

Role of Controller General of Accounts in the South Asian Region

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The Session on 'Role of Controller General of Accounts in the South Asian Region' was held as panel discussion on the first day of the Seminar. The panellists were *Mr. S.R. Singh*, former Controller General of Accounts (India) and *Mr. Paul G. Bermingham*, Director (Financial Management), World Bank. The session was chaired by *Mr. Lam Dorjee*, Director (Accounts), Bhutan.

Initiating the discussion *Lam Dorjee* lamented the fact that Government accounts all over the world was given little attention. However, over time, the necessity of growth that led to reforms, compelled people to realize the importance of the accounts. Need was felt for proper utilization of resources, particularly due to scarcity of resources. Various economic reforms have been initiated all over the world including in the South Asia Region, especially in Telecommunication, Power Sector, Transmission and Distribution, Banking Sector etc. With the introduction of reforms, externality of accounts from those responsible for incurring expenditure was done away with. Hence, the growth induced reforms led to importance of proper accounting.

Accounts is an aid to decision making and an integral part of the financial management. Therefore, meaningful, accurate and timely accounting is a necessary input for efficient financial management. Transparency and accountability are the yardsticks for good governance. Accounts should also help establish accountability. Accounting Standards should be set in such a manner that a common man may also visualize its importance; and, therefore, accounting information should be more simplified and tangible to common man. Greater disclosures and financial discipline should be the objective of the accounting standards in Government Accounting.

Exchequer control, Parliamentary financial control and ensuring prevention of frauds/misappropriation is the need of the hour. Public money should not be taken as easy money. Public managers are supposed to serve the public. People want quality, clarity and a dent on poverty through economic reforms. The accounting authority has to understand the need of exchequer and should maintain the accounts in such a fashion that the true and fair picture of the activities/schemes/projects may be established before the common man. Reasons for decisions taken should be available and the element of arbitrariness should disappear. Quality of accounts still needs to be improved. It is the responsibility of Accounting Organization that data generated is accurate, reliable and relevant and without any bias. The need for regulatory mechanism, exchequer control, and legislative control is felt everywhere.

S.R. Singh stated that financial management is much more typical and complex than meeting only the above ends. Our accounting system is cash based. Obligations are not assessed and reflected. Commercial Accounting has become a necessity as the accounts may help the executives in

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evaluating choices available to them. The CGA must think in terms of accounts of future as well as the future of accounts relating to financial management. Due to globalisation, data presentation has to be compatible in a manner that can be read by outsiders.

CGA's organisation can play an important role by generating meaningful information though it will require a lot of planning. Mid-course correction must be the essential phenomena of any accounting system. The right to information entails that accounting information must be available to the people. Information technology should be leveraged to make the accounting system more scientific.

The CGA is a critical element of the Public Financial Accountability in each country. As the name suggests, the organization of the CGA is responsible for establishing and maintaining a technically sound accounting system. CGA has to be a catalyst for change. As financial changes are becoming very complex and fiscal imbalances more intensive, government finances are more vulnerable. CGA has to anticipate challenges to achieve the objective of financial discipline and meet the aspiration of the taxpayers. Further, accounting itself is only a historical record. Unless it can assist in framing policies, its usefulness is limited. Useful information should be prompt. Public and media look forward to information on current policies and assessment of managers and policy makers. As such, role of CGA is important not only to bring transparency and accountability but also to provide access to public/media to the information in a manner that reflects the measurable parameters of schemes/programmes; and the extent of its achievements. The Role of CGA is very complex and mainly depends upon inputs provided to them. CGA should therefore, take initiative for framing accounting standards and adoption of international accounting standards.

Paul G. Bermingham mentioned that Public financial accountability is moving to centre-stage on the development agenda of each country. The process of reforms in the last decade or so has particularly brought a clear focus on this. The Controller General of Accounts is recognized as a critical element of the Public Financial Accountability Architecture. The role of CGA, particularly in the South Asia Region becomes all the more important due to the fact that the resources for economic growth are limited and utilization of such scarce resources has to be based on comparable choices.

Most countries would find it difficult to support their economic growth without any external assistance. When the external aid is an important component of the total resource base for economic development, the public financial management issues particularly the transparency and accountability come under sharp focus. Various donor/lending agencies and stakeholders would naturally be keen to know as to what happens to their contribution. The public institutions need to build capacities to manage the public money more efficiently. The added dimension due to external component is constant risk assessment by the public financial institutions. Donors including the World Bank are also adapting their programs and processes to support this shift.

The traditional external aid was largely project based with donors supporting discrete packages of activities. The external aid had a high component of 'tied aid', with emphasis on foreign currency. The implementation and reporting arrangements were primarily designed to meet the donor needs, often at high cost to the countries with scarce resources. This was further compounded by the growing number of donor agencies, each pursuing its own policies and procedures.

There has been a major shift from traditional aid delivery to country-led development programmes. The aid agencies have stronger focus on results and effective partnerships leading to more and more country/programme based packages than project/activities based packages. There is a changing profile of donor resource transfers which is now increasingly in the form of budget support and sector programmes. There is also a concern on the costs of donor practices to developing countries. Similarly, there is a growing realization of the importance of governance and country institutions to development. The guiding principle under the new approach is articulated as 'the best assurance that donor funds are used appropriately comes from Public Financial Management institutions that work well'.

The new overall approach of major multilateral agencies has been to undertake diagnostic reviews. The World Bank, for example, has undertaken reviews as Country Financial Accountability Assessments, Country Procurement Assessment Reviews, Public Expenditure Reviews, Institutional and Governance Reviews etc.

The diagnostic review has basically two components:-

- ❖ Risk assessment, and
- ❖ Capacity building.

Based on these two elements, the donors would like to frame country specific donor programmes, which should be closely monitored for their progress. As a part of the capacity building exercise, the donors are committed to improving country's Public Financial Management. As more aid is channelled through country institutions, donors need a more structured approach to identify, assess and mitigate risks to the use of their funds. Donors are now prepared to disburse aid into high risk environments provided risks are identified, disclosed and traded off against benefits.

Some of the recent changes in the World Bank policy have been as increased lending to support Public Financial Management, more flexible financial reporting requirements for projects, pooling of Bank funds with those of governments and other donors in Sector wide approaches etc. Similarly there are major changes in the audit policy of the Bank where there is substantial reduction in number of audit reports, greater reliance on audit processes of borrowers, more attention to quality and capacity.

A new strategy to support public sector auditing is proposed to be put in place next year. The Bank is also very active in support of global harmonization and standard setting activities.

Conclusions & Recommendations:

- ❖ Appropriate investments must be made to upgrade Information Technology Systems. This will facilitate moderation of the accounting system in terms of precision and transparency. The accounts should reflect the intended output of scheme/programmes and the extent of achievements against them.
- ❖ Growth-induced reforms require that decision-making process must internalise the available financial information about various governmental schemes and programmes.
- ❖ Controller General of Accounts is a critical element of the Public Financial Accountability (PFA) Architecture. PFA reform efforts should invariably internalise relevant inputs from Controller General of Accounts.
- ❖ Controller General of Accounts should help build relevant capacity in public institutions so that public money is managed more efficiently.
- ❖ Controller General of Accounts should aim to establish an institutional arrangement within government to provide a structured approach to identify, assess and mitigate risks in the use of public money and external funds.
- ❖ Accounting information should be disseminated in a manner that meets the needs of various stakeholders.