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International Consortium on Government Financial Management

“Working globally with governments, organizations, and individuals, the International Consortium on Governmental Financial Management is dedicated to improving financial management so that governments may better serve their citizens”

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International Consortium on Governmental Financial Management

General Information

“Working globally with governments, organizations, and individuals, the International Consortium on Governmental Financial Management is dedicated to improving financial management so that governments may better serve their citizens.”

Our mission includes three key elements. First, it highlights that, within the international community, the Consortium is unique - it serves as an “umbrella” bringing together diverse governmental entities, organizations (including universities, firms, and other professional associations), and individuals. At the same time, it welcomes a broad array of financial management practitioners (accountant, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, and national). Additionally the mission statement emphasizes the organization’s commitment to improving government infrastructure so that needs of the people are better met. Our programs provide activities and products to advance governmental financial management principles and standards and promote their implementation and application.

Internationally, the Consortium (1) sponsors meetings, conferences, and training that bring together financial managers from around the world to share information about and experiences in governmental financial management, and (2) promotes best practices and professional standards in governmental financial management and disseminates information about them to our members and the public. The International Consortium on Governmental Financial Management provides three options for membership.

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Foreword

The declaration from Busan (*4th High Level Forum on Aid Effectiveness* - 2011) included the following four principles:

a) *Ownership of development priorities by developing countries.* Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs.

b) *Focus on results.* Our investments and efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries' capacities, aligned with the priorities and policies set out by the developing countries themselves.

c) *Inclusive development partnerships.* Openness, trust, mutual respect and learning lie at the core of effective partnerships in support of development goals, recognising the different and complementary roles of all actors.

d) *Transparency and accountability to each other.* Mutual accountability and accountability to the intended beneficiaries of our cooperation, as well as to our respective citizens, organisations, constituents and shareholders, is critical to delivering results. Transparent practices form the basis for enhanced accountability.

However, at least in the area of public financial management, it is not clear that the donor community has actually adopted these principles in practice. It does appear that the old model of implementing 'answers' (the standard New Public Management reforms of accrual accounting, MTEF, decentralisation etc) with the use of international consultants on short-term projects is still the most common approach. Donors, their consultants and local officials in the Global South should perhaps re-consider the extent that they have adopted the Busan principles by thinking through the following ideas:

- Public financial management is 'poor' in many countries of the Global South because these countries suffered economic collapse in the 1980s and the 1990s – not because they are backward and need 'modernising'.
- PFM capacity building is not a quick fix and will probably be a decades-long process.
- The point of departure for capacity building should be what already exists. This will be dependent on the intimate knowledge of local officials.
- Possible moves towards New Public Management should be open and not just promoted as 'modernisation'. Any such moves should be based on proven approaches with clear evidence of success.
- Capacity building should be country led – not micro-managed by donors and their international consultants.

Public financial management is ‘poor’ in many countries of the Global South because most countries suffered economic collapse the 1980s and the 1990s – not because they are backward and need ‘modernising’.

Countries with a higher per capita GDP tend to do well in public financial management and overall governance. Four countries that do particularly well in sub-Saharan Africa are Botswana, Mauritius, Namibia and South Africa. They far outperform other sub-Saharan countries in GDP per capita and the quality of their public financial management systems.

Many countries in the Global South suffered economic collapse in the 1980s with, at best, slow growth in the 1990s. This resulted in under-paid, insecure and demoralised public sector officials, some of whom, not surprisingly turned to corruption to survive. Getting out of this hole is much harder than falling into it, and will take much longer, even if sustained economic growth and guaranteed donor support over the medium term (five to ten years at least) is provided. Many sub-Saharan Africa economies grew well over 2003 -2008, but their economic future is now much less certain.

What is needed is not modernisation/reform/New Public Management, but rebuilding of public financial management processes based on sound regulatory compliance, good quality internal financial control and systems which are promptly brought up to date. Efficiency, performance management and decentralisation can wait until the necessary local capacity is re-built.

PFM capacity building is not a quick fix and will probably be a decades-long process.

Donors need to learn that what public financial management officials need is predictable support over at least the medium term (decades), not just a few weeks or months. Whereas most donor agencies set out ambitious matrices of reform within a time frame of three to five years, a study of African experience with PFM reform suggests that, in most low-income countries in sub-Saharan Africa, to reach a level where the country is capable of self-reliantly maintaining and developing its PFM systems would take 15-25 years (Andersson & Isaksen, 2002).

Public financial management reforms in New Zealand, US and Britain have taken decades and are still continuing. So donors need to plan for and provide support over a similar timescale. This will be more likely to be successful if the support is dependable, predictable and sustained over the medium term.

The point of departure for capacity building should be what already exists. This will be dependent on the intimate knowledge of local officials.

Public financial management reforms should be incremental and organic – based on existing practices improved to solve specific problems using techniques which have been proved to be successful in a similar environment. It is only the local public financial management officials that really understand their systems; international consultants, fresh off the plane, whatever their Curriculum Veritae’s say, can never have the detailed knowledge of the local context, culture and history that is essential to lead future reforms.

A strategy of *experience sharing* and peer assistance should be adopted where by the leading countries in a given region may support other countries to raise the level and quality of their public financial management systems based on approaches and techniques which have clearly proved their worth in a similar environment.

But donor strategies often remain wedded to the introduction of MTEF, IFMIS, programme budgeting, accrual accounting, performance management, etc. They are pushing NPM style, fundamental reforms with international consultants when these are not clearly based on the actual experience of success.

Possible moves towards New Public Management should be open and not just promoted as ‘modernisation’. Any such moves should be based on proven approaches with clear evidence of success.

‘Reinventing Government’ by Gaebler and Osborne in 1992 applied to the public sector the supposed power of performance measurement and launched a new industry of performance indicators and targets. This is part of the NPM agenda of ‘modernisation’, ‘efficiency’, etc. However, by the mid-1990s doubts had risen about the transferability of PFM models from more developed to less developed countries. The New Public Management model, for instance, failed to get the expected traction in a county such as Jamaica. The New Zealand accrual accounting model was sold to countries that had difficulty in managing their resources on a cash basis, including Mongolia, with poor results. Schick (1997, 1998) advocated a step-by-step approach, starting with getting the ‘basics’ right.

But this was then ignored by donors who, for example, continued insisting on moves towards accrual accounting, programme budgeting and performance audit. This was despite the lack of clear objective research that these approaches really deliver their expected benefits in the industrial countries, let alone across the Global South.

Many so called ‘modern’ techniques are part of a specific approach to public financial management reform. The decision on whether or not to take this route should be openly discussed by local officials and politicians, and guided by the actual level of success of similar reforms in other countries.

Capacity building should be country led – not micro-managed by donors and their international consultants.

Consultant led development projects are rarely sustainable or successful and breed dependence rather than real capacity development. Analysis of the risks to development and the reduction in risk that could be achieved, within the constraints of government will and government capacity to absorb reforms can only be undertaken by local officials who have the necessary deep understanding of how their systems actually work.

This deep knowledge is only available to local government officials and explains why country leadership is so important. Most countries in the Global South do not need reform or

modernisation (NPM); but a rebuilding of sound public financial management with regularity and probity as the main objective. Efficiency, performance and decentralisation may, perhaps, come later.

We begin this issue of our Journal with an examination of key public financial management reform measures undertaken in India in the recent past and suggestions to enhance the effectiveness of these PFM systems. In recent years the role of sound PFM systems in achieving the objectives of fiscal discipline, strategic planning and improved service delivery has been receiving increased public attention in India. Public financial management reforms undertaken intermittently over the years have not delivered the anticipated results in these areas. Studies and recommendations of Government appointed committees and expert bodies have identified gaps that need attention to strengthen the institutional framework and to improve the efficiency of government spending.

Our second paper is also from India, but has a narrower focus on the authorisation of capital projects in local governments. Different reports and available data show that the expenditure and budgetary control systems in Indian urban local bodies is generally poor and so needs strengthening. The accounts department, which prepares the budget, should have access to the relevant data at an early stage and the authors propose that *financial concurrence* (or early commitment approval) should be required from the accounts department for each proposal that may result in expenditure on capital works.

In the third paper of this issue of the Journal we turn to the legal basis for public financial management in Kenya. The paper examines the provisions of the new Constitution and the organic Budget Law and their adequacy in enforcing good practice requirements for participation and transparency in the public sector budgetary processes. It contextualizes the state of budget transparency by evaluating existing participatory mechanisms and the extent to which they are entrenched in law. Drawing from international best practices, it is concluded that there is little prospect that the promise of the Constitution to provide the opportunity for citizen participation in budgetary processes will be fully realised through legislation. The organic Budget Law fails to mandate the State to disclose core budget documents and guarantee free access to relevant and useful budget information.

The final paper of this issue looks at the adequacy of funding of tertiary institutions in Nigeria. This study evaluated the financial management systems of selected tertiary institutions in Oyo State, Nigeria. The available data led to the conclusion that education in general in Nigeria, and tertiary education in particular, is inadequately funded. However, tertiary institutions are also inefficiently managed and this inefficiency may be made worse by fraudulent practices.

We again include a section reviewing recent public financial management publications and other resources which we hope will be of interest to readers of the Journal. We would be pleased to receive reviews and suggestions of other resources which we should refer to in future issues.

The ICGFM has fairly recently established a Technical Committee on International Accounting Standards and we have included in this issue the comments we have issued to the IPSAS Board

on their exposure drafts. If you would like to know more about the work of our Committee, please contact the Chair, Jesse Hughes <jhughes@odu.edu>

If you would like to continue the debates raised in this issue please start thinking about contributions for the next issue of this Journal, the ICGFM blog or attend future ICGFM events. We look forward to hearing from you!

Finally, this is the final issue of our Journal to be edited by Andy Wynne. Our next issue will have a new editor and will mark an important step forward in the development of the Journal.

Andy Wynne
Editor

Charbet Duckett
Vice President: Publications and Communications

Linda Fealing
President

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Improving Public Financial Management in India: Opportunities to Move Forward

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Abstract

In recent years the role of a sound PFM system in achieving the objectives of fiscal discipline, strategic planning and improved service delivery has been receiving increased public attention in India. Public financial management reforms undertaken intermittently over the years, have not delivered the anticipated results in these areas. Studies and recommendations of Government appointed committees and expert bodies have identified gaps that need attention to strengthen the PFM institutional framework and to improve the efficiency of government spending. This paper examines key PFM reform measures undertaken in India in the recent past and provides suggestions to enhance the effectiveness of these PFM systems.

1. Introduction

Finding ways to improve delivery of public services, establishing an accountability framework, and proper implementation of pro-poor policies remain key concerns in India. India's growth rate of more than 9 percent has declined due to the global financial crisis of 2008-09 and fiscal stress has been building up since then. Although there has been a steady decline in the poverty level, more than 300 million people remain below the poverty line¹. The progress in achieving improvements in human development has been slow and India lags behind several other Asian countries (UNDP, Human Development Report, 2007-08). The Government has expanded the scope of the key central programmes, particularly for social sector spending, it is increasingly apparent that in addition to a pertinent set of policies to address these issues, a sound public financial management (PFM) system that emphasizes institutional efficiency is important to design and implement appropriate policies to achieve the desired results.

While the PFM systems appear to be consistent with well-established budgeting, accounting, audit, and legislative control systems (Swarup, 1990), recent studies point out that there is still considerable scope to improve the efficiency of government spending and public service delivery by strengthening the institutional framework for PFM². Reform initiatives to make the budget performance oriented, transition to accrual accounting, adopting rule based fiscal management and strengthening budget management and expenditure control are

¹ Eleventh Five Year Plan (2007-12) documents mentions that 'the percentage of the population below the official poverty line has come down from 36% in 1993-94 to 28% in 2004-05.

² Report of the Second Administrative reforms Commission, "Strengthening Financial management Systems - 2009", and PEFA India report - 2010,

noteworthy in this context. Still, not all of these efforts have resulted in enduring changes (Premchand 2008) and increasing demand for better accountability, good governance, and improved service delivery has made it imperative to explore alternative ways to strengthen India's PFM system. Reform recommendations by statutory bodies like the Central Finance Commission and Government appointed Committees like the Second Administrative Reform Commission (ARC) and Expert Committee on Expenditure Management need to be evaluated and implemented to bring in desired changes. The areas in need of reform, as identified by the PEFA report on the performance of PFM at the Union (federal) level, provide another useful reference for reform initiatives.

This paper examines PFM reform measures that have been adopted and proposes ways to further enhance the effectiveness of India's PFM system. Given the complex nature of PFM, this paper addresses fundamental PFM issues discretely and does not purport to provide a comprehensive reform programme. Section 2 deals with various issues related to the budgeting system; Section 3 examines the effectiveness of the delegation of financial powers and the system of financial advisers; Section 4 addresses issues related to transitioning from cash based accounting to accrual accounting; Sections 5 and 6 analyze issues related to internal audit and external audit to enhance accountability; Section 7 outlines concerns with specific intergovernmental transfers; Section 8 notes some institutional changes for PFM that are currently underway and Section 9 contains some concluding remarks.

2. Budgeting System

Attempts to Make the Budget Performance Oriented

Given the complexity of budgeting in the public sector where political choice plays a crucial role in decision making, fulfilling the basic objectives of budgeting functions remains arduous and depends heavily on the effectiveness of institutions to achieve better fiscal outcomes. The Indian approach has been to supplement a line-item budget with a ministry-by-ministry performance budget for the same budget session. The general budget presented in the Parliament can best be described as a traditional budget (Wildavsky 1978) and displays the characteristic problems. This system allows substantial adjustments in the budget during the year indicating the absence of a hard budget constraint (Jena, 2010). In addition, departments surrender substantial amounts of unspent money under various programmes at the end of the financial year³. Unspent provisions are indicative of lack of effectiveness in programme management at departmental level in a strict annual budget cycle. Revenue projection has always remained a challenge as the movement of economy and changes in tax administration determine the actual revenue collection.

Since the traditional budget does not provide information on results to be achieved from the use of public resources, one needs to look at the performance budgets of the ministries and departments. The performance budget in India was introduced in 1968 following the recommendations of the first Administrative Reform Commission. The objective of introducing

³ Audit reports of appropriation accounts by the CAG bring out these amounts every year.

the performance budget as a supplement to the traditional budget was to provide a link between the financial budget of departments and tangible targets in order to enhance the effectiveness and efficiency of public spending. In addition to the lack of adequate preparation and capacity development, the major impediment experienced while preparing the performance budget was the absence of realistic performance indicators for schemes and projects run by the departments (Toye, 1981). Over the years the general physical expectations from the plan (capital) schemes were included in the departmental budgets. The preparation of performance budgets became a routine affair without any discernible influence on resource allocation linked to results. The weakness of the former performance budget became more apparent when the Government decided to adopt another version of performance budgeting, called the Outcome Budget, in 2005⁴.

The outcome budget has been designed to rise above the traditional line item system to clearly define outcomes for all government programmes⁵ and to bring about improvements in the quality of governance⁶. The outcome budget at the Central (federal) level is being considered as a model for State Governments to improve the framework for their sub-national budgeting⁷. Preparation of an outcome budget involves the following steps – defining measurable outcomes, standardizing the unit costs of delivery, benchmarking standards, capacity building for attaining the requisite administrative capacity, ensuring the necessary funding, effective monitoring and evaluation and increasing the participation of the community and other stakeholders⁸. Still, there remain multiple difficulties associated with this approach to outcome budgeting.

There are difficulties in measuring the outcomes of programmes in terms of results achieved rather than just the outputs produced. As a result, ensuring managerial accountability by linking funds to outcomes is difficult since outcomes can be influenced by many external factors (Shah and Shen, 2007). In addition, establishing a direct link between the level of funding and performance may not be possible due to the role of political concerns and value judgments involved in trade-offs in budgetary decisions (Kelly 2003). Since the regular budget presented in Parliament is a separate process from the ministry wise outcome budgets tabled later in the budget session, this relationship between the departmental outcome budget and the general budget decisions needs to be strengthened to improve the performance orientation of the budgeting system. An advanced statistical system is also required to collect appropriate data and utilize it to measure the cost of service provision in the various sectors. The evaluation of the achievement of last year's results, a feature provided in the outcome budget, can be utilized to provide feedback to improve the policy design and measurement of performance indicators.

⁴ Guideline for outcome budget 2006-07, Ministry of Finance (MOF), "a need has for some time been felt to address certain weaknesses that have crept in the performance budget documents such as lack of clear one-to-one relationship between the Financial Budget and the Performance Budget and inadequate target-setting in physical terms for the ensuing year. Besides, there is growing concern to track not just the intermediate physical "outputs" that are more readily measurable but the "outcomes", which are the end objectives of State intervention."

⁵ Outcome budget, Ministry of Finance, 2007-08, "the Outcome Budget is an endeavor of the Government to convert the "Outlays" into "Outcome" by planning the expenditure, fixing appropriate targets, quantifying the deliverables in each scheme and bring to the knowledge of all, the "Outcomes" of the Budget outlays provided for each scheme/programme."

⁶ Eleventh Five Year Plan (2007-12), Chapter -10 – Governance, pg 229.

⁷ Some of the State Governments have started adopting the outcome budget, which are almost like replica of the Central one.

⁸ Ministry of Finance, Department of Expenditure (2007), Guideline for Preparation of Outcome Budget 2007-08

The Government of India has also attempted to address the issue of performance management by introducing 'Performance Monitoring and Evaluation System (PMES)' for Departments in 2009. PMES provides a framework to measure performance of all schemes and projects run by the departments. The key element of PMES is the Results Framework Document (RFD), a record of understanding between the departmental Minister and the Secretary of the department, providing physical performance indicators to be achieved during the coming year⁹. While the RFD does not specifically link with the outcome budget, it implicitly settles a debatable issue relating to output versus outcomes by emphasizing that the success indicators are physical achievement of government programmes through which managerial accountability can be ensured¹⁰. PMES, properly integrated with the outcome budget, has the ability to boost the much sought after accountability framework. Strengthening key features of PMES, such as providing a robust mission and vision statement, designing an incentive system, and increasing transparency in result evaluation would improve its effectiveness. Even though the PMES provides for a performance related incentive system, it is still in its evolving stage and its impact remains to be seen.

Medium Term Perspective in Expenditure Planning

Medium-term expenditure planning provides a perspective for capital projects spreading over a number of years and may lead to an adjustment in expenditure priorities. In India it was maintained that five year plans provided the basis for a multi-year perspective for resource allocation. The feature of breaking up the medium term five year plans into annual plans and integrating these with the annual budgets and further monitoring of their progress was an important innovation (Thimmaiah, 1984). The development planning-budgeting link in India, however, has not been unproblematic. While plans provide a conceptual framework by focusing on various sectors of the economy, the budget is more concerned with financial control and so more attention is paid to financial rather than operational aspects of the plans (Premchand, 1983).

With current budgetary practices, the link between the plan and the budget is rather tenuous. Planned goals, objectives, outputs and financial resources needed to achieve them are not adequately integrated into the annual budgetary process. The basic feature of plan allocation through schemes and sectors does not translate well as the budget is prepared under different heads and sub-heads following the existing budgeting classification. It takes considerable effort to link the objectives of the various schemes/projects in the plan to the expenditure allocated under the various heads and sub-heads in the annual budget¹¹.

A fully programme based MTEF involves developing and prioritizing expenditure plans and budgeting for results within the available financial resources. However, the experience of introducing MTEFs in developing countries is that they are a costly affair without many of the

⁹ This is to concur the recommendation of the Second Administrative Reform Commission to have an annual performance agreement to be signed between the departmental minister and the secretary of the department on details of works done during the year.

¹⁰ Guidelines for Results Framework Documents (RFD) 2011-2012, Cabinet Secretariat, GoI

¹¹ Government of India, Planning Commission, (2011), Report of the High Level expert Committee on efficient Management of Public Expenditure

perceived benefits being achieved (Salvatore 2009). Therefore in 2011 the high level Expert Committee on Expenditure Management opted for a realistic approach more suited to India. It recommended removing the plan and non-plan distinction from the expenditure classification and suggested taking a holistic view of expenditure for budgeting with a multi-year perspective. The Committee also suggested developing a three year expenditure framework to be updated in the light of financial resource availability, with sectoral priorities and performance indicators. The key feature of this plan is that the Ministry of Finance would estimate the budgetary resources and indicate the ceilings to ministries on a three year rolling basis.

Fiscal Rules and Budget Management

The Fiscal Responsibility and Budget Management Act (FRBM) was adopted in 2003¹² in response to severe deterioration in public finance both at Central and State levels in late nineties and failure to salvage the situation through discretionary policy actions (Rao and Jena 2009, 12th FC, pp. 62). The combined (both Centre and States taken together) fiscal deficit exceeded 9 per cent of GDP and the debt-GDP ratio grew considerably with the slowing down of the economy during early 2000s. The FRBM Act had the objective of reducing the combined fiscal deficit of Central and State Governments to 3 per cent of GDP by 2008-09, to balance the current account, to maintain long-run fiscal sustainability and prevent future increases in debt levels.

Post FRBM fiscal developments revealed that adherence to the fiscal rules was closely related to economic growth necessitating a revision when the economy slowed down. Close scrutiny of fiscal data shows that significant improvements in the fiscal situation in the country since 2003-04 was mainly revenue driven, particularly due to income tax, riding high on the buoyant economy and modernization of tax administration (Rao et al 2008). The consolidated gross fiscal deficit relative to GDP declined from 9.9 per cent in 2001-02 to 6.4 per cent in 2006-07 and further to 5.4 per cent by 2007-08. On the expenditure front, however, excluding a decline in interest payment (due to the debt swap programme) and a decline in interest rates, not much restructuring was evident. The real test of the fiscal rules came during 2008-09, when the national growth rate slowed down sharply to 6.7 per cent from an average of 9.4 per cent in the preceding three years, because of the international financial crisis. This has triggered an expansionary fiscal stance by the Central Government through fiscal stimulus packages comprising both tax cuts and expenditure hikes (Economic Survey, 2008-09, pp 35). The targets of the fiscal rules were considerably breached in the terminal year of the fiscal consolidation path as the combined fiscal deficit rose to 8.5 per cent of GDP in 2008-09 and rose further to 9.4 per cent in 2009-10.

Although fiscal stress has not been eased since the global economic slowdown of 2008-09, the Government has reemphasized the need to continue with fiscal rules by extending the time line and redefining the parameters. The revised road map for fiscal consolidation was suggested by the Thirteenth Finance Commission with an extended time horizon up to 2014-15 emphasizing the curtailment of debt stock and a fiscal deficit consistent with this objective¹³.

¹² The central Act was followed by the sub-national Governments enacting FRBM Acts separately.

¹³ The revised road map for fiscal consolidation charted by the TFC, which targets fiscal deficit consistent with debt-GDP ratio, was laid down as the fiscal roadmap by amending the FRBM Act for the next five years. In the fiscal

Fiscal prudence requires political commitment without which it becomes difficult to adhere to fiscal rules for a long period (Von Hagen, 2007).

The fact that the fiscal rules have been operating both at Central and State level in India and the Government has opted to reinvent them in difficult times, rather than just having fixed constraints seems to have gained political acceptance. The reasons for the shift from a disciplined fiscal posture to large deficits in 2008 were more economic in nature. An automatic reduction in revenue collection and rise in expenditure through the stimulus package in the difficult year of 2008 produced a large and unplanned deficit in excess of the level stipulated by the FRBM Act. While the modification of fiscal rules was necessary, it does not assure future adherence in the face of adverse economic conditions. The tendency to expand the scope of populist Government programmes and subsidies which have large expenditure commitments in the future years needs to be restricted if fiscal discipline is to continue to be achieved.

3. The Role of Integrated Financial Advisors in Financial Management

Through delegation of financial powers from the Ministry of Finance to agencies, the departments enjoy considerable freedom to spend their own budget allocations and maintain their accounts. To support the departments in exercising the enhanced powers delegated to them, a system of Integrated Financial Advisors was developed. This institutional form has assumed a crucial role in developing the financial management capability of departments. This has spanned from policy formulation and implementation to functional oversight of accounting and budgeting. While assisting the departments to achieve their goals and ensuring value for money, the Financial Advisors also act as representatives of the Ministry of Finance in all financial matters. Indeed balancing the dual role, of both advising the Secretaries of the departments and acting as 'eyes and ears' of the Ministry of Finance is a difficult job.

The role, authority, and accountability of the Financial Advisors were revised through a charter in 2006 to enhance their capacity to meet the challenges associated with this role¹⁴. Redefining the charter, as the official memorandum indicates, was intended to assist the departments in achieving their objectives, facilitating implementation of the approved programmes with due financial prudence, ensuring the monies allocated were spent on time and in the prescribed manner, and ultimately ensuring value for money. The responsibilities assigned to the Financial Advisors through this revised charter have been ambitious since they include most of the financial activities starting from performance (outcome) budgeting, expenditure control and cash management, to project formulation and appraisal, and monitoring and evaluation functions. The revised charter has raised many questions regarding the expectations of Financial Advisors since the expansion of responsibilities does not match their existing powers and support systems.

restructuring plan the consolidated debt to GDP ratio is targeted to decline from 78.8% in 2009-10 to 67.8% in 2014-15. In line with this, the fiscal deficit is supposed to be reduced from 9.5% to 5.4% during the same period. The central government is required to reduce its outstanding debt to GDP ratio from 54.2% in 2009-10 to 44.8% in 2014-15, its fiscal deficit from 6.8% to 3% and its revenue deficit from 4.8% to a surplus of 0.5%.

¹⁴ Ministry of Finance, Office Memorandum of F(5)/L&C/2006 dated 1.6.2006

Since the effectiveness of the role of Financial Advisors is circumscribed by the management framework within which they function, addressing these concerns exclusively with Financial Advisors would not be successful. Rather, capacity building and support from the administrative ministry would be more helpful. In India, there is no separate cadre of Financial Advisers, and it should be recognized that financial management in the public sector can no longer be treated as a function of generalist officers. The lack of attention to the technical and professional skills of Financial Advisors compares unfavourably with the heavy and technical nature of their responsibilities.

4. Efforts to Adopt Accrual Accounting

In India most government accounts are maintained on the modified cash basis, which it is claimed is deficient in not providing a complete picture of the financial position of the Government. It lacks complete information on assets and liabilities, and therefore makes it difficult to ascertain the total cost of services provided by Government departments¹⁵. In 2005 the Government of India accepted the Twelfth Finance Commission's recommendation to switch to an accrual based accounting system. The Government entrusted the GASAB (Government Accounting Standards Advisory Board) with preparing a detailed roadmap and an operational framework for the adoption of an accrual based accounting system.¹⁶

While the benefits from using accrual accounting in the Government sector have been widely mentioned (Blondal 2003, Boothe 2007, Athukorala and Reid 2003), inadequate administrative capacity and the skills required for bringing about such a major reform in accounting system and the high costs involved in its implementation and maintenance are cited as major impediments (Diamond, 2006: a). The benefits of accrual based accounts and reports have also not been clearly established in practice. Concerns range from the technical issues like valuation of assets to broader questions regarding differences in the requirements of the public sector versus the private sector and administrative accountability (Wynne, 2004). The susceptibility of cash accounting to manipulations of financial statements by managing the timing of transactions is considered as key criticism. However, the scope for manipulation in accrual accounting is also present in the formation of estimates of revenues and expenses due to the considerable scope for judgment (Hepworth 2003). There is still limited unanimity at the political and administrative level, even after taking a principled stand to introduce accrual accounting, due to apprehension regarding the risks, likely costs, and the requirement to enhance administrative capacity.

A stage-by- stage approach to introducing accrual accounting is often advocated. The GASAB roadmap to introduce accrual accounting system envisages a transition period of 10 to 12 years divided into several stages. The operational framework details the plan of transition encompassing accounting and treatment of assets, liabilities, revenue and expenses and the final accounts of the Government consistent with the provisions of the Constitution. Progress seems to have been made in the case of Urban Local Bodies where the introduction of accrual accounting has gained momentum. The Comptroller and Auditor general of India (CAG) prepared a

¹⁵ See "Primer on Accrual Accounting", Government Accounting Standards Advisory Board (GASAB

¹⁶ Operational Guidelines for Accrual based Financial Reporting in Government, 21 June 2011

National Municipal Accounting Manual incorporating the principles of accrual accounting in a stage-wise approach. Many State Governments have also shown an interest. Some of the State Governments have adopted a double entry accounting system for their rural local bodies, which is amenable to conversion to the accrual basis.

Systematic efforts are still required over a number of years to implement accrual accounting. Helpful steps to achieve this would include imparting necessary training, recruiting suitable professionals, preparation of accrual accounting manuals, getting together comprehensive data regarding assets and liabilities, establishing suitable accounting standards and norms, and using appropriate information and communication technology.

5. Updating the Internal Audit System

One of the main weaknesses of the internal audit system in India is that it has not kept pace with emerging international standards and practices (Ghosh and Jena, 2008). The modern concept of internal auditing goes far beyond its traditional limits. Internal audit is no longer considered as a mere routine review of financial and other records by specially assigned staff. Internal audit is now seen as a management tool and an integral part of both management controls and communication processes (Diamond 2006). Internal audit is still conducted on the basis of departmental codes and manuals, which are a legacy of the past. These codes mainly emphasize regularity audit and do not encompass management audit and operational audit. The codes also do not require the evaluation of the internal control systems of the units nor require the audited entity to take action on internal audit observations and recommendations.

The concern regarding role and function of internal audit led the Government to constitute a Task Force in 2006 to benchmark the status of internal audit in Central Government and to outline a roadmap for its improvement. The Task Force came to the conclusion that due to the severely restricted mandate and the lack of interest of management, internal audit has not been able to systematically evaluate the risks associated with various activities of the ministry/department when determining their audit strategies. There was no segregation of duties especially at the supervisory levels between those who are responsible for internal audit and those who are responsible for pre-audit, disbursement and accounting functions suggesting a lack of the required independence needed effective internal audit.

The recommendations of the Task Force subscribed to the modern view that internal auditing should not be restricted to financial issues alone, but should also extend to issues like cost benefit analysis, utilization and deployment of resources, matters of propriety, effectiveness of management etc. and the focus should be on risk, control and governance issues. It also provided multiple other recommendations including:

- segregating duties relating to internal audit from those relating to financial advice and accounting functions
- setting up an Apex Board to prescribe internal audit standards and processes across jurisdictions
- legislating internal audit standards and policies
- establishing a Board of Internal Audit (BIA), and ultimately,

- appointing a Chief Internal Auditor (CIA) trained in auditing.

The CIA would function in accordance with standards and procedures prescribed by the BIA.

6. External Audit

External audit undertaken by the Comptroller and Auditor General of India (CAG) has played crucial role and assisted Parliament in exercising financial control over the executive. The recent performance audit reports by the CAG have raised nationwide debate on corruption in Government and the necessity of adopting strong measures to improve the accountability of the executive and the elected representatives. Two recent incidents included the license and allocation of the 2G spectrum by the Department of Telecommunications and the performance audit of the Commonwealth Games 2010¹⁷.

The CAG derives its position and authority in relation to external audit from the Constitution of India¹⁸, which ensures independence and autonomy of public audit. Parliament scrutinizes audit reports through a Public Accounts Committee (PAC). External audit by the CAG has contributed to transparent financial management by raising audit observations time and again relating to budgetary controls, deficiencies in revenue collection, wastage of public resources, inappropriate accounting, poor returns on investments, diversion of funds, and system deficiencies.

The Second Administrative Reform Commission (ARC) in its report on financial management, however, raised several issues relating to external audit. The ARC pointed out that:

- the powers conferred on CAG though wide are not explicit
- timeliness of reporting needs improvement
- audit procedures need to improve to bring in executive accountability
- corrective actions for detected irregularities should be prescribed
- improved risk analysis should highlight systemic issues and analyze causes
- operational synergy should be developed with the internal audit systems of departments, and
- the CAG should play a key role in the audit process of decentralized governance.

These issues are important for the effective functioning of the Supreme Audit Authority. Effectiveness of external audit to a large extent depends on the interest it evokes and support it obtains from the Public Accounts Committee, a parliamentary committee scrutinizing audit

¹⁷ Report No. -19 of 2010-11 for the period ended 2009-10 Performance Audit of Issue of Licenses and Allocation of 2G Spectrum by the Department of Telecommunications (Ministry of Communications and Information Technology

Report No. - 6 of 2011-12 for the period ended 2010-11 - Performance Audit of XIXth Commonwealth Games 2010

¹⁸ The duties and powers of the CAG are enshrined in Articles 148 to 151 of the Constitution and set out in the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

observations. The functioning of the PAC over the years has shown that the percentage of audit observations being discussed in the PAC has reduced. The Ministries and Departments only take seriously those audit observations which are scrutinized by the PAC. Most important there is no law which binds the audited ministries/departments to implement the actions recommended by the CAG. As a result the replies in the form of Action Taken Notes by the audited units come with a substantial time lag. Even when the Action Taken Notes are submitted, these are largely formal rather than substantive. While external audit has been a strong element of the Indian PFM system, the follow-up process needs improvement to enable the external audit system to play its desired role.

7. Intergovernmental Transfers and PFM Concerns

The intergovernmental resource transfer system in India continues to be complex. It involves several conduits like the Finance Commission, Planning Commission and several Central Ministries. In addition to the devolution of central taxes determined by the Central Finance Commission and plan assistance determined by the Planning Commission of India, Centrally Sponsored Schemes have emerged as a key source of funds in social and economic sectors for the states.

These are specifically designed programmes for employment generation, primary education, basic health services and rural infrastructure and are run by the relevant central ministries. The Centrally Sponsored Schemes form part of the Central Plan as they are meant to provide additional resources to the states for implementing programmes that are considered by the Government of India to be of national or regional importance. Over the years the Centrally Sponsored Schemes have become an important tool of the central Government to influence policies and expenditures on subjects constitutionally allocated to the States. The funds under these programmes are provided in the respective budgets of Central Government ministries, implemented at state level by specifically created implementing agencies and rural local bodies. The budgetary provision for direct transfers to implementing agencies has increased from Rs.1,890 billion in 2010-11 to Rs.1,246 billion in 2011-12¹⁹.

There are significant PFM concerns with this type of funding through central programmes. The big ticket Comptroller and Auditor General of India bypass the state budgets and are routed through implementing agencies such as missions or autonomous societies created under the provision of the specific schemes, and local bodies. A direct transfer of resources to state budgets would seem to have merit in terms of accountability. However, apprehensions regarding the timely release of central funds by the states to the designated central programmes led to the creation of implementing agencies in states and directly routing funds to their bank accounts outside state budgets. This funding arrangement is considered to be efficient as funds are promptly utilised. Although state functionaries predominantly run these agencies, the financial management of the implementing agencies remains outside the formal accountability structure of both the Central and the state governments. The release of funds to the agencies from the Central Government is treated as expenditure and this is not reflected in the state budgets.

¹⁹ Expenditure Budget, Vol – I, 2011-12, Ministry of Finance, GoI

Chartered accounts audit Centrally Sponsored Schemes rather than the Comptroller and Auditor General of India. The information on availability of funds and actual expenditure by the service delivery units, schools or health service units, often in remote areas, is limited. Given the diversity in the implementation hierarchy, the number of implementing units and the geographical reach of central schemes, it is a challenge to have meaningful and timely information to support informed planning. These programmes are also often caught in political tangles over their ownership and accountability.

The newly launched Central Plan Monitoring System has attempted to address deficiencies in the existing planning, budgeting and accounting systems for the Centrally Sponsored Schemes. This web-enabled IT application has features to map the flow of funds, releases and expenditure details, payment to the ultimate beneficiary through banking channels, and enhanced report generation capabilities integrated into its transaction databases. In spite of this effort to reinforce the information base of the central plan schemes, the overall financial management of Centrally Sponsored Schemes and its integration with state level systems continues to be weak. The performance management framework for Centrally Sponsored Schemes is split between various agencies from the Central to state governments. Therefore there is an increasing demand for direct routing of funds under these flagship programmes through state budgets. The Expert Committee on expenditure management has also favoured this arrangement hoping to bring these schemes under the financial control of the Central Government.

8. Institutional Changes for Better PFM

There have also been attempts to improve institutional frameworks in other areas. A Debt Management Office has been established in the Ministry of Finance. This is an attempt to separate debt and cash management from monetary management undertaken by the Reserve Bank of India and to change the existing debt management system. The independent Debt Management Office is expected to

- formulate a long term debt management strategy consistent with sustainability requirements
- create an annual borrowing calendar
- forecast cash and borrowing requirements
- formulate a risk management strategy, and
- develop and disseminate debt related information and data.

As recommended by the Thirteenth Finance Commission, a Fiscal Council was established to pursue a sustained dialogue on fiscal policy and to promote independent review and monitoring. The Thirteenth Finance Commission recommended that a committee should be established to review and monitor the implementation of the FRBM process²⁰, and to, over time, evolve into a full-fledged autonomous Fiscal Council to assist the Government in addressing its fiscal tasks in a professional, transparent and effective manner. The Commission referred to

²⁰ Report of Thirteenth Finance Commission, Chapter – 9, pp: 137

examples of such institutional arrangements in countries like Brazil, Japan, Korea, Mexico, and Sweden.

Changes are also expected with procurement by ministries and departments. With the exception of the rules and directives in the General Financial Rules (GFR), 2005, there is no law that exclusively governs public procurement. These rules indicate that the ministries or departments have full power to make their own arrangements to procure goods. With the exception of limited control and oversight functions carried out by the Central Vigilance Commission (CVC), there is no central authority that is exclusively responsible for defining procurement policies and for overseeing compliance with the established procedures. Acknowledging the weakness in the procurement process, the Central Government is planning to pass legislation to regulate public procurement across Central Government. While the draft bill prescribes open competitive bidding as the preferred method of procurement, for low-value procurement the existing methods of procurement, as specified in the GFR, will continue. This legislation, once passed, is expected to improve transparency and accountability. It includes provisions that emphasize the publishing procurement details in a web-based format starting from the bidding stage to the ultimate award of contracts. The bill also endorses establishing appropriate grievance procedures and anti-corruption mechanisms.

9. Concluding Remarks

While the reform initiatives undertaken to strengthen PFM institutions in India have yet to meet their full potential, they underline the intent of the Government to boost the efficiency and effectiveness of the system. There are a number of areas that remain crucial in strengthening the PFM system. These include:

- producing suitable performance measures to influence budgetary decisions
- continuing with existing efforts to expand accrual accounting
- modernizing internal audit and control
- improving the effectiveness of external audit, and
- introducing an exclusive procurement law.

In contrast to the intermittent nature of past efforts, the future agenda should focus on continuously evaluating the outcome of these reforms in order to take corrective action as soon as possible. At the same time, expectations of immediate results from these reforms may be misplaced. There is always a time lag for institutions to deliver expected results, particularly in a large country like India where the federal nature of the country puts large functional responsibility on sub-national governments. The capacity and willingness to internalize and adopt changes at state level governments and the political involvement and willingness to steer the changes are also essential.

- i Eleventh Five Year Plan (2007-12) documents mentions that ‘the percentage of the population below the official poverty line has come down from 36% in 1993–94 to 28% in 2004–05.
- ii Report of the Second Administrative reforms Commission , “Strengthening Financial management Systems - 2009”, and PEFA India report - 2010,

- iii Audit reports of appropriation accounts by the CAG bring out these amounts every year.
- iv Guideline for outcome budget 2006-07, Ministry of Finance (MOF), “a need has for some time been felt to address certain weaknesses that have crept in the performance budget documents such as lack of clear one-to-one relationship between the Financial Budget and the Performance Budget and inadequate target-setting in physical terms for the ensuing year. Besides, there is growing concern to track not just the intermediate physical “outputs” that are more readily measurable but the “outcomes”, which are the end objectives of State intervention.”
- v Outcome budget, Ministry of Finance, 2007-08, “the Outcome Budget is an endeavor of the Government to convert the “Outlays” into “Outcome” by planning the expenditure, fixing appropriate targets, quantifying the deliverables in each scheme and bring to the knowledge of all, the “Outcomes” of the Budget outlays provided for each scheme/programme.”
- vi Eleventh Five Year Plan (2007-12), Chapter -10 – Governance, pg 229.
- vii Some of the State Governments have started adopting the outcome budget, which are almost like replica of the Central one.
- viii Ministry of Finance, Department of Expenditure (2007), Guideline for Preparation of Outcome Budget 2007-08
- ix This is to concur the recommendation of the Second Administrative Reform Commission to have an annual performance agreement to be signed between the departmental minister and the secretary of the department on details of works done during the year.
- x Guidelines for Results Framework Documents (RFD) 2011-2012, Cabinet Secretariat, GoI
- xi Government of India, Planning Commission, (2011), Report of the High Level expert Committee on efficient Management of Public Expenditure
- xii The central Act was followed by the sub-national Governments enacting FRBM Acts separately.
- xiii The revised road map for fiscal consolidation charted by the TFC, which targets fiscal deficit consistent with debt-GDP ratio, was laid down as the fiscal roadmap by amending the FRBM Act for the next five years. In the fiscal restructuring plan the consolidated debt to GDP ratio is targeted to decline from 78.8% in 2009-10 to 67.8% in 2014-15. In line with this, the fiscal deficit is supposed to be reduced from 9.5% to 5.4% during the same period. The central government is required to reduce its outstanding debt to GDP ratio from 54.2% in 2009-10 to 44.8% in 2014-15, its fiscal deficit from 6.8% to 3% and its revenue deficit from 4.8% to a surplus of 0.5%.
- xiv Ministry of Finance, Office Memorandum of F(5)/L&C/2006 dated 1.6.2006
- xv See “Primer on Accrual Accounting”, Government Accounting Standards Advisory Board (GASAB)
- xvi Operational Guidelines for Accrual based Financial Reporting in Government, 21 June 2011
- xvii Report No. -19 of 2010-11 for the period ended 2009-10 Performance Audit of Issue of Licenses and Allocation of 2G Spectrum by the Department of Telecommunications (Ministry of Communications and Information Technology)
- xviii Report No. - 6 of 2011-12 for the period ended 2010-11 - Performance Audit of XIXth Commonwealth Games 2010
- xix The duties and powers of the CAG are enshrined in Articles 148 to 151 of the Constitution and set out in the CAG’s (Duties, Powers and Conditions of Service) Act, 1971.
- xx Expenditure Budget, Vol – I, 2011-12, Ministry of Finance, GoI
- xxi Report of Thirteenth Finance Commission, Chapter – 9, pp: 137

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Expenditure and Budgetary Control in Urban Local bodies in India - Developing Prism Model

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Abstract

Expenditure should be prudently controlled through budgetary control. Different reports and available data show that the expenditure and budgetary control systems in Indian urban local bodies is generally poor and it needs strengthening. The accounts department, which prepares the budget, should have access to the relevant data at an early stage and we propose that *financial concurrence* (or early commitment approval) should be required from the accounts department for each proposal that may result in expenditure for capital works. Commitment control, a long standing practice in the public sector, could be refined by this *concurrence control*. No budgetary control system is effective unless it provides for the integration of budgeting, accounting and financial accounting. Indian urban local bodies are required to follow the accrual basis of accounting, according to the National Municipal Accounts Manual. We have developed a *Prism Model* which integrates concurrence accounting, accrual accounting and budgetary control.

Note: Authors have developed their own terms: Financial Concurrence, Concurrence Control, Prism Model.

Introduction

Public expenditure management is an essential task to be performed by any government for economic development (Vukicevic & Bartholomew, 2008) and “expenditure control is an essential element of fiscal discipline” (Radev & Khemani, 2009, p.1). Expenditure control is a comprehensive approach for appropriate fiscal management and budgetary control is used as a tool for this purpose. Budgetary control consists of budget preparation, comparison of actual results with those forecasted and the revision of budget in the light of changed circumstances.

In India, urban local bodies are the bodies responsible for local government. Budgets of urban local bodies are debated and approved official documents, as well as legal documents. Budgets include revenues and expenditures and are prepared at the end of a financial in preparation for the coming year.

Budgets are a short term plans (typically covering only one year), expressed in financial terms which have been used for a long time by governments. The budget, after approval, is considered as the authority for raising revenues and incurring expenditure. Efficient financial management is

possible through effective use of the budget and budgetary control should ensure the financial plan, agreed by the council or board of management, is achieved (Ojo, 2009).

In recent years expenditure in urban local bodies has become increasingly difficult to control. Systems of budgetary control are not rigid and there should be enough flexibility to provide initiative and drive for monitoring expenditure. Therefore budgetary control may prudently be used as a tool for expenditure control not only to restrict the expenditure within the budgetary limit but also to provide relevant information for better management decisions, financial control and future planning.

In an urban local body there are some procedural formalities which are required to be complied with before incurring expenditure. In order to achieve the goal of budgetary control there is a need to identify the appropriate stage for development and application of a control mechanism. It is the primary norm of budgetary control that no expenditure will be incurred (accrual basis) or no payment made (cash basis) unless it is backed by a specific budgetary allocation. The unencumbered balance may be stated as the amount which is free of any claim against the appropriation (Treasury Board of Canada Secretariat, 2009) and it reduces gradually as orders etc are raised and expenditure incurred or payment made.

Now a question arises whether control for verification of unencumbered balance at the time of making payment is sufficient to restrict expenditure within budgetary limits. This is possible if payments are only made if there adequate unencumbered balances. Therefore control at the time of payment does not ensure a situation that all the payments, whenever and whatsoever, will always be made. As a result the researchers explored other alternative stages for verification of unencumbered balances.

Commitment denotes is a pledge or agreement which signifies an obligation to pay a sum of money at a future date and it arises with the issue of works orders, that is when a decision is made to incur a commitment. Commitment control is considered as an important management practice in governments and is integral to sound budget control, forecasting and allocation and reallocation of program resources (Treasury Board of Canada Secretariat, 2009). Commitment control is applied through commitment accounting which recognizes goods and services ordered by the government. Commitment accounting provides a more useful record of “spending”, at an earlier point, when an official order is issued for the supply of goods or services against a budget. This provides earlier budgetary control than either the point when goods and services are received, or when cash is paid (Jones, 2007).

Urban local bodies undertake public works for development, as well as maintenance of infrastructure within the municipal area. We think that the verification of unencumbered balance should be made even before the issue of an official order and this will be more effective in controlling the expenditure. The first named author had the opportunity to develop a control system in an Indian urban local body in 1998 through the verification of unencumbered balance before the issue of official orders, the introduction of a system of obtaining financial concurrence from the accounts department and the introduction of “*Concurrence Accounting*” duly integrated with the cash basis of accounting. This paper evolves from these reforms with the further development and the integration of the accrual basis of accounting. Finally a model, the *Prism*

Model, has been developed for such a control system which produces seven considerations for control, planning and forecasting purposes. These considerations are the result of concurrence accounting and financial accounting and their mutual integration.

Background on Indian Urban Local Bodies

Indian Urban Local Bodies were conferred the status of third tier local governments through the Constitutional Amendment Act, 1992. The Ministry of Urban Development, Government of India formulated the National Municipal Accounts Manual in 2004. The manual is applicable to all urban local bodies. States can also develop state level manuals based on the national manual to suit their particular requirements. The National Municipal Accounting Manual outlines the accounting policies, procedures and guidelines designed to ensure correct, complete and timely recording of municipal transactions and to produce accurate and relevant financial reports. The manual also provides guidelines for the preparation of budgets and the implementation of effective budgetary control systems. It recommends the integration of the budgeting and accounting systems to achieve better control.

Aims of the paper

Indian urban local bodies have proved to be poor at controlling expenditure with the existing system of budgetary control, not only at the overall level of the budget, but also at the level of individual line items of the budget.

Our paper aims to achieve expenditure control through strengthening the budgetary control system as indicated in the audit reports of the Comptroller and Auditor General of India. We also recommend that control should be in the hands of accounts department.

Ascertaining the objectives of the control system is important. Is there any need for separate budgetary control measures when accounting control is in place? We have tried to answer this question and have identified the appropriate stage for initiating budgetary control.

We propose to replace commitment control by *concurrence control* and for this purpose we recommend the introduction of:

- (a) a system of obtaining financial concurrence
- (b) *concurrence accounting*
- (c) the integration of *concurrence accounting* and financial accounting (accrual basis).

Finally we have developed a *Prism Model* and have provided an analysis and explanation of the model along with details of seven considerations.

First we review the National Municipal Accounting Manual and a range of financial reports to identify the key criteria for consideration in developing our proposed control system. We also provide data from different Indian urban local bodies to enable readers to appreciate the extent of under-spending and over-spending in Indian urban local bodies.

Observations on the National Municipal Accounting Manual

The National Municipal Accounting Manual provides guidelines for the preparation of budgets following a bottom up approach and recommends control requirements to be built into the budgeting system.

Our review of the Manual reveals the following:

- **Multi-stage budget availability checking:** budget availability to be checked at different stages (before undertaking any work, at the time of accruing expenditure, at the time of approval of the payment).
- **Different basis for budget preparation and monitoring:** budget preparation, approval and control processes are on the cash basis, but budget monitoring is on the accrual basis.
- **Different basis for budget preparation and accounting:** “Governments should be encouraged to operate their budgeting and accounting systems on the same basis” (Budget Reporting Research Report, 2004, pp. 3). The manual suggests integrating budgeting and accounting to enable better control, but the basis for budget preparation (cash basis) and accounting (accrual basis) differs.
- **Absence of system for commitment accounting:** budget availability should be checked after considering all commitments, but guidance is not provided on how commitments should be accounted for in a systematic manner.
- **Absence of system for generating information through integration:** the Manual does not describe an appropriate system for generating useful information for the budget makers from an integrated accounting and budgeting system.
- **No budget variance report with commitments:** the budget variance report (BVR) should form the basis of control, but the Manual does not recommend an appropriate report format including commitments.

Comments from Official Reports

Relevant extracts from different reports on public financial management in urban local bodies are provided to present a picture of expenditure control through budget preparation and budgetary control in Indian urban local bodies:

- **Accounts department prepares the budget:** “The Accounts Department shall in consideration of the departmental requirement and probable resources prepare the Draft Annual Budget Estimates which shall be finalized by the Chairman with the help of the officers without any budget deficit” (Comptroller and Auditor General, 2008a, pp.9).
- **Budgeting serves a limited purpose:** “Key financial management processes, such as budgeting, are outdated and serve a limited purpose in many local governments... While the scope of activities of local government has changed substantially over the past hundred years, the budgeting system has hardly undergone any measure of change or transformation to any material extent” (Ministry of Urban Development Government, 2011, pp.110)
- **Incremental Approach is followed:** “Budgets are prepared by the accounts department based on estimates of revenue and expenditures of the previous financial year. Due to

lack of relevant information, most revenue estimates are based on *ad hoc* or percentage increases over the previous year's budget, without taking into account the actual potential or requirement" (Synthesis Report, 2006, pp.13).

- **Poor expenditure control as budget is merely a statutory requirement:** "Budgets in Indian urban local bodies are generally a statutory requirement and are not seen as a management tool at all... Budgets are only referred to for making financial sanction... This, usually, results in poor expenditure controls, inadequate reporting and an incentive to spend the budget allocation as soon as possible" (Synthesis Report, 2006, pp.13).
- **There is an absence of control over expenditure due to the non-submission of budgets and revised estimates:** during the five year period 2003-08 the Comptroller and Auditor General of India observed the following in 14 Town Panchayets:
 - non-submission of the annual budget in three Town Panchayets
 - delay in approval of the budget (1 month in 25 cases, 2 months in eight cases, 3 months in one case and 4 months in two cases)
 - submission of revised budget after the close of the accounting year (1 month in 18 cases, 2 months in four cases, 3 months in one case and 4 months in two cases)

The CAG concluded that non-submission of budgets and revised estimates before the council for approval has deprived the council of the opportunity to exercise control over expenditure and also affected the preparation of budget for ensuing years (Comptroller and Auditor General of India, 2008b, pp. 28).

- **Budgetary control system is absent:** "The budget document is ill structured. Also the budgetary control system is almost absent, and as a result, bills of one budget head get booked in another head. Also in certain cases expenditure goes beyond budgetary allocations" (NIUA, 2010, pp.44). "There was laxity in control over expenditure as there was delay in approval of budgets and submission of revised estimates by some Town Panchayats" (Comptroller and Auditor General of India, 2008b, pp.42). "There was lack of budgetary control and absence of reliable budget formulation" (Comptroller and Auditor General of India, 2008a, pp. 20).
- **Budget is not used as a tool of financial control:** "Budget was not adequately used as a tool of financial control. The Municipality had an unspent fund of Rs.8.07 crore, some of which had been received as far back as in 2003-04" (Comptroller and Auditor General of India, 2008a, pp.37).
- **There is no system of Financial Concurrence:** Comptroller and Auditor General of India observes "The Municipality has no system of financial concurrence before taking up new work or procurement of material conforming to budget provision and availability of funds resulting in excess expenditure over budget provision" (Comptroller and Auditor General of India, 2008b, pp.40).
- **Budget is to be linked to accounting system:** "To enable the budget document to be used as an effective tool for planning, procurement and expenditure control it is essential for the budget to be linked to the accounting systems and the Management Information System" (Synthesis Report, 2006, pp. 15).
- **Budgetary control needs strengthening:** the Comptroller and Auditor General of India has pointed out in several reports that budgets are not adequately used as a tool of financial control and there is little control over budget formulation rendering the budgets unreliable. Financial management is deficient as budget estimates are not being prepared

on a realistic basis. The annual budget estimates are prepared in a routine manner and the budget is not used as a tool to exercise control over expenditure and monitor resource use.

The Extent of under-spending and over-spending

From the above, the accounts department follows an incremental approach due to the lack of relevant information which results in large variations between budget and actual spending, even in places like Bangalore where the budgeting systems are better developed (SynthesisReport, 2006). This is also established in audit reports of the Comptroller and Auditor General of India. Audits of urban local bodies under different State Governments are conducted by the decentralised offices of the Comptroller and Auditor General of India every year. A consolidated report, consisting of major observations, is published and submitted to the respective State Governments.

An indication of the results is shown by the following data which is taken from these reports:

Figure 1: Over-spending (Rupees - Indian Currency in lakhs) (10 lakhs= 1 Million)

Name of ULB	Year	Type of Expenses	Budget or Revised Budget	Actual	Excess	% of Overspend
Chandrakona ¹	2001-02	Total	68	104	35	52
South Dum Dum ¹	2001-02	Total	1,918	2,530	612	32
Barrackpore ²	2002-03	Capital	256	335	79	31
Guskara ³	2004-05	Capital	357	640	283	79
Serampur ³	2005-06	Revenue	723	816	93	21
Madurai ⁴	2003-04	Revenue	140	153	13	9
Salem ⁴	2002-03	Revenue	29	138	109	379
Tirunelveli ⁴	2002-03	Revenue	10	19	9	82
Tirunelveli ⁴	2004-05	Revenue	4	21	17	483

Figure 2: Under-spending (Rupees - Indian Currency in lakhs) (10 lakhs= 1 Million)

Name of ULB	Year	Type of Expenses	Budget/ Revised Budget Estimate	Actual	Excess	% of Utilisation
Bangaon ¹	2001-02	Total	2,359	459	1,900	19
Pujali ¹	2001-02	Total	2,109	255	1,854	12
Dhupguri ²	2002-03	Capital	443	35	408	8
Gayespur ³	2004-05	Revenue	336	203	133	60
Sainthia ³	2005-06	Revenue	203	123	80	61
Balurghat ³	2006-07	Revenue	475	313	161	66
Coimbatore ⁴	2003-04	Elementary Education Fund	603	186	417	31
Tiruchirapalli ⁴	2003-04	Elementary Education Fund	200	28	172	14
Tiruchirapalli ⁴	2004-05	Elementary Education Fund	221	120	100	55
Tiruchirapalli ⁴	2005-06	Elementary Education Fund	235	97	138	41
Tiruchirapalli ⁴	2006-07	Elementary Education Fund	310	8	302	3

Tirunelveli ⁴	2003-04	Elementary Education Fund	100	19	81	19
Salem ⁴	2003-04	Elementary Education Fund	62	13	49	22
Salem ⁴	2004-05	Elementary Education Fund	208	92	116	44
Salem ⁴	2005-06	Elementary Education Fund	199	80	120	40
Salem ⁴	2006-07	Elementary Education Fund	155	42	113	27

Source of figure 1 to 2: Audit Report on ULBs for the year ended:

1. West Bengal, 31 March 2004 (Appendix 1, pp. 1-3)
2. West Bengal, 31 March 2005 (Appendix 2A, pp.80-81)
3. West Bengal, 31 March 2007 (Appendix- 2A, 2B and 2C (pp. 92-94)
4. Audit Report (Local Bodies) for the year ended 31 March, 2007 (Tamil Nadu), Appendix- 2.11, pp.146)

Accounts Department in Control

Thurmaier (2007) observes that the managerial approach to budgeting and budget execution is relevant to local governments not only in developing countries, but also in developed nations. In his opinion the determining factor of this approach is not what the local government does, but it is the intent of the governing body and chief executive on ensuring that local government activities are executed effectively and efficiently:

- (i) within the legal and financial constraints imposed in the budget and
- (ii) other local government regulations.

The National Municipal Accounting Manual states that the basis for preparing the budget will be the inputs from various departments/units following a bottom up approach. As the accounts department takes the overall responsibility for preparation of the budget, a managerial approach will be successful if the required information is made available. However, in reality this department, especially in small and medium urban local bodies, does not receive the information it requires. *The result is that the budgets in such local bodies are not prepared scientifically, so budgetary control is next to impossible.*

If small and medium urban local bodies want to control expenditure, a budgetary control system needs to be developed in such a way that the accounts department can exercise full control and receive the information it requires in a timely manner.

Usual Practice for Execution of Work

There are certain stages for the execution of works in Indian urban local bodies. First of all an estimate must be developed for the work, giving details of the work with rates and measurement (quantity). Thereafter it is sent for administrative approval. An urban local body then issues a notice inviting tenders or quotations. Contractors submit tenders, usually quoting a rate lower than the estimated rate, but in exceptional cases it may be higher. Normally the lowest rate is accepted and finalised. An official order, commonly known as work order, is issued after finalisation of the tendering process. Execution of work is the next stage and running account bills, with the progress of work, are prepared and placed for payment. The last running account bill is the final bill and this is issued on completion of work.

Objectives of the Control System

The main objective is to control the expenditure through the budgetary control system. It has already been stated that the National Municipal Accounts Manual recommends checking of budget availability at different stages (before undertaking any work, at the time of approval of bill, at the time of accruing expenditure). In addition, there are some other considerations before the local bodies can consider the control system to be effective:

- a. one time budget availability checking.
- b. confirmed order on finalisation of tendering process.
- c. confirmed payment after placing of bill.
- d. observing budget availability norm.
- e. generating information for preparation of revised budget or budget for the next year.

Let us take an example from usual practices: an urban local body provides for R800 under a line item in the annual budget. An amount of R790 has already been incurred and paid (backed by an appropriate order). After payment of R790, the unencumbered balance is R10 (800-790).

Another bill of R20, for which an order has been issued, comes for payment, but the balance left in the budget for this line item is not sufficient for the payment. The urban local body has to issue a work order of R15 as the tendering process has been finalised and has issued a notice inviting tenders for work valued at R10. The final transaction could still be paid, but the others would require virement or a revised budget before payment can be authorised. This example is considered further below.

Need for Separate Budgetary Control

Is there any necessity for the accounts department to have any separate control measure for budget monitoring when a system of accounting, whether cash or accrual, is in place? “The ability to control expenditures depends on the accounting system for monitoring revenues and expenditures” (Thurmaier, 2007, pp. 276). Therefore it is necessary to examine the extent to which an accounting system can control the expenditure. The accounting basis (cash or accrual) has been determined by the method of budgeting used in the public sector in many countries (Hughes & Minovski, 2004). The accrual basis of accounting has become compulsory for Indian urban local bodies though some of these still follow the cash based accounting system (National Institute of Urban Affairs, 2010). Therefore analysis to achieve the desired objectives through accounting control, both cash basis and accrual basis, may be made as follows:

1. Cash basis of Accounting:

Under the cash basis of accounting expenditure is recognised on payment and therefore the control is exercised at the time of making payment against any line item in the annual budget. As the control is applied at the time of making payment, the local body will not be able to make the payment of R20 in the above example as it exceeds the unencumbered balance of R10. Therefore control under the cash basis of accounting or at the time of making payment does not ensure a situation that all the payments, whenever and whatsoever, will be made within budget availability. However, this may be over-come by having an additional control at the ordering stage to ensure that goods or

services are not ordered unless there is an adequate unencumbered balance in the relevant line budget. This is termed commitment accounting.

2. Accrual basis of accounting:

Expenditure is recognised when bills are received on the basis of progress of work undertaken. A liability is booked after the verification of the bills. In the above example R790 has already been recognized as expenditure and a pending bill for R20 will not be allowed to be booked as a liability as it exceeds the amount of the unencumbered balance of R10. Budgetary control under the pure accrual basis raises an issue of whether the liability, in the case of non availability of budget allocation, will be accounted for or not. So there is a conflict between the principles of budgetary control and accrual basis of accounting.

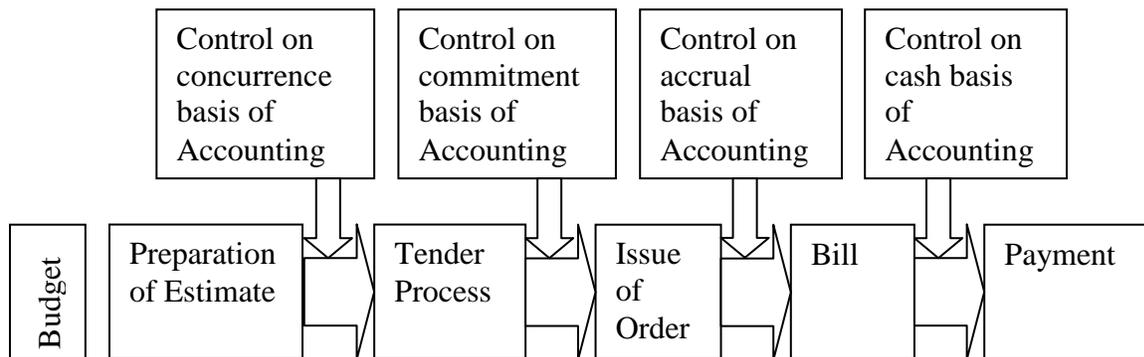
Thus accounting control alone can not provide for an appropriate level of control and there is a need for separate budgetary control mechanism. In order to develop a control system it is necessary to identify the appropriate stage at which the control will be applied.

Identifying the Stage for Initiating Control

“In past decades, there have been various innovations in budget formulation and operational efficiency of budgets in but there is still a considerable debate among PFM specialists about whether, when and how to implement them” (Simson R and others, 2011, pp.4).

Therefore first task is to identify the stage for initiating the control. As the accounting system alone can not produce the desired result, the control system should be at an earlier stage than of receiving bills. Therefore commitment control is applied at the time an order issued and before a bill is received or the payment is made. With effective commitment control, there should be adequate budgetary provision for the eventual payments for every order which is issued. In the above example, if commitment control had applied, it would have prevented the issue of an order for the amount R20, but it would not prevent a situation when an order is issued if the tender process is finalised. “The suitable choice of the control criteria, of the control techniques and methods contributes decisively to achieving the set objective” (Leter and others, 2007, pp.31). So to be effective, commitment control would have to apply before the tender process is started.

Figure 4: Stages for application of different controls



We propose:

(a) to implement a control system, as a part of budgetary control, after preparation of estimate and before administrative approval and our suggested control is a replacement of commitment control,

(b) to introduce the system of obtaining financial concurrence as suggested in the report of the Comptroller and Auditor General of India as a part of the control system and

(c) to replace commitment accounting by concurrence accounting.

Introduction of a System of Financial Concurrence

A fully developed control system has the objective of giving full control to the accounts department and ensures that they receive the information they need at the very first stage of each financial transaction. As the Comptroller and Auditor General of India recommends, we suggest that financial concurrence (or agreement) should be obtained from the accounts department immediately after an estimate for work has been prepared and before the tender process starts.

An estimate for work, for the purpose of this paper, may be termed as a proposal for expenditure. Financial concurrence means financial approval for a proposal for expenditure within the budget. This will ensure budgetary compliance when an order is later issued, but also when the final payment is made.

This practice requires that the relevant department, in respect of each and every proposal for expenditure, should obtain financial concurrence (approval) from the accounts or finance department before sending it for administrative approval (after the estimate has been prepared). Normally an official file is prepared in respect of the work and all the documents are preserved in it. Categories of government expenditures are coded and given expenditure heads for the purpose of expenditure control (Omolehinwa & Naiyeju, 2012). The National Municipal Accounting Manual also states that it is advisable to have the budgets prepared at the detailed level to ensure budgetary control. Therefore a proposal for expenditure should be forwarded to the accounts department, with the appropriate accounts code, by the concerned department and the accounts department will then provide financial concurrence, but only if the unencumbered balance of the budget is more than the amount of the possible expenditure.

Introduction of Concurrence Accounting

An accounting system which recognises a transaction at the point in time when financial concurrence is provided may be termed concurrence accounting. This is a part of a budgetary control system and it provides for the most effective control of future spending at the earliest point i.e., at the time of initiating a process that will lead to expenditure.

As an effective tool of expenditure control, the functionality of a financial management information system (FMIS) should include a well designed commitment control system for

accurate and timely recording of all commitments and expenditure. The operation of the system can substantially be improved through computerisation (Radev & Khemani, 2009). Similarly we recommend that financial concurrence is recorded in the IT system.

The system of concurrence accounting should be introduced and record the following:

- (i) accounts code
- (ii) amount of opening unencumbered balance under the respective accounts code
- (iii) amount of concurrence sought for the proposed expenditure
- (iv) amount of closing unencumbered balance [(ii)-(iii)].

If the closing balance (iv) is positive a proposal may be accepted, financial concurrence provided and a number named as “FC Number” be allotted. This number should be recorded in the file and on each document subsequently prepared. If (iv) is negative the proposal for concurrence should be rejected.

Example: There is budget provision of R800 for the “Repair and Maintenance of Road” budget line. The Public Works Department, after preparation of estimates (proposals for expenditure) of individual works and before getting administrative approval for them, will send the files to the accounts department for financial concurrence. The accounts department will act in the following manner:

Figure 5: Example of Concurrence Accounting

		Works						
		1	2	3	4	5	6	7
a	Amount of opening unencumbered balance	800	510	350	165	10	10	0
b	Amount of the proposed expenditure	290	170	195	150	20	10	15
c	Unencumbered Balance (a - b)	510	340	155	15	-10	0	0
d	Financial Concurrence to be accorded?	Yes	Yes	Yes	Yes	No	Yes	No

The accounts department may accord financial concurrence if this results in a positive or zero unencumbered balance. Financial concurrence may be accorded at a later stage depending on the result of subsequent developments as described in Figure 5.

Concurrence control is the combination of the process of giving financial concurrence to a proposal of expenditure and accounting of these financial concurrences.

Integration of Budgeting and Accounting

Preparation of the annual budget becomes merely a statutory requirement unless budget monitoring is done in a proper manner. Financial control can be established through budget monitoring and financial accounting should reflect and report on this monitoring. Actual spending should be monitored against budget to support the crucial form of financial control (Jones, 2007). A close relationship should exist between the accounting systems and budgetary systems to identify whether funds are expended in the manner desired by the legislature (Budget Reporting, Research Report, 2004). Therefore there is a need for close integration of budgetary

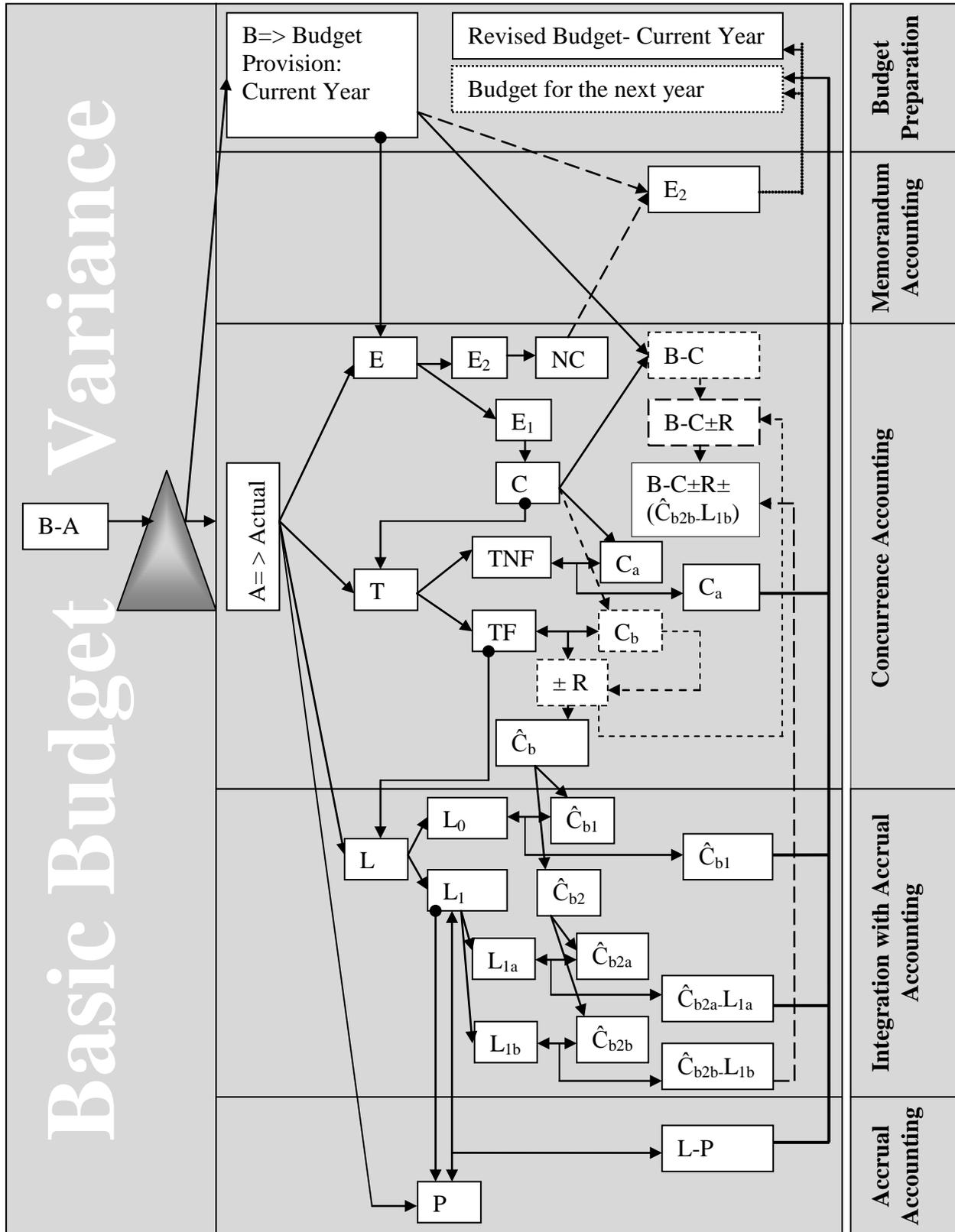
and accounting functions as these are complementary elements of financial management (Onumah & Samuel Nana Yaw Simpson, 2008). In our case concurrence accounting and financial accounting need to be integrated for effective budgetary control. The benchmark for budget execution is to use the budget document as a tool for planning, procurement and expenditure control and so it is essential to link the budget with the accounting system (Synthesis report, 2006). The National Municipal Accounting Manual suggests the adoption of accrual accounting, but we believe that budgetary control under accrual accounting will be ineffective unless concurrence accounting is implemented.

Developing the Prism Model

Some of the urban local bodies still use cash based accounting systems, but they are all required to switch to the accrual basis. The combined system is then said to become more transparent and user-friendly (NIUA, 2010, pp.11). Thus we would argue that concurrence accounting should be integrated with accrual accounting.

We try to analyse the variances and find that seven considerations emerge from the following model:

Figure 6: Prism model



Analysis and Explanation

Analysis of variances is acknowledged to be an important in identifying the reasons which caused them. Managers should then be able to take suitable action (Jackob, 2003). Budget variance is the comparison of actual (real) result with budgetary provision. This is the basic budget variance (B-A) where B is the amount of the budget provision and A is the actual result.

If the cash basis of accounting is used, the actual result is the amount paid (P) and the variance or unencumbered balance is B-P.

The liability (L) is considered in place of the payment, when accrual accounting is followed, and the unencumbered balance is then derived from B-L.

a. Concurrence Accounting:

The accounts department, after receiving a proposal for expenditure (E), has to compare it with the budgetary provision (B) and may provide financial concurrence (C) to the proposal (E_1) which is within the budgetary provision. Financially concurred expenditure will be allotted a FC number and therefore E_1 cases are named as C.

The unencumbered balance, in respect of any line item, will be B-C. No financial concurrence (NC) will be given to any initiated expenditure (E_2) during a year which exceeds the amount of budget allocation/ unencumbered balance. A dummy or memorandum accounting entry may be made for recording these proposals which are not authorised (E_2).

Next stage is the tendering process (T) where financial concurrence (C) is provided. There are two categories:

- (i) tendering process has not been finalised (TNF)
- (ii) tendering process has been finalised (TF).

The amounts provided with financial concurrence are then categorised as C_a and C_b accordingly.

The amount of financial concurrence (C_b), given on the basis of the estimate prepared may vary on finalisation of the tendering process which is denoted as $\pm R$.

If a tender is subsequently cancelled, the value of the finalized tender will become zero and $\pm R$ will be equal to minus C_b . This $\pm R$ has dual impact:

- a. Revision of concurred amount: the relevant department will send information about this to the accounts department and the total of C_b cases will be revised to \hat{C}_b .
- b. Revision of unencumbered balance: This difference has also impact on unencumbered balance and it is to be recomputed as $B-C\pm R$.

After finalisation of the tender process the work order will be issued and work execution will commence. The accounts department will receive the bills on the basis of the progress of the work. *Concurrence accounting ends here and financial accounting begins.*

b. Accrual Accounting:

Under the accrual basis of accounting, a transaction is recognised when the associated goods and services are used or when the activity which gives rise to revenue takes place. The receipt of an invoice is often accepted as a proxy for use of goods and services and revenue is usually recognised when received. Cash is an inherent feature of the accruals and therefore transactions under accrual basis are recorded both on an accruals basis and on a cash basis (Blöndal, J.R, 2005). In our case, the accrual basis of financial accounting records the liabilities on the basis of bills placed. The amount of liability (L) gradually decreases with making payments (P) and balance of liability is denoted by L-P.

Further analysis below is based on integration of concurrence accounting and financial accounting.

c. Integrating Concurrence and Accrual Accounting

The most frequently used control in economic and financial practice is the control of accounting documents and correlating these documents with other facts of mutual influence (Lefter and others, 2007). Therefore the accounts department will use the control of accounting documents (bills) and correlate these documents with the facts of concurrence accounting as both have a mutual influence. The accounts department, with the progress of capital works, receives bills from the contractor and books the liabilities. Works are deemed to have commenced during the financial year if any running account bill is received by the accounts department. This department has to segregate works on the basis of their commencement and to segregate concurrences (approvals = \hat{C}_b) on the basis of bills received.

There are two categories here:

- (i) either no liability as no bill has been placed (L_0), or
- (ii) liability as bills have been placed (L_1).

The C_b cases, where financial concurrence has been given, are similarly divided into C_{b1} and C_{b2} for L_0 and L_1 respectively to denote where a liability has been recognised.

The final bill in respect of any works, indicates that the work has been finished. Where such a bill has not been received, it is considered unfinished at the end of the year. Thus we have two further categories of works:

- (a) unfinished work (final bill not placed) during the year (L_{1a}) and
- (b) finished work (final bill placed) during the year (L_{1b}).

The financial concurrences (\hat{C}_{b2}) then need to be divided as follows:

- (a) financial concurrences for unfinished work during the year (\hat{C}_{b2a}) and
- (b) financial concurrences for finished work during the year (\hat{C}_{b2b}).

At the end of the year, there will be balances of financial concurrences (approvals) where bills (invoices) have not been received, these will be analysed as:

- (a) unfinished works - ($\hat{C}_{b2a} - L_{1a}$) – these need to be carried forward to the following year
- (b) finished works ($\hat{C}_{b2b} - L_{1b}$) – these concurrences lapse as the works are finished.

The unencumbered balance should be regularly recomputed. The revised unencumbered balance is $\{(B-C)\pm R\pm (\hat{C}_{b2b}\cdot L_{1b})\}$.

“The analysis completes the control with some aspects that cannot be pointed out by other control methods. The control cannot confine itself to finding the shortcomings. It is necessary to establish the level and the dynamic of the examined phenomena, the factors that influenced the evolution of the controlled phenomena, the correlation between these factors and the phenomena” (Lefter and others, 2007, pp. 35)

Details of Seven Considerations

We get seven cases from the prism model. These help the accounts department in the matter of expenditure control through budgetary control during the year, preparation of revised budget and preparation of budget for the next year.

Figure 7: Details of seven considerations

Name of Considerations (author's own terms)	Why arises	Meaning	Why important
		Presentation in the Model	What effect
1. <i>Coverage Concurrence Balance</i>	Unencumbered balance is renamed. It reduces gradually as financial concurrence is given.	It is the difference between the budget provision and the adjusted value of the outstanding financial concurrences.	This indicates the balance of the annual budget which is available for the provision of further financial concurrence.
		$[B-C]=> [B-C\pm R]=> [(B-C)\pm R\pm (\hat{C}_{b2b}\cdot L_{1b})]$	It denotes the available balance for giving financial concurrence to subsequent proposals for expenditure.
2. <i>Coverage Concurrence Denial</i>	When the amount of a proposal for expenditure exceeds the “Coverage Concurrence Balance”.	Amount of proposal for expenditure during the year which is not financially concurred.	Accounts department should apprise the relevant manager that a sufficient budgetary balance is not available.
		E_2	The amount may be provided either in the revised budget or in the budget for next year, under the respective line item.
3. <i>Concurrence Non-finalised Tender Roll Over</i>	When tendering process is not finalised during the financial year.	The amount of financial concurrence for which tendering process has not been finalised.	This rolls over to next year as the work will be executed after finalisation of tendering process in the following financial year.
		C_a	The amount is to be provided in the budget for the next year under the respective line item.
4. <i>Concurrence Non-Commencement Roll Over</i>	When no bill (invoice) has been received in respect of works which have financial	Amount of financial concurrence relating to work which has not commenced as no bill has been placed during the	This rolls over to next year. Bills will be placed in the next year with the progress of work till completion. Expenditure will be recognised and liability will be

Name of Considerations (author's own terms)	Why arises	Meaning	Why important
		Presentation in the Model	What effect
	concurrency.	year.	booked as and when bills will be received.
		\hat{C}_{b1}	The amount is to be provided in the budget for the next year under the respective line item.
5. <i>Concurrency Claim Roll Over</i>	When bills have been submitted but these bills do not include final bill.	Work remains unfinished as final bill is not placed during the year. This is the difference between the amount of financial concurrence and the amount of bills placed.	This rolls over to next year. Bills for the remaining portion of the work will be placed in the next year. Expenditure will be recognised and liability will be booked as and when these bills are received.
		$\hat{C}_{b2a} - L_{1a}$	The amount is to be provided in the budget for the next year under the respective line item.
6. <i>Concurrency Claim Correction</i>	When final bill of works is submitted.	Work is finished with placing of final bill. This is the difference between the amount of financial concurrence and total amount of bill for the finished work.	This has an impact on the amount of the coverage concurrence balance. This balance will be corrected accordingly as there is no further effect.
		$\hat{C}_{b2b} - L_{1b}$	The amount of coverage concurrence balance will stand at “[$(B-C) \pm R \pm (\hat{C}_{b2b} - L_{1b})$]”.
7. <i>Claim Complement Roll Over</i>	When bills are not fully paid.	Difference between the amount of bill and payment.	This rolls over to next year. Further, the amount is important for reconciliation purpose with amount of liability segregated at different stages.
		L-P	The amount may be provided under liability in the budget for the next year.

The existing budgetary control system is extended to a new system of control which results in a model consisting of seven new considerations like a ray of white light (existing) passes through a

prism and emerges as combination of seven colours (considerations). Therefore we name this model as the *Prism Model*.

The model and the considerations are explained further with the following example:

Figure 8: Example explaining “Prism Model”

Name of Work	W1	W2	W3	W4	W5	W6	W7	TOT
Budget Provision Remaining	800	510	350	165	10	10	15	800
Proposal for Expenditure (E)	290	170	195	150	20	10	15	850
1. Coverage Concurrence Balance (B-C)	510	340	155	15	-10	0	0	
Expenditure Concurred (E1->C)	290	170	195	150	0	10	15	830
2. Coverage Concurrence Denial (E ₂)					20			20
3. Concurrence Non-finalised Tender Roll Over (C _a)							15	15
Tender Finalised (C _b)	280	160	200	150		8	N	798
Rectification (R)	10	10	-5	0		2		17
Revised Financial Concurrence (Ĉ _b)	280	160	200	150		8		798
±R Effected	0	10	10	-5	0	0	2	17
1. Coverage Concurrence Balance [B-C±R]	510	350	165	10	-10	0	2	
Bill Placed (L)	265	160	180	140				745
Liability for Unfinished Work (L _{1a})			180	140				320
Liability for Finished Work (L _{1b})	265	160						425
Financial Concurrence for (L _{1a}) = Ĉ _{b2a}			200	150				350
Financial Concurrence for (L _{1b}) = Ĉ _{b2b}	280	160						440
4. Concurrence Non-Commencement Roll Over (Ĉ _{b1})						8		8
6. Concurrence Claim Correction (Ĉ _{b2b} - L _{1b})	15	0						15
Concurrence Claim Correction effected						15		15
1. Coverage Concurrence Balance [(B-C)±R± (Ĉ _{b2b} .L _{1b})]	510	350	165	10	-10	15	2	2
5. Concurrence Claim Roll Over (Ĉ _{b2a} - L _{1a})			20	10				30
Payment made (P)	265	140	180	130				715
7. Claim Complement Roll Over (L-P)	0	20	0	10				30

Conclusions

The National Municipal Accounting Manual states that the recommendations it makes are general and minimal requirements and that local bodies may add any other reports or forms which they consider necessary and suitable. Therefore this paper can be considered as an addition to the budgetary control concept outlined in the National Municipal Accounting Manual. As a result, local bodies should be able to better control their expenditure and avoid multi-stage budget availability checking.

We recommend that financial concurrence should be provided for all types of capital expenditure (public works).

According to Mbedzi (2010) public expenditure management entails:

- (i) appropriate planning and spending within the budget processes
- (ii) strengthening the expenditure control systems
- (iii) evaluating and monitoring the expenditure control systems and
- (iv) evaluating and monitoring effectiveness of established systems.

The control model, according to Thurmaier (2007), provides a good foundation for the larger discussion in respect of budget execution. We hope that our model will assist building the foundations for strengthened expenditure control with clear links between expenditure obligations and resource availability.

Local governments should try to improve their own financial viability as intergovernmental transfers will never be able to cover all the urban investment needs (MOUD, 2011). Expenditure control is an essential consideration for improvements to financial viability and we hope that our approach will help Indian urban local bodies to improve financial viability through expenditure control. Appropriate authorities in India may consider our approach for inclusion in the National Municipal Accounting Manual or in the respective budgeting manual so that it can be encouraged in Indian urban local bodies.

Though this paper is written in Indian urban local body's perspective but it can also be used in other countries where the system and nature of urban local bodies is similar.

We conclude our paper with two remarks:

- (i) "The call is for government accounting and its research to be seen in a new light to enable it to have a stronger and more positive influence on public financial management systems" (Onumah & Simpson, 2008, pp.14).
- (ii) "Many public expenditure management professionals are trying different approaches to their tasks. To better understand exactly what we do, we need to know how others do the same thing. We want to learn from their experiences both good and bad. We do not want to repeat their mistakes; but, more importantly, we want to learn "what works.

"We want to know how similarly-situated practitioners understand and attempt to meet the challenges that we face daily. Most professionals, whether they are involved in public expenditure management (or any career), want to do their work well and receive recognition for their accomplishments" (Vukicevic & Bartholomew, 2008, pp. 15-23).

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Existing Budget Transparency Mechanisms and the Effect of the New Constitution in Kenya

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Abstract

The paper examines the provisions of the new Constitution and the organic budget law and their adequacy in enforcing good practice requirements for participation and transparency in public sector budgetary processes. It contextualizes the state of budget transparency by evaluating existing participatory mechanisms and the extent to which they are entrenched in law. Drawing from international best practices, it was concluded that there is little prospect that promise of the Constitution to provide the opportunity for citizen participation in budgetary processes will be fully realised through legislation. The organic Budget Law fails to mandate the State to disclose core budget documents and guarantee free access to relevant and useful budget information. Case studies show that existing avenues for participation developed through informal processes of active citizenship and civil society pressure. Along with the strengthening of legislative and institutional frameworks, increasing budget literacy through citizen education is necessary to ensure effective participation and disclosure.

INTRODUCTION

This paper covers three main aspects:

- a review of existing transparency mechanisms in public financial management in Kenya
- an evaluation of the extent to which such mechanisms are currently entrenched in law
- an evaluation of the extent to which the entrenchment in law will affect the level of transparency and overall participation of the public.

It is argued that participatory mechanisms in Kenya have tended to develop informally through active citizenship rather than through the introduction of formal laws. Such practices have been limited however, to social audit of public financial management at the local level rather than demanding greater overall budget transparency. Active citizenship with the support of civil society has led to greater accountability and participation. The practice has developed outside the formal laws as the current legal framework does not adequately require public officers to provide budgetary information and to involve the public in decision making.

In 1999 an important series of events in Porto Alegre, Brazil, led to the development of the concept of budget transparency which has since received wide application globally. There are several definitions on what budget transparency means. A transparent budget process is one that provides clear information on all aspects of government fiscal policy. The Economic

Commission for Africa defines transparent budgets as those that are easily available to the public and participants in the policy making process and that present comprehensive information (UNECA 2005). Budget transparency is considered as a fundamental pre-condition for public participation and accountability in the budget process. The benefits of making budgets open and available to the public are well documented. Budget transparency is associated with:

- lower public debt and deficits as voters want competent politicians in office to provide more public goods through efficient use of available finite resources
- a better informed debate about the design and result of fiscal policy
- accountability of governments in implementation and strengthens public understanding of policies and priorities.

Budget transparency may also result in curbing corruption and misuse of public resources.

EXISTING PARTICIPATORY MECHANISMS AND THE EXTENT TO WHICH THEY ARE ENTRENCHED IN LAW

By coincidence, changes in the governance of public finance in Kenya were taking place around the same time that the concept of budgetary transparency was gaining recognition in Brazil. From independence up to the end of 2000, national and sub-national budgetary processes were to a great extent opaque and inaccessible to the public. The formulation, planning, implementation and auditing processes were exclusive to government officials, with nominal involvement of the parliament. The government was not required to disclose any budgetary information to the public. Citizens had no access to budget information and were only informed of the government's plans through televised proceedings of the annual budget speech to parliament. The establishment of Local Authority Service Delivery Action Plans in 2001 marked the introduction of the requirement for disclosure of information and citizen involvement in budget planning. Although the requirements for disclosure of budget information were minimal, the rationale was to ensure that local authorities involved citizens in budget planning by receiving their input on sector development plans. In practice however, the extent of disclosure of information has been contingent upon demand for such information through active citizenship and advocacy by civil society organizations rather than strict adherence to provisions of the law by government officials (TISA Report 2011). In other words, local government officials released information about development plans for respective county councils not because they were required to by law, but due to the pressure applied by civil society groups demanding the information. Further, the legal foundation of the Local Authority Service Delivery Action Plans was weak as it was established through a ministerial circular rather than an Act of Parliament

Three years later, the government enacted Constituency Development Fund Act 2003 to provide for management of public funds at the constituency level with the intention of further reforming public finance management. The Constituency Development Fund Act provides that the government should set aside 2.5% of its ordinary government revenue for disbursement to the constituencies under a Constituency Development Fund. The objective was to ensure that greater economic and social development is achieved by situating developmental activities at the

constituency level. By so doing it was anticipated that constituents would be equipped with the necessary information to enable them to participate fully in determining the use of the resources in their respective constituencies. Although the constituency development fund (CDF) was established with noble intentions, it has been an ineffective vehicle for greater transparency in decision making and spurring development at the local level. The Act vests immense powers with Members of Parliament (MPs) in the management of the funds, which have been subjected to abuse (IEA Report 2006). Although the Act requires disclosure of information to the public, empirical research has shown that there has been low compliance, hence compromising the quality of disclosure.

Further major reforms to public finance management have been undertaken through the enactment of laws to regulate the budget processes, including the enactment of the Government Finance Management Act in 2004 and the Fiscal Management Act in 2009. The changes introduced by these two pieces of legislation were focused on enforcing fiscal responsibility on public revenue and expenditure. Fiscal responsibility was applied to regulating spending and management of resources prudently. In this sense it was narrowly defined to exclude transparency and accountability requirements that would have enhanced greater disclosure to the public. Of the two pieces of legislation, the Fiscal Management Act provided some recognition of the importance of participatory mechanisms in the budget process. Parliament passed the Fiscal Management Act in 2009 to enable it to play an instrumental role in the national budgetary process. Dissatisfied with a mere rubber-stamping role in budget making, MPs agitated for a more active role. They designed the Act to include positive provisions intended to infuse transparency and strengthen Parliament's oversight role. In seeking to strengthen Parliament's role, the Act contained provisions that required the Ministry of Finance to publish detailed expenditure and revenue statements within specified timelines. Firstly, every public body is now required to prepare its budget each year and submit it to the parent Ministry by 28th February for onward transmission to Treasury. Secondly, by 21st March each year the Minister of Finance was required to present a Budget Policy Statement to the National Assembly. The Act also empowered Parliament to withhold funds for budget line items and emoluments where Treasury fails to satisfy audit queries raised by the Controller and Auditor General (Kenyan Supreme Audit Institution).

Until the promulgation of the new Constitution, avenues for citizens to obtain budget information and to participate in budget processes were limited to Constituency Development Fund and Local Authority Service Delivery Action Plans. Even then, where certain elements of budget transparency have been provided for, they have been loosely defined in law. There have been no comprehensive definitions in statute that clearly set out specific requirements to make the budgetary process transparent. The institutional framework in place is also weak and uncoordinated. The entrenchment of transparency as a principle for guiding decision making would be a strong foundation for imposing a duty on public officials to open up the budget process to the public. However, budget transparency has not been embraced as a key aspect of public finance management and it has therefore not been protected adequately under the law. It is argued below that even with the passing of the new Constitution the realization of budget transparency would take time without an effective organic budget law. Therefore, existing participatory mechanisms which have proved to be effective have developed outside the law. Where the law has been weak in defining transparency and requiring the release of documents by

public officials, citizens with the help of civil society have organized themselves into groups with aim of obtaining budget information on public finance. A detailed account of how effective active citizenship has been in agitating for increased disclosure of information is provided in the case studies in Annex I to this paper.

EFFECT OF THE NEW LAW AND ORGANIC BUDGET LAW

The Constitution

Under the old order, issues concerning public finance were not well articulated in the Constitution which had been operational since independence. In the new Constitution, adopted in 2010, public financial management is an important aspect of government that needs to be entrenched in the text of the Constitution rather than being regulated through the discretion of the Minister of Finance and bureaucrats at the Treasury (Kirira, 2011 at p.4). The new Constitution envisages transparency as a national value and principle and that the exercise of state power must be guided by it. In order to be transparent, the Constitution requires that state organs must open up decision making to the public. Budget management constitutes an important part of governmental decision making. However, entrenchment of transparency in the Constitution, in itself will be inadequate, if existing laws, institutions and their practices are not reformed to reflect the shift of democratic governance which envisages the involvement of citizens in decision making by providing them adequate information. Existing mechanisms provide little room for disclosure of budget information as evidenced under the Constituency Development Fund and the Local Authority Service Delivery Action Plans regimes. Citizens' hopes for greater access to budget information are dependent upon the enactment of a comprehensive organic budget law. Such a law would give full effect to the constitutional requirement for transparency in budget processes by giving elaborate provisions on entitlement of citizens to budget documents, details on procedures for obtaining such documents, at what cost, deadlines for release of such information and sanctions where information is not provided.

Such an organic budget law, envisaged by the Constitution, was recently passed amid a backdrop of confusion by the Treasury over the version of the bill to be presented to parliament. Ultimately the government published the Public Finance Management Act 2012. However, its enactment fails to bring about the much needed clarity and certainty on issues of public finance and in particular participation of citizens in the budgetary process.

Public Finance Management Act

The enactment of the new law marks progress in providing a framework for implementation of good budgetary management practices and fiscal responsibility. However, the provisions are not comprehensive enough to address pertinent issues and to ensure greater transparency and disclosure of sufficient information.

The Public Finance Management Act breaches key aspects of sound budgetary transparency mechanisms which have recently been developed as international best practices. (De Renzio and Kroth, 2010) The Act ignores the requirement to publish the eight core budget documents. Of these key documents, Keynan state officers are only compelled to release three documents. The Act only mandates the release of a pre-budget statement (budget policy statement), the mid-year review (economic and fiscal update) and the quarterly expenditure reports (in-year reports). The

law does not expressly provide for a citizen's budget which would be another key budget document. A citizen's budget is a simplified version of the government's budget which enables citizens to understand how government plans to raise revenue and its plans for spending public money. There is also no statutory requirement for the release of other key documents like the enacted budget, the executive's budget proposals, the year-end report and the audit report. Disclosure would be effective if citizens were guaranteed, as a minimum, that all eight specific key documents are provided in a timely manner and at no cost to the citizens obtaining the documents.

For the three documents mentioned in the Act, the law only provides a statutory deadline for the in-year reports. There is no statutory time limit for the release of the pre-budget statement and mid year review. The public is not granted a reasonable time and opportunity to comment on the process of budget formulation and implementation. While *transparency* is mentioned in the Act, it is not comprehensively defined and there are no detailed provisions to define the term, leaving room for narrow interpretations by government officials. The lack of clear and detailed provisions may result in minimal or no disclosure. Further, the law is wanting in regard to incorporation of enforcement mechanisms to realise effective disclosure.

There is also a lack of comprehensiveness in the institutional framework under the Public Finance Management Act. The Act does not expressly state the institutions that are charged with specific responsibilities in overseeing fiscal discipline in public finance. The provisions of the law allow too much discretion to the Treasury to design an institutional framework through subsidiary legislation. This means that with no minimum standards set in the parent Act, the Cabinet Secretary of Finance has wide powers to determine the implementation of the Act. Such powers may be abused to detriment of the public.

The Act does not define sanctions for public officers for non-disclosure of budget information. The public is effectively prevented from participating in oversight of the budget. The Act fails to provide for the publication of an Annual Audit Report to allow the public to scrutinize the implementation of budget for the previous financial year.

It seems that new Constitution will have little effect on widening the scope of participation of the public in public finance management. There is a mismatch between constitutional provisions requiring decision making be guided by participation and implementation of citizen's right to participate.

In the drafting stage of the Public Finance Management Act, participatory mechanisms were continuously watered down by the government and the courts have interpreted its provisions rather narrowly.

JUDICIAL ATTITUDE TOWARDS PARTICIPATION IN THE BUDGET PROCESS

As was underlined in the judgment in the case of *Jayne Mati and Davis Odieno v Attorney General and Minister for Finance*, early indications are that the court's approach to interpretation of constitutional imperatives is unlikely to broaden the scope and content of existing participatory procedures.

The facts of the case are briefly as follows; On June 30th 2011, civil society activists, filed a petition against the Attorney General and the Minister for Finance seeking a declaration that Parliament violated the Constitution by authorizing the issue of half the total estimates of the estimated budget for 2011 without the introduction or passing of an Appropriation Bill, as provided in Articles 206, 221 and 222 of the Constitution. The petitioners also submitted that the constitutional principle of public participation was violated as provided in Articles 201 (a).

The judgment in the *Jayne Mati and Davis Odieno v Attorney General and Minister for Finance* raises more questions than answers in relation to important aspects of public finance and how they are defined in the law. The judgment addresses itself more fully to the first issue about budget procedure than the second issue about participation. It elaborates the fundamental concepts of constitutional law and the place of constitutional law in our legal system. The ruling was clear on supremacy of the constitution and separation of powers.

However, it may have been a missed opportunity for the Judiciary to set out the scope and content of participation as contained in the new Constitution. The judgment focuses on the legality or illegality of Minister's actions in drawing funds from the Consolidated Fund, but although the decision contains a section entitled "Public Participation", it does not, in my view, adequately address the issue.

What comprises participation or non-participation as provided in our laws is still not clear. With the devolved system expected to be in place and the increased role played by the public in decision making under the new constitutional dispensation, the public is uncertain in which circumstances it can access the court to ensure that the right to participation is enforced.

To be fair, the court only deals with the case presented and matters of evidence before it. The issue of participation may have been understated during the proceedings of the case. Nevertheless, this case should have opened a broader discussion on what we mean by public participation in finance. Does the absence of evidence that a citizen was denied access to a parliamentary committee in itself absolve the Legislature from responsibility for establishing mechanisms to enable public participation in the budget process? Should participation be overlooked during the transitional period? To answer these questions in the affirmative would indicate an adoption of a conservative approach to "participation" where consultation is minimal.

The fact that the public was invited to present written memoranda to a parliamentary committee does not in itself constitute effective public participation and transparency. On ruling whether the requirement for public participation and transparency were satisfied, the judge accepts that transparency was observed where: Departmental Committees were allowed to scrutinise estimates of the budget in the Speaker's ruling of 7th June 2011; and procedures communicated by the Speaker on 15th June 2011 conforming to Article 221 (5) were followed by departmental committees. The judge concluded that public participation had been effected because there was no denial of access of the public from the departmental committee proceedings. Rather than placing a negative duty on the Legislature, the judge should have made a decision on the basis of the meaning of participation in public finance, to what extent it applies and in which situations it does not apply.

The judgment indicates that the existence of procedures for receiving submissions from citizens is a sufficient way of involving the public in the budget process. It is not certain however, whether the court would conclude that public participation was not observed, if the whole procedure or an element of the procedure or one of the scheduled events was not followed. This would have brought a desirable certainty to citizens about the circumstances in which they have the protection of the court when they feel their rights to contribute to the budget process has been denied. In turn, it would also place a positive duty on both Executive and the Legislature to involve citizens in the decision making process for the government's annual budget.

Further, certain important aspects of accountability and openness like making information public and providing citizens with feedback were not included in the committees' guidelines on procedure. In my view, these aspects of accountability, if included, would have enabled the public to engage with the departmental committees in a more meaningful way. A decision on whether these aspects of accountability have a place in our laws would have been covered well in a definition of public participation in the budget process.

In the absence of transparent procedures for receiving, evaluating and dispensing with written memoranda and oral representations, the process cannot be said to have been transparent or adequately consultative. Further, there are no minimum assurances that citizens' views will be considered and may influence how the annual budget will be implemented, which is a requirement under the Constitution. However, all is not lost judging from the Executive's record in upholding provisions of the Constitution. Another opportunity may arise for the Judiciary to delimit the scope and content of public participation in the budgeting process.

CONCLUSION

Several provisions of the new Constitution outline the right to participate in budgetary matters. However, to date, there has been little progress in terms of realising this right due to the minimal legal protection provided in the Public Finance Management Act. Early political and judicial attitudes seem to have a dismal view of citizen involvement in national budgetary matters. Constitutional promises of increased transparency and participation in decision making have been narrowly interpreted by both parliament and the judiciary. Parliament has failed in providing clear provisions while the judiciary has also failed to provide an interpretation that gives effect to participation. The existing participatory mechanisms though, not fully protected by law remain the best avenue for citizens to engage the government on budget transparency. The law lags behind existing social practice and has embraced international best practices half-heartedly and therefore the law needs to be reformed to meet such standards. In the intervening period, civil society organisations should strengthen direct engagement with government by continuing to support citizen initiatives.

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www.kenyalaw.org

Questioning the Claim of Inadequate Funding of Tertiary Education in Oyo State, Nigeria

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ABSTRACT

It is generally believed that education is poorly funded, this may be true in Nigeria, but inefficient use of the available resources has not yet been seriously addressed. This is further compounded by the inability of many to appreciate the economists' theory of scarcity of resources and the high level of corruption in the educational sector.

This study, therefore, evaluated the financial management systems of selected tertiary institutions of Oyo State, Nigeria. The available data led to the conclusion that education in general in Nigeria and tertiary education in particular is inadequately funded. However, tertiary institutions are also inefficiently managed and this inefficiency may be made worse by corruption.

INTRODUCTION

In recognition of the importance of education to national development in Nigeria, the Federal Government took control of the four existing regional universities in 1975 and established seven new ones. The programmes of the institutions were expanded and the increased Federal Government involvement in education made it necessary to establish regulatory bodies such as National Universities Commission (NUC), National Board for Technical Education (NBTE) and the National Council for Colleges of Education (NCCE). However, it was not long before the Federal monopoly was broken because it could not cope with the demand from potential students. Many state governments established their own universities and private individuals and organizations were also granted permission to establish their own universities.

Batagarawa (2007), talking on the holistic plans of the government, asserts that "from now on we see education as the collective responsibility of society as a whole, parents, religious institutions and communities have to come together and move education forward" (page 13). It was claimed that the thirst for education in Nigeria was great and the challenge for a government with lean resources at its disposal was almost too daunting.

Higher education, in Nigeria, is confronted with formidable challenges and must proceed with radical change and renewal, so that our society, which is currently undergoing a profound crisis of values, can transcend mere economic considerations and incorporate deeper dimensions of morality and spirituality.

It is with the aim of providing solutions to similar challenges and of setting in motion a process of in-depth reform in higher education worldwide that United Nations Educational Scientific and Cultural Organizations (UNESCO) convened a World Conference on Higher Education in the

Twenty-First Century: Vision and Action. This Conference in 1998 agreed that education is a fundamental pillar of human rights, democracy, sustainable development and peace and should therefore become accessible to all throughout life. It was also noted at the Conference that substantial change and development of higher education, the enhancement of its quality and relevance, and solutions to the major challenges it faces, required the strong involvement not only of governments and of higher education institutions, but also of all stakeholders. Higher education institutions also need to show clear accountability in the use of public and private, national or international resources.

The UNESCO Conference also agreed that the core mission and values of higher education, in particular, the mission to contribute to the sustainable development and improvement of society as a whole, should be preserved, reinforced and further expanded. Higher education institutions should educate students to become well informed and deeply motivated citizens, who can think critically, analyze problems of society, look for solutions to the problems of society, apply them and accept social responsibilities.

Many scholars (for example, Bello-Imam (2005) and Sanda (1992),) assert that adequate funding of education will make educational problems manageable. However, it is doubtful whether there will ever be a time when adequate funds are allocated to education, especially tertiary institutions.

According to Lipsey (1980), a nation's resources are insufficient to produce the quantities of goods and services that are required to satisfy all its citizens' requirements. As we cannot ignore the scarcity of resources, we should come to terms with the judicious use of available resources. This will involve a series of questions:

- What are the key targets and what are the resources needed to achieve these targets?
- What information is necessary to persuade the key stakeholders share the available resources?
- Is the sharing of available resources considered to be equitable?

Sanda (1992:20) opines that:

“Not all departments and units are equally indigent [needy]. The administrative support departments and units under the registrar were and are usually luckier, with a disproportionately larger share of the university's financial allocations... Government, however, feels that the real problem is not shortage of funds but absence of prudence and accountability”.

The funding and management of higher education may require the development of appropriate planning and policy-analysis capacities and strategies, based on partnerships established between higher education institutions and state and national planning and co-ordination bodies, so as to secure appropriately streamlined management and cost-effective use of resources. Higher education institutions may need to adopt forward-looking management practices that respond to the needs of their environments. Managers in higher education may need to be responsive,

competent and able to evaluate regularly, by internal and external mechanisms, the effectiveness of procedures and administrative rules.

ADEQUACY OF FUNDS FOR HIGHER EDUCATION

Minister of Education, Prof. Ruqqayatu Ahmed Rufai (2010), has stated that the lack of transparency and accountability are the bane of service delivery in the education system in Nigeria. She further asserted that stakeholders in the education sector emphasised the need to improve funding for the sector, but added that she was of the belief that the sector would perform better if it concentrated on the challenges of appropriate resources utilization in the same way it emphasized the scarcity of resources. Speaking in August 2010, at the opening ceremony of the zonal anti-corruption forum organized by the Nigeria Development Initiative (NDI) for State Universal Education Boards in the North-central geo-political zone in Minna, she further asserted that:

"It is the daunting challenges that lack of accountability and transparency has brought on the overall performance of social service delivery mechanism and particularly that of the basic education delivery in Nigeria that has affected the sector."

The writer had six years experience as the head of the Bursary Department (Eruwa Campus) and five years experience as head of the Finance Department of Continuing Education Centre at The Polytechnic Ibadan. This provided him with the opportunity to observe and appreciate why there may be a need to direct the attention of stakeholders in education management toward judicious use of resources instead of just stating that the resources allocated are not adequate.

Mustapha A. Jaji, the Executive Secretary, Education Trust Fund (2007), stated that:

"The 1999-2006 intervention funds for higher institutions amounted to N103 billion out of which only N59 billion had been accessed by the relevant institutions, leaving a total outstanding of over N44 billion. These figures show a serious lack of capacity by beneficiary institutions to fully make good use of the ETF funds to drive human and national development".

The emphasis on inadequate funds being allocated to education is overwhelming and has continued for many years without a significant change in the allocation of fund to the education sector. It is therefore imperative to look into other areas of educational management for possible solutions to some of the factors of crisis perceived in educational management. Among the areas to be investigated is the level of ignorance of the facts about the available resources and justifiable competing demand for it.

Bello-Imam said, in a lecture to doctoral students of Lead City University, Ibadan April, 2007:

"There cannot be optimal use of resources allocated to a common objective if the user of the allocated resources believes that their unit has been short-changed... The effort of the Government, if any, to alleviate the problems perceived in education may not be yielding the expected results if some stakeholders are not well informed. Members of society are not critical of what you spend on their behalf if you are able to prove the source and uses, to which you put their funds".

CONCEPTS OF MANAGEMENT

Management as the act of planning, organizing, leading and controlling activities has existed for thousands of years. The Egyptian pyramids and the Great Wall of China, for instance, are tangible evidence that projects of tremendous scope, employing tens of thousands of people, were undertaken well before modern times.

The pyramids are particularly interesting examples. The construction of a single pyramid occupied more than 100,000 workers for 20 years. Who told each worker what to do? Who ensured that there would be enough stones at the site to keep workers busy? The answer to such questions is managers.

It could be recalled that in the 18th century, Adam Smith, as a classical economist, came up with management as a field of study. He was not alone, other social scientists worked in this field. Later in 20th century, management sciences were expanded to include: human resources, finance, marketing and many other fields. According to Yolokun, (2002), in the 21st century, public administration and public management were also added.

Public confidence in public administration can be reduced to three fundamental principles of transparency, accountability and trust. Phillips (2011) says that there is a persistent trend across the developing world for public confidence in public institutions to decline. Permeating this consideration is a range of contemporary issues.

Changes in Government: According to Osborne (2007), across the globe, government is being, and has been, reinvented. The pressures for change include:

- fiscal stress
- increasing demand for public accountability
- demand for governments to be more responsive to its customers' needs
- demand for public sector agencies to be more responsive to government needs
- pressures of globalization and information technology
- commercialization, corporatization, and privatization
- downsizing.

Basically, the growing complexity of social and economic structures at a national level and the globalization of many of the world's major financial trading and scientific systems have combined to question traditional concepts of government. And with growing resistance to any increases in the revenue base, like increases in the cost of petroleum to pay for new or increased services.

Organizational performance is a measure of how efficiently and effectively managers satisfy customers and achieve organizational goals. Or put the other way around, organizational performance increases in direct proportion, to increases in efficiency and effectiveness Richard (2005).

Efficiency is a measure of how well or how productively resources are used to achieve a goal. Organizations are efficient when managers minimize the amount of input resources needed to produce a given output of goods or services.

Effectiveness is a measure of the appropriateness of the goals that managers have selected for the organization to pursue, and of the degree to which the organization achieves those goals. Organizations are effective when managers choose appropriate goals and then achieve them Harris, (2011). According to Okemakinde (2011), the job of management is to help an organization make the best use of its resources to achieve its goals.

A TYPOLOGY OF ETHICS REGIMES

In trying to combat corruption and malpractices in functional areas of public management, various countries have implemented ethics programmes. In particular, many countries of the Organization for Economic Cooperation and Development (OECD) promote transparency and accountability by supporting the ethical behavior of civil servants through a mixture of rules and managerial incentives. The OECD literature suggests a conceptual typology of such regimes (OECD, 1996).

All countries and their ethics programmes can be placed on a continuum of approaches. At one end of the scale is the *teleological* or *integrity-based* approach to ethics management, which is consistent with New Public Management. Within this approach, the focus is on what values should be observed in carrying out official duties. The use of rules mainly deals with behavior that represents criminal or illegal acts. According to Hay (2006), the emphasis is on *what* rather than the *how* something was achieved. It focuses more on good and honest behavior rather than on policing bad conduct and punishing error.

At the other end of the scale is the *compliance* or *rules-based approach* to ethics management. In this approach, the focus is on strict compliance with administrative procedures and detailed rules, which are often codified in legislation or formal regulations. They define what the civil servants should do, how it should be done and what they should avoid. There are usually detailed codes of conduct that focus often on what should not be done, with a heavy emphasis on policing actions and catching wrongdoings.

The OECD (1996) postulates that the integrity-based approach is more likely to be used within the context of New Public Management (results orientation). The compliance-based approach would be more consistent with traditional public administration (rules orientation).

To design a well-functioning ethics regime, the desired behavior needs to be defined within the context of the overall ethical conditions present and management reform approaches. According to Ashour (2004) two general conditions need to be differentiated: high and low levels of corruption:

High levels of corruption imply a greater need for compliance and rules-based approaches, with clear, firm and detailed controls and sanctions. Results-based management, with the devolution of authority, discretion, and empowerment, is not advisable in such cases. ECA (2003), says, “Empowering ethically bankrupt people” (or institutions) “simply leads to corruption more quickly”.

Low levels of corruption imply the possibility of using integrity or value-based management. This, according to ECA, (2003), is where public sector employees are highly

motivated to perform to the best of their abilities, integrity or values-based management is more likely to succeed. Where civil servants are not motivated or trying to escape responsibility, either by staying passive (not necessarily engaging in corruption) or by actively engaging in wrongdoing, such an approach will likely fail.

ACCOUNTABILITY

All organizations, whether public or private, need to be accountable to the community in which they exist. The recent crisis in the Arab world shows that even if you are honest, you must also be accountable to the people especially over decisions that affect them directly.

In administration, there is a strong necessity to have checks and balances for efficient administration. The theory of separation of powers is key to internal control. This is amplified by Bello-Imam (2005) saying that:

There would be an end of everything, whether the same man or the same body, whether of the nobles or of the people, to exercise those three powers, that of enacting laws, that of executing the public resolutions, and of trying the cause of individual (P2).

He however, also alluded to the issue of corruption as one of the effects of concentration of power in an individual or group of individuals. While quoting CNN, he further said:

Corruption leads to poverty, suffering, underdevelopment and hence, leaves hospitals and schools without drugs, equipment and qualified personnel and in the end everyone pays dearly for it.

A casual look at publically owned institutions in Nigeria, particularly, Lead City University, Ibadan, may suggest that they be privatized. This should not be advised because, according to Bakre (2010):

The biggest challenge facing the Bureau of Public Enterprises... is that out of over 400 government-owned companies privatized since 1999, less than 10 of them are performing well. The privatization of most companies was carried out in a hurry and lacked effective regulation. We are particularly worried that some of the privatized companies now owned by foreigners are defrauding Nigerians by repatriating their earnings to their countries while failing to file returns to the Nigerian government (p56).

Good financial reporting is not a sufficient condition for the effectiveness of corporate governance if stakeholders in the institutions are not ready to use the reports to monitor the management of the institutions.

Financial statements should be ready within the first quarter of the following financial year and the auditor should provide the audited accounts to the Governing Council within the second quarter of the financial year. However, at the time of this evaluation (2011), it was only the following annual financial statements that were available:

- The Polytechnic, Ibadan - 2009
- Ladoke Akintola Univeristy - 2006
- Emmanuel Alayande College of Education - 2006.

In April, 2007 there was two-day national workshop on “Tertiary Education Financing: Which Way Forward?”. The Nigerian Tribune of Friday 27 April, 2007 published the following on the workshop:

In five years, the Federal Government has reduced the budgetary allocation to education by five percent in spite of the continuous increase of university’s needs. In 2003, government allocated 15 percent to education but tactically reduced to 10 percent in 2007, in fact government could only allocate four percent to education in 2005 contrary to 25 percent standard required by the United Nations Education, Scientific and Cultural Organization. (p31).

At the workshop, the Director of the MacArthur Foundation, Dr. Kole Shettima, claimed that international donors’ fail to help Nigeria with education because the country had problems of accountability and transparency, wastefulness and economic instability. According to him, the MacArthur Foundation had released about N820 million to support education in Nigeria since 2000 but the Foundation found it ridiculous that the country could not account for this money. This is corroborated by the paper presented by Dr. Jamila Shuarau, that there has been a lot of mismanagement of fund by educational boards.

While much of the allegations were speculation, universities have joined other public sector institutions by having a sizeable number of uncompleted or abandoned projects. This suggests the need for better husbandry of available financial resources.

Nwankwo (1981) is of the view that education is unique in that its requirements and expenses may not be related to its outputs. He is of the view that cost has a different meaning in education because of the following:

- (a) It is domesticated - its longevity does not necessarily depends on its marginal productivity, but on the social demand for education.
- (b) It pursues multiple objectives some of which are not easily determined.
- (c) It has a long production cycle spanning sometimes over 20 years
- (d) It operates with a fairly rigid handcraft technology handed over from one generation to another.
- (e) It purchases most of its inputs at administered prices. The term cost of production is ambiguous because its meaning and types differ with sectors.
- (f) The provision of environments conducive for learning requires huge funds which must be judiciously managed.

Sanda (1992) has this to say:

There is often a temptation on the part of University Managers to attribute the decline in quality of University education, or in the fall in standard of services rendered by the university principally to the inadequacy of financial resources (p52).

Finally, on the financial health of the university, the exploitation of the linkages of the university with the interest groups in its environment, most especially with the alumni association and the business community should yield some financial support (Sanda, 1992).

Institutions need to collect tuition fees effectively and efficiently, although this can be an challenging undertaking. For example, the Registrar of Ladoke Akintola University of Technology (LAUTECH) in The Nation news paper of Thursday 7 April, 2011, claimed that LAUTECH has about 25,000 students who were paying N40,000 each then but to be paying N90,000 (nearly US\$600) per session or a total of N2.25 billion. These fees led to a riot by the students.

According to Sanda (1992), enhanced managerial capacity is crucial in the following eight spheres of university administration if objectives are to be achieved:

- Financial administration
- Student administration
- Administration of academic programmes
- Administration of the committee system
- Personnel administration
- Welfare administration
- Administration of the reward system
- Administration of physical facilities

However, achievement of enhanced managerial capacity requires stability in the headship of the institutions. Political interference was evidenced in the appointment and removal of headships of the three institutions reviewed in this study. There were more than two changes of the headships within a period of five years (2007-2011).

Educational institutions may have to tackle the over establishment of some units by ensuring that:

- Appointments are based on capability and expertise rather than just seniority
- Appointments are based on genuine needs and are made against approved posts or vacancies
- Internal and external advertisements are made for all vacancies
- Any officer who has gained additional qualifications should apply for vacancies relevant to their new qualification
- Reports on the number of employees and the financial implications are provided to the appointments and promotions committee at each meeting to avoid exceeding the agreed number of employees and the associated costs

EDUCATION TRUST FUND

The Education Trust Fund (ETF) was set up in 1993 to use funding and project management to improve the quality of education in Nigerian. ETF generates its fund from 2% education tax on assessable profit of all registered companies in Nigeria. ETF is mandated by the Education Tax Act No. 7 of 1993 and its amendment Act No. 40 of 1998, to disburse the fund to primary, secondary, tertiary and other educational institutions in Nigeria. It has to provide necessary and effective monitoring of projects executed and where the monies have been released to the

beneficiaries. ETF is only allowed to release funds to institutions when they meet its minimum requirements on efficient financial management.

In order to address the inability of some institutions to access the funds, the Education Trust Fund organized a capacity building workshop for Bursars and Financial Return Officers in September 2011.

The Executive Secretary of the Fund, Prof. Mahmood Yakubu, stated at the opening session of the workshop that:

after funds had been allocated to beneficiaries, these funds were not accessed for two to three years. This resulted in the accumulation of billions of Naira [Nigerian currency] un-accessed by the beneficiaries. The Board of Trustees... concluded that this was not acceptable to them. It is therefore becomes important to use this event to address the issue of un-accessed funds and to strategize to ensure the timely delivery of quality projects nationwide.

At the workshop, the accounting manual for intervention funds was provided, reviewed and discussed. The manual was based on a report from consultants, the Federal Auditors, Federal Treasurers and others. This report revealed certain inadequacies regarding record keeping and report by tertiary institutions. These include:

- Poor record keeping
- Misappropriation
- Non-adherence financial procedures e.g Financial Regulations, Procurement Act
- Non-maintenance of separate cash books
- Incorrect use of accounting codes
- Non-maintenance of vote books
- Incorrect calculation of VAT and withholding tax
- Fixed assets register not kept.
- Relevant documents not attached to vouchers
- Confusion on application of VAT rules.

ANALYSIS OF FINANCIAL STATEMENTS

At the time of this research, financial statements for The Polytechnic, Ibadan were available up to 2009, but Ladoke Akintola University and Emanuel Alayande College of Education had theirs available only until 2006. So the analysis covers the period 2002-2006.

Income and Expenditure of Ladoke Akintola University

INCOME	2002 ₦ millions	2003 ₦ millions	2004 ₦ millions	2005 ₦ millions	2006 ₦ millions
Revenue Grant (percentage of total)	530 (76%)	660 (81%)	760 (68%)	810 (74%)	880 66%
Internally Generated Fund (percentage of total)	170 (24%)	160 (19%)	350 (32%)	280 (26%)	440 (34%)
TOTAL INCOME	700	820	1,110	1,090	1,320
EXPENDITURE					
Personnel cost/expenditure (percentage of total)	530 76%	640 74%	870 76%	740 78%	970 70%

Other Cost (percentage of total)	170 24%	220 26%	220 24%	210 22%	410 30%
TOTAL EXPENDITURE	690	860	1,140	950	1,380
SURPLUS	10	(40)	(30)	140	(60)

Source: Ladoke Akintola University, Income and Expenditure Accounts, 2002-2006
Over the five years the surplus amounted to only N20 million (US\$130,000).

Income and Expenditure of The Polytechnic, Ibadan

INCOME	2002 ₦ millions	2003 ₦ millions	2004 ₦ millions	2005 ₦ millions	2006 ₦ millions
Revenue Grant (percentage of total)	520 63%	600 65%	720 59%	700 58%	1,040 70%
Internally Generated Fund (percentage of total)	300 37%	320 35%	500 41%	500 42%	450 30%
TOTAL INCOME	820	920	1,220	1,200	1,500
EXPENDITURE					
Personnel cost/expenditure	650 75%	730 79%	850 74%	1,030 74%	1,100 80%
Other Cost	210 25%	200 21%	300 26%	370 26%	280 20%
Total	870	920	1,150	1,400	1,600
SURPLUS	(60)	0	70	(200)	(100)

Source: The Polytechnic Ibadan, Income and Expenditure Accounts, 2002-2006.
So over the five years there was a deficit of N290million (less than US\$2 million).

Income and Expenditure of Emmanuel Alayande College of Education

INCOME	2002 ₦ millions	2003 ₦ millions	2004 ₦ millions	2005 ₦ millions	2006 ₦ millions
Revenue Grant	300 48%	390 78%	450 79%	520 83%	490 87%
Internally Generated Fund	320 52%	110 22%	120 21%	110 17%	70 13%
TOTAL INCOME	620	490	570	630	560
EXPENDITURE					
Personnel cost/expenditure	400 64%	390 75%	490 81%	580 80%	540 86%
Other Cost	230 36%	130 25%	120 19%	140 20%	90 14%
TOTAL EXPENDITURE	630	520	610	720	630
SURPLUS	(10)	(30)	(40)	(90)	(70)

Source: Emanuel Alayande College of Education, Income and Expenditure Accounts, 2002-2006.
So over the five years there was a deficit of ₦240million (US\$1.5 million).

DECISION MAKING

The table below shows the respondents who agreed with each question:

	Percentage of Respondents that agreed
The Bursar is more acquainted with the financial position of the institution than other officers of the institution	92%
Ignorance of available resources and other competing demand has a negative effect on the effectiveness and efficient use of resources allocated	77%
Inclusion of bursary in governing council will assist the governing council to understand the financial environment of the institution	69%
Provision of adequate information on financial position will make you to be disposed positively to a better use of the allocated fund to your faculty/department.	90%

The analysis shows that a significant number of respondents agreed that the provision of adequate information on the financial position of an institution will encourage managers to make better use of the funds allocated to their faculty or department. The inclusion of the bursar on the governing council will assist the governing council to understand the financial environment of their institution. Ignorance of available resources and other competing demands has a negative effect on the effectiveness and efficient use of resources allocated.

CONCLUSION AND RECOMMENDATION

There is yet to be a stable administration in the three institutions as the head (Vice Chancellor, Rector and Provost) changed more than two times within a period of five years (2007-2011) due to political interference in the institutions.

The best financial management system cannot achieve a better result than the environment allows. Therefore, instability in the administration of the institutions will effect negatively on its financial management.

The study concluded that it was justified to assert that higher education in Nigeria was inadequately funded, but it may also be inefficiently managed.

Institutions generate income from student tuition fees and other charges (but this may deny students from a poor background access to higher education). Students also complain of individual faculty and departments collecting additional money from them. The three institutions used for this evaluation had educational programmes (part-time and other) that were self accounting and could be likened to a private educational institution or business venture that generated sizeable fund for the institutions.

The knowledge based economy is going to be essential in the future and so the Nigerian governments should invest significant amounts of its oil wealth in education for the benefit of future generations. This will also tend to overcome the great inequalities which are the cause of the violence which has spread across Nigeria in recent years.

It is recommended that for the Governing Council of a tertiary institution of higher learning, like University, Polytechnic or College of Education to achieve the institutions goals and objectives effectively and efficiently, at least one of its members should be a financial expert. In this respect, the Bursar of the institution, because of his insider's knowledge of the resources of the institution which gives him an edge over and above every other finance expert that is not in charge of financial resources of the institution to provide graphic information that is informative on financial position of the institution to the Governing Council.

It is also recommended that the institution list the ventures it is operating, the statistics of the students it has in the full time, part-term and out-reach centers with the income realized on them.

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Recent Public Financial Management Publications and other Resources

In this section we review some recent publications which may be of interest to readers of the Journal. We would be pleased to receive reviews and suggestions of other resources which we should refer to in future issues.

1. Handbook of Accounting and Development - Hopper, Tsamenyi, Uddin and Wickramasinghe (eds) (2012)
2. INTOSAI - Fundamental Auditing Principles open for consultation
3. Conceptual Framework for Public Sector Financial Reporting - IPSAS Board
4. Poor Economics – Banerjee and Duflo (2011)
5. A Global History of Accounting, Financial Reporting and Public Policy: Asia and Oceania - Previts, Walton and Wolnizer (2011)
6. The International Handbook of Public Financial Management, edited by Richard Allen, Richard Hemming and Barry Potter (2013)
7. The Limits of institutional Reform in Development - Matt Andrews (2013)
8. Volunteer Accountants Needed for Overseas Opportunities

1. Handbook of Accounting and Development

Edited by Trevor Hopper, University of Sussex, Mathew Tsamenyi, University of Birmingham, Shahzad Uddin, University of Essex and Danture Wickramasinghe, University of Glasgow, Cheltenham: Edward Elgar

This innovative and informative Handbook brings together leading international researchers on accounting and development to review empirical evidence, issues, policies and practices both past and present. It covers the full range of private and public sector accounting and the role of donors and thus provides a good introduction to accounting developments across the Global South.

The perspectives of the expert contributors reflect the strong growth of research on the topic, as accounting is increasingly recognised as an important factor in development. The book draws commentary and analyses together to inform future research, practice and policy and raises awareness of the actual and potential role of accounting in formulating and executing development policy.

With theoretical and empirically focused chapters, this Handbook will appeal to academics and postgraduate students in accounting and development studies, practitioners, policymakers and

development partners. We hope that this Handbook will assist with developments in this area and encourage further research in public sector financial management in the Global South which is reflected in future issues of this Journal.

For more details of this book see: <http://tinyurl.com/ijgfm2013book2>

2. INTOSAI - Fundamental Auditing Principles open for consultation

The following International Standards of Supreme Audit Institutions (ISSAIs) have been issued by the ISSAI Harmonisation Project Group for public comment:

ISSAI 100 – Fundamental Principles of Public Sector Auditing

ISSAI 200 – Fundamental Principles of Financial Auditing

ISSAI 300 – Fundamental Principles of Performance Auditing

ISSAI 400 – Fundamental Principles of Compliance Auditing

Through the exposure process and the endorsement of the ISSAIs at INCOSAI in October 2013 (Beijing, China), INTOSAI will define a common set of auditing principles and concepts that should be useful and supportive for all INTOSAI members.

The exposure period for comments from all INTOSAI members and other interested parties for all four documents expires on 15 February 2013.

For further details and other documents in this series go to: <http://www.issai.org/composite-192.htm>

3. Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Chapters 1-4), IPSASB (2013)

This Conceptual Framework underpins the development of International Public Sector Accounting Standards (IPSASs) and Recommended Practice Guidelines (RPGs).

The first four chapters of the Conceptual Framework are:

Chapter 1: Role and Authority of the Conceptual Framework

Chapter 2: Objectives and Users of General Purpose Financial Reporting

Chapter 3: Qualitative Characteristics

Chapter 4: Reporting Entity

These chapters outline the role of the Conceptual Framework in the IPSAS and RPG development process, identify that the primary users of general purpose financial reports (GPFRs) of public sector entities are service recipients and resource providers, and clarify that the objectives of financial reporting by public sector entities are to provide information useful to users for accountability and decision making purposes. They also identify the qualitative characteristics of, and constraints on, information included in GPFRs and the key characteristics of a public sector reporting entity.

The IPSASB is currently developing other chapters of the Conceptual Framework, which will address the definition, recognition, and measurement of the “elements” (or building blocks) of

financial statements, and presentation in GPFRs. They will be added to the Conceptual Framework when completed.

<http://tinyurl.com/ijgfm2013ipsas>

4. Poor Economics

Banerjee and Duflo (2011)

We are all signed up to poverty reduction, but do we really understand poverty? This book aims to radically rethink the way we fight poverty.

Why would a man in Morocco who doesn't have enough to eat buy a television? Why is it so hard for children in poor areas to learn, even when they attend school? Does having lots of children actually make you poorer? Answering questions like these is critical if we want to have a chance to really make a dent against global poverty. Based on their work and that of many others, the authors try to do that in their book.

For more than fifteen years, Abhijit V. Banerjee and Esther Duflo have worked with the poor in dozens of countries spanning five continents, trying to understand the specific problems that come with poverty and to find proven solutions. Their book is radical in its rethinking of the economics of poverty, but also entirely practical in the suggestions it offers. Through a careful analysis of a very rich body of evidence, including the hundreds of randomized control trials that Banerjee and Duflo's lab has pioneered, they show why the poor, despite having the same desires and abilities as anyone else, end up with entirely different lives.

Poor Economics argues that so much of anti-poverty policy has failed over the years because of an inadequate understanding of poverty. The battle against poverty can be won, but it will take patience, careful thinking and a willingness to learn from evidence. Banerjee and Duflo are practical visionaries whose meticulous work offers transformative potential for poor people anywhere, and is a vital guide to policy makers, philanthropists, activists and anyone else who cares about building a world without poverty.

5. A Global History of Accounting, Financial Reporting and Public Policy: Asia and Oceania

Gary J. Previts (Author, Editor), Peter Walton (Editor), Peter Wolnizer (Editor), Emerald (2011)

The history of accounting is often seen as European, but the precise origin of the double entry accounting records as outlined by Pacioli in 1494 is presently unknown. Historical evidence preserved in Turkey and Egypt indicates that the accounting records developed in the early Islamic State were similar to those outlined by Pacioli. As with the European numbers, the Arabs may have been messengers carrying these techniques from India or even China.

Kautilya, the chief minister to a major King of India, wrote *The Arthashastra*, a fascinating treatise on governance, in the fourth century BC (nearly 2,500 years ago). He emphasized the critical role of independent periodic audits and proposed the establishment of two important, but

separate, offices - the Treasurer and Comptroller-Auditor as part of public financial management.

Another source of ancient public sector accounting and audit comes from the Western Zhou dynasty of China (1046–771 BC) around three millennia ago. Annual, monthly and 10-day bookkeeping reports were prepared for the accountability of public officials. These reports were then subject to audit by an official named the *Zaifu* who undertook an early form of auditing.

This book corrects the impression that modern accounting methods were only developed in Europe with chapters on the history of accounting in China, India and other major countries of the region. The chapter on China and other extracts from the book may be viewed at: <http://tinyurl.com/ijgfm2013china>

6. The International Handbook of Public Financial Management edited by Richard Allen, Richard Hemming and Barry Potter, Palgrave Macmillan

This volume should be core reading for all donors and practitioners (consultants and local officials) who are seeking to improve and refine public financial management in middle and low-income countries. It is written and edited by some of the world's leading experts on the subject. They acknowledge that public financial management reform takes time, is complex and has to consider the local environment, including key political economy factors. Their contributions, based on their extensive practical experience, will be indispensable for all those involved with such challenges.

This volume is due to be published in April 2013, see: <http://tinyurl.com/ijgfm2013book1>

7. The Limits of institutional Reform in Development - Matt Andrews (2013)

Developing countries commonly adopt reforms to improve their governments yet they usually fail to produce more functional and effective governments. Andrews argues that reforms often fail to make governments better because they are introduced as signals to gain short-term support. These signals introduce unrealistic best practices that do not fit developing country contexts and are not considered relevant by implementing agents. The result is a set of new forms that do not function. However, there are realistic solutions emerging from institutional reforms in some developing countries. Lessons from these experiences suggest that reform limits, although challenging to adopt, can be overcome by focusing change on problem solving through an incremental process that involves multiple agents.

To be published in March 2013, see: <http://tinyurl.com/icgfm2013book3>

For another of his papers, "How Far Have Public Financial Management Reforms Come in Africa?" see: <http://tinyurl.com/icgfm2013book4>

8. Volunteer Accountants Needed for Overseas Opportunities

Accounting for International Development (AfID) arranges tailor-made volunteer placements from 2 weeks to 2 years with charities all over the developing world. For a better idea of the kind of role you could be performing, read here about our past volunteers:

<http://www.afid.org.uk/interview-stephen-white>

ICGFM Technical Committee on International Accounting Standards

The ICGFM has fairly recently established a Technical Committee and we have included below the comments this committee has issued to the IPSAS Board on their exposure drafts. If you would like to know more about the work of our Committee, please contact the Chair, Jesse Hughes <jhughes@odu.edu>

ICGFM Reponse (July 2012) to ED 47 - Financial Statement Discussion and Analysis:

1. Our response to each of the specified comments is as follows:
 - a. In response to Comment 1 (Do you agree that the material presented in this Exposure Draft should be developed as an IPSAS, with the same level of authority as the accrual based IPSASs, which applies to all entities that prepare financial statements in accordance with IPSASs?), we agree that an IPSAS should be issued. However, we have some reservations as to whether a FSD&A should be required or whether it should only be encouraged. ED 47 is a very general statement and covers a wide range of objectives. The key problem is with the objectives of financial statements. We would suggest that financial statements for sovereign entities and sub-national public sector entities fulfill three primary objectives:
 - 1) Information on solvency - for existing and potential creditors, citizens and other persons/organizations with an interest in the entity.
 - 2) Information on the performance of management - accountability to the citizens and other stakeholders.
 - 3) Information that can be used to enhance forecasting and hence as the basis of decisions.

Achievement of the above objectives will be enhanced by the narrative FSD&A statements and hence we support such statements but consider they should be encouraged rather than mandatory. Their content should achieve a balance between the above information requirements.

- b. In response to Comment 2 (Do you agree that IPSAS 1 should be amended to clearly indicate that financial statement discussion and analysis is not a component of the financial statements?), we agree.
- c. In response to Comment 3 (Is the scope of financial statement discussion and analysis clearly defined so as to distinguish it from other issues being addressed by the IPSASB (e.g., financial statements, service performance reporting, reporting on the long-term sustainability of public finances)?, we agree.
- d. In response to Comment 4 (Is the required content for financial statement discussion and analysis appropriate?), we agree but would like to have seen the following included: an overview of the entity's structure, the organizational scope of the Accounting Officer's responsibilities, the geographic location of significant offices and service delivery points, and staffing levels in significant branches. In addition, we would like the following to be considered:

- 1) A FSD&A should describe the significant events and activities that have affected the implementation of the entity's budget. An analysis should be provided of at least the last five financial years indicating the key changes to the entity's budget, actual financial results and any significant trends. In contrast, ED 47 only states (paragraph C.IG6, page 30): "Trend analysis may cover several prior years if the information is available and can be presented in a consistent manner."
 - 2) More information should be provided to explain and account for all significant variances between the actual and the budgeted revenue and expenditure. Guidance should be provided on the level of detail to be provided which is necessary to ensure the Accounting Officer is actually held accountable to the governing body and the public for their management of the entity's budget. The only guidance contained in the current ED is: "26. To the extent such information is not included in the financial statements, financial statement discussion and analysis should include information about significant positive and negative variances between: (a) Actual results and the budget; and (b) The prior year and current year financial statements, by explaining significant changes and highlighting trends." In contrast, far more detail is provided in ED 47 on the information which is to be provided on the risks and uncertainties the entity faces. There should be a balance between accounting for past actions and results, and providing indications of the future financial performance of the entity.
 - 3) Full details and explanations are required where any budgeted amounts or appropriations have been exceeded or expenses incurred without appropriate authority from the governing body. This should include details of what expenditure was found to be necessary, what steps were taken to obtain appropriate authority for the expenditure and how information about this expenditure was reported to senior officials and governing body at the earliest possible date. Details and explanations are also required to account for significant under-spending of budgeted amounts.
 - 4) An explanation should be provided of the following sentence from paragraph 14 of IPSAS 24 (and also paragraph 1.9.8 of the Cash Basis IPSAS): "The comparison of budget and actual amounts shall present separately for each level of legislative oversight."
 - 5) There should be encouragement that narrative reports are concise and avoid either platitudes or becoming condescending to users. However, we recognize that it is difficult to be prescriptive in relation to such matters.
 - e. In response to Comment 5 (Do you agree with the transitional provisions?), we agree.
 - f. In response to Comment 6 (Is the Implementation Guidance useful to understanding the requirements of the proposed IPSAS?), we agree.
 - g. In response to Comment 7 (Is the Illustrative Example a useful way of illustrating the requirements of the proposed IPSAS?), we agree but would like to have seen a trend line for tax rates. In addition, the illustrative example included with ED 47 includes more information about the country's economy rather than the government's financial transactions and results. It also provides some information on trends in the level of revenue and expenditure over time, but not examples of explanations to account for significant differences between the budget and actual results.
2. We recognize that there are some philosophical differences between the Cash Reporting IPSAS and the accrual IPSAS since the former emphasizes "fiscal discipline" and the latter

emphasizes both “fiscal discipline and fiscal sustainability”. However, we would like to have seen some reference in the Conclusions to why a FSD&A for the Cash IPSAS was not included in the proposed IPSAS for the following reasons:

- a. As a minimum, we believe that a FSD&A should be encouraged in the Cash IPSAS similar to what was done in developing the standards for "Budget/Actual Comparative Statements (1.9)" and "Recipients of External Assistance (1.10)" and that such an IPSAS should be issued for comment at the same time as this ED 47. It is as important for preparers of the required financial statements under the Cash IPSAS to explain the financial data in their statements as it is for those preparing financial statements under the accrual IPSAS.
- b. The cash basis (or the modified cash basis) is the approach traditionally adopted in the public sector for accounting officers of individual ministries, departments and agencies to account to governing body for their financial management of the entity for which they are responsible. With the accrual basis, actual cash receipts are replaced by estimates of revenue due for the year in question and estimates of expenditure (based on guesses on the useful life of buildings and other assets and the cost of funding future pensions).

ICGFM Response (Sep. 2012) to Consultation Paper on IPSASB Work Plan for 2012-2014:

1. Our thoughts as we read the Consultative Paper are as follows:
 - a. (pg. 5) We support the emphasis on the sovereign debt crisis but it needs to be balanced against the need for good cash reporting in order to maintain fiscal discipline.
 - b. In our view there needs to be a clear objective for the future role of IPSAS compliant general purpose financial statements in relationship to statistical reports on sovereign governments. At present reliance is placed on statistical reporting for assessing sovereign risk. Is this to be changed, or are the GPFS to supplement statistical reporting? If the latter what are the respective roles of the two reporting systems?
 - c. (pg. 6) We acknowledge the increase in adoption of the accrual IPSAS but we must not lose focus on the Cash IPSAS since most countries around the world are not yet ready to adopt the accrual IPSAS.
 - d. (pg. 7) The adoption of the Cash IPSAS is the first step that many developing countries and countries in transition must take in order to be in a position to adopt the accrual IPSAS. Yet there is no mention of the Cash IPSAS in this section of this CP. We feel that the Cash IPSAS must be addressed in this section as a critical project. Otherwise, many of us will keep spinning our wheels as we try to help countries implement better accounting reporting systems. We support the development of a conceptual framework as a backdrop to the standards. However, work must continue on the critical projects (especially the Cash IPSAS)!
 - e. (pg. 7) Some of our members have been appointed to the existing CAG but (to the best of our knowledge) have never been called upon to address any issues. Hopefully, this can be corrected in the future.
 - f. (pg. 10) We would like to see the Social Benefits project added to the 2013-14 work program. We think the various social security schemes should be recognized as a liability especially as it impacts the long-term sustainability of any country.

- g. We do not consider the issue of the entity concept at the level of sovereign governments has been adequately addressed. This is included in our comments below on the Cash Basis IPSAS, but also applies to accrual IPSAS. The sovereign entity as a reporting entity is a unique concept and is different to all other reporting entities in law and in substance. By definition the sovereign entity is “sovereign” and controls everything within its sovereignty. This control is exercised by government subject to the constitution of a particular entity. Hence the concept of control as a basis for entity definition of sovereign governments is not appropriate. The analogy of a multi layered onion may be more appropriate, with different layers appropriate for different reporting purposes.
 - h. Related to the above, there is at present no guidance on the definition of sub-national entities that should publish GPFS. Should these be legal entities, public interest entities, or some other definition. Some guidance would be helpful for many countries embarking for the first time on publishing financial statements for their public sector entities.
2. Relative to our thoughts above, our priorities for the 2013-2014 work program and the reasons are as follows:
1. **Review of Cash Basis IPSAS**—To the best of our knowledge, all of the developing countries and some countries in transition (as well as some of the more industrialized countries) follow cash reporting practices. This is primarily due to the cash budgeting systems in place. Many are trying to implement Part 1 (required) of the Cash Basis IPSAS but have difficulty with the consolidation provision. It is our belief that this IPSAS should include a section to require the controlling entity to break their controlled entities into the following categories: budgetary entities, GBEs, and all other entities. The preparation of a consolidated whole of government report should be included in Part 2 (optional). This change would simplify the process and help many countries move toward compliance of the Cash Basis IPSAS for cash reporting (especially if this change was undertaken with others to simplify the mandatory requirements of this standard and ensure that it better reflects existing good practice). Once they are in compliance with this revised Part 1, they can then work on the optional provisions in Part 2. After they have implemented these optional provisions, they are then in a position to implement the accrual IPSASs. It is our belief that this review should be of the highest priority for the future work program to first ensure that cash is properly reported before the IPSASB exerts much more effort on improving the accrual IPSAS for the relative few countries that are in a position to implement the accrual IPSAS.
 2. **Revision of IPSASs 6-8**—As we mentioned earlier, we think there should be a section in Part 1 of the Cash Basis IPSAS to require categorization of public sector entities and the present requirement for a consolidated whole of government report should be moved to Part 2 and made optional. In addition, IPSAS 6 should clarify the classification of quasi-government entities (i.e. central banks, etc.) to ensure that these are handled consistently throughout the world.

3. **Reporting on the Long-Term Sustainability of Public Finances**—We agree that this area should be of high priority for the IPSASB. However, it should be expanded to include some provisions in the Cash Basis IPSAS on how to achieve long-term sustainability for those countries that are not in a position to implement the accrual IPSAS. This could be achieved by reflecting the debt to GDP ratio as a footnote in the Statement of Cash Receipts and Cash Payments. In addition, each public sector entity should be encouraged to include a Medium Term Fiscal Framework (3-5 years).
4. **Social Benefits**—We know this is a controversial area but we think it is an important issue that the IPSASB should address as soon as they can get it back on their work program. The issue applies to both the Cash Basis IPSAS (optional) and the accrual IPSASs (required). As a minimum, financial reporting of social security schemes in the financial statements is extremely important since many countries provide benefits whenever their constituents reach retirement age (or otherwise qualify to draw government benefits). When we reach age 65, many of us become eligible for social security and will draw on those benefits until we die. We believe that sounds like a liability (just like any other pension plan) and should be reflected in the financial statements. Even though it is controversial, we believe the IPSASB should include it in their work program during the next two years. Again, we do not think that we can keep kicking this can down the road and hope that our children/grandchildren will be able to pay for our wellbeing during our retirement years.
5. **Public Sector Conceptual Framework**—We also agree that this should be a high priority. Care must be taken to ensure that the conceptual framework is broad enough to provide an interim framework for those countries that are only able to implement cash reporting under the Cash Basis IPSAS.
6. **Financial Statement Discussion and Analysis**—This also should be a high priority since many decision-makers in the public sector do not have the financial background to fully utilize the information contained in required financial statements. Thus, a plain language narrative (with charts) is necessary to assist them in this regard.
7. **IPSASs and Government Finance Statistics Reporting Guidelines**—It is our understanding that a future GFSM will include a suggested Chart of Accounts. If so, it needs to be closely coordinated with the IPSASB to ensure that the Chart of Accounts is sufficient to meet the needs of an accrual accounting system. The present GFSM does not do this since it was only anticipated that the GFSM be a statistical reporting system that extracts the necessary data from the accounting system and is then reported to the IMF for their analytical purposes.
8. **Report Service Performance**—Service performance data is most beneficial in an accrual system since full costs are necessary for comparability purposes. But we need to get cash reporting fully implemented throughout the world (to the maximum extent possible) before we worry about service performance.

9. **First Time Adoption of Accrual IPSASs**—This is not a high priority since IFRS 1 addresses this adequately at the present time. It can be more fully addressed at a later date.
10. **Government Business Enterprises**—We also do not consider this a high priority since the existing IAS/IFRS adequately address these issues at the present time. It can be more fully addressed at a later date.
11. **Improvements (biennial)**—Agree with this biennial review but would not divert resources away from the first seven priorities identified above.
12. **Public Sector Financial Instruments**—Not a high priority for most countries around the world since they do not have sophisticated financial instruments.
13. **Public Sector Combinations**—Not a high priority from our perspective.
14. **Amendments to IPSASs 28-30**—Not a high priority from our perspective.

ICGFM Accounting Standards Committee

- Jesse W. Hughes, Chair <jhughes@odu.edu>
- Anthony Bennett
- Michael Parry
- Maru Tjihumino
- Andy Wynne

Invitation to Potential Authors

The *International Journal on Governmental Financial Management* (IJGFM) aims to provide a forum for practitioners, academics and the general public to discuss the many disciplines involved with governmental financial management. These include accounting, auditing, budgeting, debt management, information technology, tax management and treasury management.

We would like to be able to publish articles and comment which will:

- encourage collaboration among professionals and others concerned about public financial management
- contribute to the advancement of government financial management principles and standards, especially through describing existing good practice
- identify problems or weaknesses through the critique of currently dominant views on public sector financial management reforms; and
- assist public sector financial managers to identify their own solutions to common challenges.

We would particularly welcome contributions from individuals or teams working in the developing countries. We invite potential authors to review past issues of the journal at: <http://www.icgfm.org/digest.htm>

The Journal does not currently provide double blind reviews (where both the author and the review's identities are not disclosed) as the standard approach. The aim is to provide confidential comment on submitted contributions and to provide editorial suggestions (detailed as necessary) to help the author to produce a paper which is suitable for publication. A double blind review facility may be provided if requested by individual authors.

The Journal primarily publishes papers in English. However, for a trial period at least, we will now also accept articles for publication in French or Spanish. Such articles will not be translated, but will be published in their original language. We welcome comments on this initiative from our readers.

Submission of Manuscripts

We do not charge a fee for submission or publication of articles.

Manuscripts should be sent as email attachments to the editor, Andy Wynne – andywynne@lineone.net and be copied to icgfm@icgfm.org

Ideas for articles are welcome and may be discussed with the editor before submission of the full text. The editor is happy to respond to informal enquiries about the suitability of papers for possible publication.

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Format and Style

The manuscripts should include:

- no more than 20 single spaced pages (or 10,000 words);
- an abstract not exceeding 150 words - it should summarize the purpose, methodology, and major conclusions of the article;
- the title, the authors name(s), position/post and institutional affiliation (ministry, university, etc), email address and any acknowledgements
- authors should write in a non-sexist and non-discriminatory style, using, for example, "her/him"; or "s/he"
- limited use of abbreviations to improve ease of reading
- appropriate references (see below) to the literature on the subject to support facts, assertions and opinions; all quotations should be fully referenced
- footnotes, identified in the text by a numeral that is superscripted, should not include literature citations, and should be listed at the end of the paper, before the bibliography.

Referencing the text

References in the text to books, articles etc should include the authors' names, the year of publication, and the specific page numbers if direct quotations are provided (e.g. Mickey & Donald, 1968, p.24). For more than two authors, the citation should be abbreviated as follows: (Kramdon and others, 1988, p.1). Multiple citations of the same author(s) in the same year should be distinguished in the text (and in the bibliography) by a, b, c, etc following the year of publication. Latin terms, for example, *et al*, *ibid* or *op cit* should be avoided.

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A bibliography should be included at the end of the text containing details of all books, articles papers, etc which have been referred to in the text. The bibliography should only include references cited in the text. These should be arranged in alphabetical order according to the surname of the first author. The following details should be included: author and initials, full title and subtitle, place of publication, publisher, date, and page references (for direct quotations). References to journal articles must include the volume and number of the journal.

Where possible, details should be provided of the web address for material which is available on the Internet. In this case the date the material was read should be provided.

The layout should adhere to the following convention:

1. articles:

Schick, A (1998) 'Why Most Developing Countries Should Not Try New Zealand Reforms', *The World Bank Research Observer*, Vol.13, No.1, February. pp.123-31

2. books:

Guthrie, J. Humphrey, C. Jones, L R. & Olson, O., (2005), *International Public Financial Management Reform*, Greenwich, Information Age Publishing

3. citations from edited books:

Flynn, N (2002) 'Explaining New Public Management: The Importance of Context', in K McLaughlin, S Osborne and E Ferlie (eds.) *New Public Management: current trends and future prospects*, London, Routledge

4. translated books

Adorno, T. W. *Negative Dialectic* (Frankfurt: Suhrkamp, 1966). *Negative Dialectics*, E. B. Ashton (trans) (1973) New York, Seabury Press

5. reference to a report.

World Commission on Environment and Development (1987) *Our Common Future* ('The Brundtland Report') Oxford, Oxford University Press

6. references to material on the Internet

Dorotinsky, Bill (2008) *Public Financial Management Reform: Trends and Lessons*, ICGFM DC Forum, June
<http://icgfm.blogspot.com> (6 September 2008)

Charts, Diagrams, Figures and Tables

These should all be called figures, numbered consecutively in arabic numerals, with a brief title in capitals, labeled, axes etc. The text should indicate where the figure is to appear.

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We would also like to hear from other individuals who would be willing to assist with the editorial work of the Journal. The work would consist of reviewing potential contributions, suggesting whether they should be accepted for publication and making editorial recommendations to improve the quality of submissions.

Please contact the editor, Andy Wynne - andywynne@lineone.net - if you would like to discuss the role of the editorial board and any input you could provide.

International Journal of Governmental Financial Management - www.icgfm.org/digest.htm

Invitation aux Auteurs Potentiels

Le *Journal International sur La Gestion des Finances Publiques* [*International Journal on Governmental Financial Management* (IJGFM)] organise un forum pour les praticiens, les universitaires et le public général pour discuter des différentes disciplines impliquées dans la gestion des finances publiques. Ces disciplines comprennent la comptabilité, l'audit, la budgétisation, la gestion des dettes, la technologie de l'information, la fiscalité et la gestion de la trésorerie.

Nous aimerions être en mesure de publier des articles et des commentaires qui vont :

- encourager la collaboration entre les professionnels et autres concernés par la gestion des finances publiques
- contribuer à la promotion des principes et normes de la gestion des finances publiques, en particulier par le biais de la description des bonnes pratiques existantes
- identifier les problèmes ou les faiblesses à travers la critique des points de vue actuellement dominants dans le domaine des réformes de la gestion des finances publiques; et
- assister les gestionnaires financiers du secteur public à identifier leurs propres solutions aux défis courants.

Nous réservons un accueil particulier aux contributions venant de personnes ou groupes de personnes travaillant dans les pays en développement. Nous invitons les auteurs potentiels à consulter les anciens numéros du journal à l'adresse : <http://www.icgfm.org/digest.htm>

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Le Journal publie essentiellement en anglais. Toutefois, pour la période d'essai tout au moins, nous allons accepter pour publication des articles en français et en espagnole. Ces articles ne seront pas traduits. Ils seront publiés dans leur langue d'origine. Tous commentaires de la part de nos lecteurs sont les bienvenus.

Soumission de manuscrits

Nous ne faisons pas payer la soumission ou la publication d'articles.

Les manuscrits devront être adressés en fichiers attachés au directeur de publication : Andy Wynne andywynne@lineone.net avec copie à : icgfm@icgfm.org

Les idées d'articles sont les bienvenues et peuvent être discutées avec le directeur de publication avant la soumission du texte de l'article. Le directeur de publication est heureux de répondre aux demandes de renseignements informels sur la pertinence des articles en vue de leur publication éventuelle.

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Les matériels publiés dans le Journal peuvent être reproduits sans le consentement du directeur de publication ou du Consortium et de la reproduction ; la traduction et la distribution sont encouragées.

Format et Style

Les manuscrits doivent inclure :

- pas plus de 20 pages à interligne simple (ou 10.000 mots)
- un résumé n'excédant pas 150 mots – il doit récapituler l'objectif, la méthodologie et les principales conclusions de l'article
- le titre, le(s) nom(s) de(s) auteur(s), la position/le poste et l'institution d'affiliation (ministère, université, etc.), l'adresse email et les remerciements éventuels
- l'auteur ne doit pas utiliser des termes ou styles sexistes ou discriminatoires, comme par exemple "elle/lui" ou "il/elle"
- un usage limité des abréviations pour faciliter la lecture
- des références appropriées (voir ci-dessous) à la littérature sur le sujet pour soutenir les faits, les affirmations et les opinions ; toutes citations doivent être référencées correctement
- les notes de bas de page, identifiées dans le texte par un numéro en exposant, ne doivent pas comprendre des citations, et doivent être listées à la fin de l'article juste avant la bibliographie

Référencement du texte

Les références aux livres, articles, etc., à l'intérieur du texte doivent inclure les noms des auteurs, l'année de publication, et le numéro de page s'il s'agit de citation directe (par exemple : Mickey & Donald, 1968, p.24). Pour les articles dont le nombre d'auteurs est supérieur à deux, la citation doit être abrégée de manière suivante : (Kramdon et autres, 1988, p.1). Plusieurs citations du/des même(s) auteur(s) dans la même année doivent être distinguées dans le texte (et dans la bibliographie) par a, b, c, etc., après l'année de publication. Les termes latins tels que : *et al*, *ibid*, ou *op cit* doivent être évités.

Bibliographie

Une bibliographie doit être incluse à la fin du texte, et contenant les détails de tous les livres, articles, etc., dont il a été fait référence dans le texte. La bibliographie doit contenir uniquement

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Dans la mesure du possible, les détails des adresses internet des matériels disponibles sur l'internet doivent être fournis. Dans ce cas, la date à laquelle le matériel a été lu doit être mentionnée.

La présentation doit répondre à la convention suivante :

1. articles :

Corkery, J., (1995) 'Réforme du service public: Obstacles et aides' *Bulletin DPMN*, Vol. 3, No.1, août, pp.9-11

2. livres :

Conso, P., & Hemici, F., (1999), *Gestion Financière de l'entreprise*, Paris, Dunod

3. citations provenant de livres publiés :

Verley, P. (1995) 'Histoire économique et théorie économique', dans R Boyer et Y Saillard (eds) *Théorie de la régulation. L'état des savoirs*, Paris, Éditions La Découverte

4. livres traduits

Carnegie, D. *The Leader in You* (New York: Dale Carnegie & Associates, 1993). *Comment trouver le leader en vous*, D. Weyne (trad) (1994) Paris, Hachette

5. référence à un rapport :

Banque Mondiale (2007) *Rapport sur le développement dans le monde 2007 – Aperçus régionaux : Afrique subsaharienne* ('Rapport sur Développement et Générations Futures'), Washington DC, The World Bank

6. références aux matériels sur l'Internet

Yahyaoui, Thami (2007) *L'économie politique de la réforme des pensions au Maroc*, Conférence de la Banque Mondiale, Décembre
<http://info.worldbank.org/etools/docs/library/241514/YAHYAOUICHYPRE911decembre2007.pdf> (12 mars 2009)

Graphiques, Diagrammes, Figures, Tableaux

Ils doivent être tous appelés figures, numérotés de manière consécutive en chiffre arabe, avec un bref titre en majuscule, libellés, axes, etc. Le texte doit indiquer le lieu d'emplacement de la figure.

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Toutes autres personnes disposées à nous assister dans les travaux d'édition du Journal peuvent nous contacter. Les travaux consistent en la révision des contributions potentielles en suggérant si elles peuvent être acceptées pour publication et en faisant des recommandations éditoriales qui permettront d'améliorer la qualité des soumissions.

Veillez prendre contacte avec Andy Wynne - andywynne@lineone.net – si vous souhaitez discuter du rôle du comité de rédaction et de quelque proposition d'amélioration.

Invitación a posibles Autores

La revista *International Journal on Governmental Financial Management* (IJGFM) es un foro para académicos, profesionales y el público en general para el debate de las muchas disciplinas involucradas en la gestión financiera gubernamental. Éstas incluyen la contabilidad, la auditoría, el proceso presupuestario, la gestión de la deuda, la tecnología de la información, la gestión impositiva y la del tesoro.

Nos gustaría publicar artículos y comentarios que:

- alienten la colaboración entre profesionales y otros que están preocupados por la gestión financiera.
- contribuyan al avance de los principios y normas de la gestión financiera gubernamental, especialmente al describir las buenas prácticas existentes.
- identifiquen problemas o debilidades a través de una crítica de las opiniones actualmente dominantes sobre las reformas de la gestión financiera en el sector público; y
- ayuden a los gerentes financieros del sector público a identificar sus propias soluciones a los retos comunes.

Sería de interés especial recibir contribuciones de individuos o equipos que trabajan en los países en desarrollo. Invitamos a los potenciales autores a consultar los números anteriores de la revista en: <http://www.icgfm.org/digest.htm>

Los trabajos son aceptados y publicados en inglés, francés o español.

Actualmente la revista no dispone de un sistema de revisión de doble ciego (en que la identidad tanto del autor como del revisor no se revele) como norma usual. El objetivo es brindar un comentario confidencial de las contribuciones enviadas y ofrecer sugerencias editoriales (detalla si fuera necesario) para ayudar al autor a producir un trabajo digno de publicación. Sería posible proveer una revisión de doble ciego si un autor individual la solicitara.

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Serán bienvenidas ideas para artículos y éstas podrán ser comentadas con el redactor antes de entregar el texto completo. El redactor está dispuesto a responder a indagaciones informales sobre la conveniencia de trabajos para posible publicación.

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- no más de 20 páginas en espacio sencillo (o de 10.000 palabras);
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- un uso limitado de abreviaturas para facilitar la lectura
- referencias apropiadas (vea abajo) a la literatura sobre el tópico para respaldar los hechos, las aserciones y las opiniones; todas las citas deben venir acompañadas de una referencia completa.
- las notas de rodapié, identificadas en el texto con un número superescrito no deben incluir citas a la literatura, y deben estar ubicadas al final del trabajo, antes de la bibliografía.

Referencias en el texto

Las referencias en el texto a libros, artículos, etc. deben incluir el nombre del autor, el año de publicación y las páginas específicas de las citas directas (p. ej., Mickey & Donald, 1968, p. 1). Para más de dos autores, la cita debe ser abreviada así: (Kramdon y otros, 1988, p. 1). Citaciones múltiples al mismo autor en el mismo año deben ser diferenciadas dentro del texto (y

en la bibliografía al final) por las letras a, b, c, etc. después del año de publicación. Términos en latín, por ejemplo, *et al*, *ibid* o *op. cit* deben evitarse.

Bibliografía

Debe incluirse una bibliografía al final del texto con los detalles de todos los libros, artículos y otros trabajos que hayan sido referenciados en el texto. Estos deben ser puestos en orden alfabético de acuerdo al apellido (patronímico) del primer autor. Deben incluirse los siguientes detalles: nombre (apellido, nombre de pila e/o iniciales), título y subtítulo completos, lugar de publicación, editora, fecha y referencias a páginas (para citas específicas) Las referencias a artículos de revistas deben incluir el volumen y el número de la revista.

Donde sea posible, los detalles de la dirección electrónica deben incluirse para materiales disponibles en el Internet. En este caso, la fecha de consulta del material debe ser indicada.

La presentación de las referencias debe seguir la siguiente convención:

7. artículos:

Schick, A (1998) 'Why Most Developing Countries Should Not Try New Zealand Reforms', *The World Bank Research Observer*, Vol.13, No.1, febrero. pp.123-31.

Barrientos, Eduardo Gana (1994) 'Procesos de integración subregional y coordinación de políticas macroeconómicas', *Información del Comercio Español*. 732:8-9. pp. 131-142.

Bekinschtein, José A., Maizal, Nélica. (1994) 'La integración regional en Asia-Pacífico: Vías de participación.' *Integ. Latinam*. 19:1-2. pp. 31-42.

8. libros:

Guthrie, J. Humphrey, C. Jones, L R. & Olson, O., (2005), *International Public Financial Management Reform*, Information Age Publishing, Greenwich.

Stolovich, Luis. (1993) *El poder económico en el MERCOSUR*. Centro Uruguay Independiente, Montevideo.

9. citas de libros compilados:

Flynn, N (2002) 'Explaining New Public Management: The Importance of Context', en K McLaughlin, S Osborne y E Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*, Londres, Routledge.

Haug, G. (2005) 'Pluralidad e intereses compartidos de las Universidades Europeas', en F. Toledo, E. Alcón, y F. Michavila. (eds) *Introducción a la contabilidad Financiera: un Enfoque Internacional*. Barcelona: Ariel. pp. 35-49.

10. libros traducidos:

Adorno, T. W. *Negative Dialectic* (Frankfurt: Suhrkamp, 1966). *Negative Dialectics*, E. B. Ashton (trad.) (1973) Nueva York: Seabury Press.

11. referencia a un informe:

WCED (World Commission on Environment and Development) (1987) *Our Common Future* ('The Brundtland Report'); Oxford: Oxford University Press.

12. referencias a material del Internet:

Dorotinsky, Bill (2008) *Public Financial Management Reform: Trends and Lessons*, ICGFM DC Forum, Junio
<http://icgfm.blogspot.com> (6 Septiembre 2008)

Cuadros, diagramas, figuras e tablas

Todos estos deben denominarse “figuras” y ser numerados consecutivamente en números arábigos con un breve título en letra mayúscula, con etiquetas, etc. El texto debe indicar donde aparece la figura.

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Nos complacería también recibir correspondencia de otros que estén dispuestos a ayudar con el trabajo editorial de la Revista. El trabajo consistiría en revisar potenciales contribuciones, indicando si deben ser aceptadas para publicación y haciendo recomendaciones editoriales para mejorar la calidad de los materiales enviados.

Tenga la bondad de contactar al redactor, Andy Wynne - andywynne@lineone.net – si le gustaría comentar sobre el papel de la junta editorial y cualesquier sugerencias que usted pudiera ofrecer.