework of such programs. The Auditor Generals of UK, Canada and Australia have made suggestions for developing clear guidelines for reporting on collaborative programs. The essence of their recommendations is that reporting on such programs should be the responsibility of the lead agency on the basis of information provided by all other agencies. The accountability of each agency should be clearly delineated in terms of performance expectations and the resources consumed.

Blackmail by media thugs
Public managers are vulnerable before the media thugs. Honest public performance reporting or transparency in decision-making may provide hot stuff to the media thugs for blackmail or insinuation. Public managers are genuinely nervous about that. There are no safeguards against this blackmail except an effective code of ethics enforced by the media itself.

Business by word of mouth
Public managers find themselves in a tight corner when the senior managers or ministers issue orders by word of mouth and insist on implementing them. Sometimes, they take it as insult or an indication of insubordination, if a public manager takes steps to get written confirmation of their orders. Holding public managers accountable for such actions places them in an awkward situation. At the same time, condoning such actions can have multiplier effect. Public managers can assign their own wrong doings to the oral orders of their seniors. Until a culture of documentation takes firm roots in public administration, the problem would persist.

Honest error in use of discretion
No set of rules can cover all possible scenarios. Situations keep on emerging that make it difficult to apply existing rules in a cut and dried fashion. Public administration thus recognizes a positive role for discretion of the decision-makers. However, the decision-makers can err in all sincerity. Holding them accountable for those sincere errors, committed not to serve any vested interest or with any bad intentions would be unfair to them. It would give a signal to the decision-makers that taking decisions is risky, leading to lethargy, sloth and inefficiency, which also have a cost.

9. Policy Recommendations

Legislators to champion the cause of accountability
Accountability is not a pleasant subject for most of the people. There would be a few volunteers for reporting on their performance. It is, therefore, desirable that the tone should be set by the legislators by demanding accountability at all levels and creating a set of incentives for proper performance reporting by public managers. For example, they should enact laws requiring service plan reports to be published, generally accepted accounting principles to be followed, and performance reports to be issued. They should endorse resource allocation for creating and strengthening institutions of accountability. They should examine the performance reports of departments in depth with a view to holding managers accountable and suggesting improvements.

Devising management accountability framework
Accountability law is only start of the accountability process. Much needs to be done at the level of ministries, especially, ministry of finance to implement the law. A proper accountability framework would require that the government should devise guidelines for preparing and approving work plan, method of monitoring those plans, reporting on performance, accumulation of portfolio of evidence on performance reporting, system of validation and oversight of performance reports, establishing and resourcing public accountability institutions, training public managers and guidelines for dealing with political institutions by the public managers. All this would need to evolve with the passage of time. In absence of an elaborate accountability framework, mere passing of laws would not be of much use.

Creating a clear process of honest disagreement
There could be occasions where senior public managers could have an honest difference of opinion with political bosses. Similarly, managers at lower levels can have a sincere difference of opinion with senior managers. A well functioning system of accountability requires that such differences of opinion should be resolved in a
transient manner and those whose opinion prevails should be willing to remain answerable for their opinions. Government should issue proper guidelines for expression and resolution of such difference of opinion.

Protection of whistleblowers
An effective framework of accountability requires that those who blow the whistle should be protected against any reprisal. A set of rules or even a law should provide the whistleblowers with this protection. It would sharpen the process of accountability, as the public would be able to know about the truth through whistleblowers. The government departments should be obliged to set up hot lines for whistleblowing. The internal auditors should periodically review if the system of hot line is working effectively.

Creating an environment of accountability
An effective framework of accountability rests, besides, formal structures, on a proper environment. It requires such things as existence of a proper code of conduct, training in ethics, appearance of equal treatment by senior managers toward all employees, and unforgiving accountability of the senior people. It also means that the oversight bodies should adopt a reasonable attitude toward public managers, allowing them to report on their performance within a reasonable time, giving them enough time to frame their answer, understating the constraints in which the managers operated, etc.

Tone at the top
Tone at the top fashions the accountability environment. The minister in-charge of a ministry should set example by his or her personal behavior in the use of public resources. The law should make it mandatory for the minister in-charge to appear before the public accounts committee for answering questions on the audit reports of his or her ministry. Such a mechanism sends a strong signal to public managers at all levels that no one is exempt from accountability.

Devising guidelines for use of discretion
Discretion is a necessary evil. For ensuring least misuse of discretion, the government should devise guidelines for the use of discretion. The person using discretion should be made accountable for recording the basis for the use of discretion and making it accessible to affected parties.

Program budgeting
Program budgeting is an effective tool of accountability. A detailed framework of budgeting that requires public managers to justify their budgetary requirements with (a) Expected achievements (b) indicators of achievements (c) expected outputs and (d) inputs required. The public managers should report back on their performance with reference to the budgetary resources. There should be detailed guidelines for building portfolio of evidence in support of the achievements claimed in the performance report.

Moving toward International Public Sector Accounting Standards

12 IPSAS are authoritative financial reporting and accounting standards for governments. They are published by IFAC. (http://ifac.org/publicsector)
Most of the governments keep their accounts on cash basis. However, it is being realized that the governments should also prepare their accounts on accrual basis. On the continuum of cash-accrual basis, there are two intermediary stages: modified cash basis and modified accrual basis. A complete accrual basis of accounting would make public managers accountable for recording and safeguarding of public assets, managing public cash flows, and disclosing and discharging public liabilities. However, it may take quite long for most of the governments to switch on to complete accrual accounting. As a first step they can initiate move toward modified cash and then to modified accrual accounting basis. This would make public managers more accountable toward the use and accounting of public resources. For example, in modified cash accounting, the funds spent but not paid for in current accounting period would be obligated for payment till a certain date in the coming year. This would allow them to manage the funds better and answer for any shortcoming in their performance properly.

Public performance reporting
Public managers are in a business that affects virtually every aspect of a person’s life. People, therefore, have a right to know, how the public managers are doing their business. The legislators need to take a lead in this regard and enact necessary laws making it obligatory for all public entities to report on their performance. Public reporting on performance of departments or programs should be made mandatory. However, this should be backed up by two further actions: (a) proper guidelines on reporting; (b) independent verification of these reports by auditors before they are made public. The reporting framework discussed at section six of this paper can be adopted as a stating point. It can evolve with practical needs over time.

Determining the cost of doing business
Most of the governments conduct their business on cash basis. They get budgetary allocation from the legislature. The expenditure is recorded as it is incurred. The capital assets recorded are charged to final heads of account even when they are fully unutilized. However, these assets remain available for several future years. The actual cost of government business does not capture all the cost. A large number of costs in the form of use of existing assets and facilities are not recorded in the year the assets are used. The governments following cash-based accounting do not have a system of charging depreciation to the government assets and allocating them to various programs and projects. Thus the true cost of doing government business remains hidden. A proper accountability framework would require that a detailed cost accounting system be introduced in the government to record, allocate and control all costs. Obviously, it is a long term objective and would entail heavy capital costs for development of systems, hardware, and training of staff. But the pay-off would be worth this investment. It would enlighten the public about the actual cost of doing their business. They can then decide more consciously, whether a particular venture should be undertaken or not.

Establishing benchmarks of efficiency
Public performance reporting requires that benchmarks of efficiency be devised for all departments and agencies. This should be done in consultation with the departments themselves and should remain open for periodic review and revisions. The efficiency benchmarks thus devised should be used as audit criteria by the oversight bodies for measuring efficiency of various departments and agencies.
Strengthening of public accounts committees
Public accounts committees consist of politicians who may not be quite conversant with the way the government business is conducted. They may not be familiar with the methods and findings and recommendations of audit reports. They may not have sufficient time to go through all the audit reports closely. The public accounts committees should be strengthened with (a) proper secretarial support (b) ability to appoint consultants for advising them (c) a system of familiarizing the members with the audit scope, approach and methods through workshops (d) powers to take action if their recommendations are not implemented.

Ensuring independence of SAIs
The SAI should be independent of the executive. Following measures can safeguard the independence of the SAI:

- The government on the recommendation of the legislature should appoint the head of SAI in a transparent manner for a fixed non-renewable tenure.
- The role, functions, mandate, and remuneration of the head of SAI and its staff should be determined in a separate statute.
- The head of the SAI should be protected from arbitrary removal or suspension from office through proper legislation. A similar protection under the law should be available for the staff of the SAI.
- The SAI should be able to get financial and human resources for proper functioning through a select committee of the legislature and not through the executive.
- The SAI should be independent in deciding its plan and the scope of work. However, a select committee of the legislature can review those plans as part of its intensive review.

Strengthening internal audit institutions
The government should install a system of internal audit in all departments and agencies, including those organizations that receive significant grants from public budgets. The internal audit institutions should be under an independent Chief Internal Audit Executive (CIAE), with staff deployed across the government. The CIAE should be independent in selecting and recruiting his staff, deciding the scope of his work, training of his staff, and reporting his findings and recommendations.

Introducing a system of audit committees at departmental level
The government should introduce a system of audit committees to support and oversee the work of the CIAE and his department. A law should govern the charter and formation of the audit committees. Law should also define the relationship of CIAE with the audit committee. Briefly:

(a) The law should make it mandatory for the CIAE to seek the advice of the audit committee about his audit plan and channel his reports through the audit committee.
(b) The audit committee should be able to ensure that the recommendations of internal audit are implemented.
The audit committee should remain alert to the possibility of management override of internal controls and take notice of any such findings of internal audit.

(d) All complaints against senior managements should be submitted directly and without filtrations by the management to the audit committees.

(e) The layer of management just below the senior management is usually aware of any override of internal controls by the senior management. The audit committee should have a direct communication channel with one or two levels below the senior management level.

Enhancing public awareness about government functioning
Most of the people, particularly in developing countries, do not know how governments function. Each department has its enabling laws, rules, regulations and procedures. The public need to know about them. With the onset of Internet, it has become possible to do so. All public departments and agencies should be obliged to make necessary information about their functioning known to the public. The old maxim “ignorance of law is no excuse” needs to be replaced by ‘It is duty of the public managers to inform the citizen about the law’. It is because, the whole compendium of public laws and rules have become so large that it is no more possible for an ordinary citizen to know it. It should, thus, be the responsibility of the public managers to inform the public about their laws and procedures. The auditors should be able to report whether the government departments have done that or not.

Making audit reports public
Audit reports should be made public documents, accessible to everybody. The SAI should place them on their websites, besides agreeing to provide copies to interested parties. This would require development of proper guidelines to protect the confidentiality of sensitive government business and anonymity of public managers. In case the SAI has taken up audit of a program or project on the demand of certain section of the society, it should be obliged to report back to the same section about its findings and recommendations.

Publishing best practice guides
The government business is quite complex. Lessons are learnt and forgotten easily because of the enormity and complexity of the government operations. Public managers cannot keep track of all the lessons that may have emerged in the past. It is, therefore, essential that best practice guides are published and reviewed periodically for the knowledge of the public managers. It is also essential to avoid a situation where otherwise hardworking and honest public manager is caught on the wrong foot because of lack of information.

Training of public officials
There should be an on-going program for training of public officials in such areas as program budgeting, performance measurement, performance reporting, ethics and accountability obligations. The training should be imparted to all levels of management and refreshed periodically.

Review of redundant rules
Rules tend to get redundant with the passage of time, making accountability difficult since the public managers find it difficult to adhere to the letters of the rules. The rules
should undergo a regular review, making them up to date and re-aligning them with the basic principles of good public administration such as probity, fairness, prudence, objectivity and neutrality.

Financial disclosure requirements
There should be a requirement for all managers beyond a certain level and those dealing with such sensitive subjective as procurement and human resource management to file details of the assets and liabilities of themselves and their close family members such as spouses, sons, and daughters. The statements of financial disclosure should be subject to audit on a randomly selected sample basis in such a manner that all such statements would undergo scrutiny in a given cycle.
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