
Human Resource Development

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The Session on 'Human Resource Development to meet changing accounting needs' was the final technical session of the Seminar on "Accounting for Results". The panellists were *Ms Eve Bosak*, Chief Financial Officer, South Asia Vice Presidency of the World Bank; *Mr. Piers Harrison*, a Chartered Management Accountant, UK Department for International Development in the Asia Regional Policy Unit; and *Mr. H.P. Rao*, Principal Chief Controller of Accounts, Central Board of Excise & Customs (CBEC), Ministry of Finance, Government of India. *Mr. Nandasiri Warusavitharana*, Director General State Accounts of the Government of Sri Lanka chaired the session.

Introducing the topic, *H.P. Rao* stated that no technical or technological upgradation would be possible in any field without involving the most important component in any productive operation and that is of Human Resources. All developing countries without exception need to address this vital component of Human Resources Development. This has an added dimension in the countries of the South Asian region due to the size of the human resources pool, its demographic composition and the level of gainful employment.

Government organisations need to respond to the swift changes in the external environment and the new challenges being thrown up consequently. The question which needs to be addressed is whether accounting organisation within Government can cope up and keep pace with today's demands and tomorrow's expectations? Development of human resources within the government accounting sector needs to be seen within this wider context.

H.P. Rao raised the pertinent questions raised with reference to accounting organisations in the region namely, what is expected of the government accounting organisations today and in the future? What needs to be done to equip the organisation to meet these needs? Finally how can this be done?

H.P. Rao stated that among the suggested course of action were the establishment of a regional centre of excellence, exchange of personnel and ideas, upgradation of training facilities and tapping of regional resources.

Seeking to bring a few more aspects for the consideration of the panel, *Mr. Rao* stated that it needs to be seen whether we were paying enough attention to the organisational structure in our countries especially with reference to elimination of redundancies and whether we are in a position to sustain a meaningful transition given the fact that the pace of technological development is far swifter than the growth in the level of skills in the available pool of manpower. The planning for the future in a broader sense had to be done beyond mere training

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in terms of structural changes. Flexibility also needs to be imparted in our organisations to enable it to absorb required persons at varying levels and of varying skills and moving beyond rigid and outdated recruitment policies.

Ms. Bosak expressed her happiness at this first ever meet of CGAs of the region and hoped that this would be the beginning of many more in the future. She referred to the general public perception of public sector accountants. Are they perceived to be dynamic? Are they perceived to retain up to date informative standards? Are they perceived to know their jobs well and do they provide sound advice to management? Or are they perceived to be seen as only working with eye shades in some dark corner of the ministries?

Ms. Bosak stressed that the New Generation (Generation Y) of accountants need to be encouraged to join the public sector. *Ms. Bosak* said that this was the challenge before the public sector in the competitive times ahead. It was essential that we do something to win the hearts of this New Generation. She pointed out that public sector and private sector accounting is converging with the underlying thrust on accountability of leaders in both sectors. She also agreed that CGAs worldwide were facing the challenge of producing not only good accounts but also good analysis and good information which would aid good decision making by the Government.

Ms. Bosak covered three important areas in her deliberation. What would the accountant of future look like? What were the drivers of change? What should be the new approach to recruitment and finally, professionalisation of existing cadres of accountants.

She pointed out that it was not only important to recruit the right people but also a focus on professional development that ensures that the recruits are always kept up to date. Generation Y, according to *Ms. Bosak* are successful, adaptable, have a broad perspective and possess impeccable integrity. However, accounting as a subject was losing its popularity worldwide and the challenge was to do something to excite students towards accounting as a major.

The skills required by those who enter Public Sector accounting, as revealed in a survey by Certified Public Accountant Institute of Australia (CPAI) are good education, adaptability to the drivers of change, insight, good Professional Judgement, Project Management skills, integrity and ethics and strategic thinking with a broad business perspective.

Ms. Bosak further stated that if the public sector accounting profession is to have a bright future, then it must attract bright people who are strong in communicative skills, well versed in technology, technically competent, forward thinking, committed to life long learning and prepared to learn from the Profession, from the mistakes of the past.

Ms. Bosak also observed that ideally there is a big gap between what accountants do and what the accountants are educated to teach. Therefore, education itself needs to be improved. She referred to a recent study by the American Accounting Association which reveals that the current

content of professional accounting education has remained largely unchanged for a number of decades.

Regarding Drivers of change, *Ms. Bosak* referred to several studies on the subject, viz. the Elliot Report of the American Institute, the vision project of CPAI, the Maurice Report of the Association of Certified Chartered Accountants, study of the Institute of Chartered Accountants of England & Wales etc. The studies reveal a common consensus on these drivers which include the Global economy, concentration of capital markets, impact of Information Technology, demand for greater accountability and good corporate governance and environmental & sustainability issues.

Emergence of new work patterns, changing demographics of the profession in developed and developing countries, competition for accountants from other professional areas like MBAs and intellectual capital issues like knowledge management by use of advanced technologies were the additional factors according to *Ms. Bosak*. These issues are driving the change towards a new look & feel accountants.

For the South Asian Region, the drivers of change pointed out by *Ms. Bosak* include a move towards adoption of International accounting standards, greater push by Government accountants and auditors to realise the value of accrual accounting, growing acknowledgement of the benefits of requiring Line Ministries accounting for expenditure and results, move to have desired outputs and outcomes revealed in Financial Statements, trend of Regional Governments beginning to develop more responsible accounting functions and a desire to have a stable fiscal environment. All these contribute to a need for a specific approach to manage risk in the public sector and a radical new look at skills of the public account cadres.

Ms. Bosak believed that accountants need to capitalise on their traditional strengths viz. independence, concern for public interest, migrating to high value added activities, development of broader skills and a commitment to life long learning. All this was happening to some extent as accounting continues its transition to a management profession.

Ms. Bosak cited the Australian experience as an example where accrual accounting forced the change in terms of the approach to accounting. The drivers of change in the South Asian region are very similar to the drivers of change in Australia.

Accrual accounting, Separation of audit from accounting, Treasury becoming an economic adviser to the Government, Creation of Department of Finance as the Government's CFO, Installation of CFOs in all Line Ministries, Government Business Enterprises being required to meet the highest standards of governance in line with the private sector and the evolution of State & Local accounting systems were the changes that have taken place in Australia, according to *Ms. Bosak*. These changes took time and were nudged along by the audit counterparts who demanded more and more each year. However she conceded that problems still persist. Reporting for results was problematic and consistency issues still remained.

Ms. Bosak highlighted the influence of audit in this regard. She referred to the current ICAW Report, which mentions that auditing can be of greater value if it looks beyond traditional financial issues and focusses on issues that matter. She also referred to the recent KPMG International Report on the financial statements audit wherein auditors believe that the scope of audit for the industrial age may not be sufficient for the information age where assets are intangible, commerce is electronic, markets are global and the pace of change is ever accelerating. As regards the new approach to recruitment, *Ms. Bosak* stated that it would entail upon the future accounting and reporting requirements of the government, as it begins gearing up to handle strategic planning, transition and implementation stages of change. These include e-governance, medium term budget framework and managing for results.

Ms. Bosak stressed on consultations with academic institutions, which would assist in ensuring that skills gap issues are addressed in accounting forces. She further stated that once recruited, new accountants would need a strong induction programme covering mission and vision of the CGA's office under broader governance alongwith guidance on professional ethics and career options.

She emphasised that a skills analysis of the existing staff and a matrix of demand and supply would reveal the skill gaps. This would lead to options for upgradation of skills and degrees using either an in-house Institute, a professional body or a university or a combination of these. *Ms. Bosak* added that once the skills of the staff have been upgraded, continued professional development is absolutely essential and association with local and international universities and professional bodies would provide assistance for this.

Contacts with other Government and Non-government bodies should be strengthened and more frequent organising of meetings like the present Seminar would go a long way in the exchange of ideas and experiences. Staff also need to keep themselves up to date with current events and membership of professional bodies.

Ms. Bosak also observed that the market share in Asia of major professional bodies providing services to public sector accounting is mostly in East Asia rather than South Asia.

Suggesting the roadmap for the future, *Ms. Bosak* stressed on an analysis of the desired future structure and composition of the accounting cadre, a strategy which builds on the strengths we have at the moment, addresses the weaknesses and capitalise on the joint purchasing power of the region, alliances with local and international universities and selection of one or more accounting bodies to form partnerships for continued professional development.

Commencing his deliberation, *Mr. Piers Harrison* said that it was generally accepted that organisations were under immense pressure to improve performance – to do more with fewer resources. According to Mr. Harrison, success depends upon the organisations focussing on goals and direction, high performance standards and output and capabilities of staff. Successful

organisations achieve this by managing the performance of the key people at their disposal to improve continuously what the organisation does.

The management challenge, according to *Piers Harrison* is to develop approaches, which recognise that managing performance is of prime importance and that individuals and the organisation benefit. The Human Resource Management (HRM) approach is based on the principle that expanding the capabilities and opportunities for employees will lead directly to improvements in their personal effectiveness with overall benefit of the organisation.

According to *Piers Harrison*, the HRM principle covers planning to meet current and future personal needs; recruitment and selection; placement of staff in appropriate posts; induction to fit the staff into the overall organisation; training to improve staff skills based on work requirements; development to prepare the staff for promotions etc and ensure that their skills are used optimally; performance appraisal with reference to performance targets that relate to organisational objectives; promotions, transfers and retirement to advance the careers of the most able employees.

Piers Harrison felt that in a fast changing environment, Human Resource Management is crucial because it enables an organisation to react with flexibility. He emphasised that there were a number of factors that are putting accounting in the public sector under increasing pressure to improve performance and these include greater accountability, more efficiency, decentralisation and gradual move towards accrual accounting. The advent of Information Technology is possibly the biggest factor driving change in accounting and to meet this challenge, HRM is essential. Information Technology provides the means to deliver improved performance but at the same time the expectations and demands of Civil Society, the Public Accounts Committee or Societal Managers within the public service departments continue to grow.

Piers Harrison cautioned that even though Information Technology can deliver better results with fewer people, Accounting Systems cannot operate without highly trained individuals. As an example, he cited the Reforms in Budgeting and control (RIBEC) Project that the Government of Bangladesh developed with the support of the Department for International Development. This was a programme to put in place a computerised public budgeting and accounting system based on a new government – wide expenditure classification system capable of supporting economic analysis and budget forecasting.

Piers Harrison pointed out that HRM was integral to the project and helped to develop four key elements that can support improved performance and these elements were creation of intelligent demand among non Accountants, broader awareness among Accountants, deeper Technical skills and culture of professionalism and staff motivation. This according to *Piers Harrison* was achieved through two projects viz., Establishment of a Financial Management Training Academy and Establishment of Financial Management units in seven Ministries.

Piers Harrison pointed out that RIBEC enabled demand to be pulled through the system incrementally broadening the understanding of public financial management among the users of financial information. This was linked to the need to build capacity to meet and encourage this demand by broadening awareness within the accounting functions. He mentioned that the Academy has so far trained some 300 mid level officers with academic background in Finance/Accounting/Economics/Business Administration/Management by introducing courses in Management, Accounting, Auditing and Budgeting. This, according to *Piers Harrison* is allowing the Financial Management units to develop Intelligent demand among the Sectoral Managers in Public Sector Ministries. The Financial Management Units usually report to Budget Committees within the sectoral departments, which are high level forums composed of senior officers. However, the full impact of the units' presence will only be felt when there is greater acknowledgement at a senior level in line Ministries of the need for detailed analysis and application of accounting and budgeting data.

As regards deeper technical skills, Mr. Harrison stated that RIBEC has also developed the technical skills including Information Technology skills to enable staff to address changing needs flexibly. Further, under RIBEC, Financial Management Units are currently called 'Level one' units because their role is confined to improving the collection and processing of financial information from operating units. However, the Ministry of Finance proposes to develop the capacity of the existing level one units progressively to levels two and three. Level two units will support improved budgeting and financial control while level three will support performance budgeting and resource management.

Piers Harrison mentioned that the successor project of RIBEC would also facilitate the establishment of five more Financial Management Units thereby bringing to twelve the total number of line Ministries benefiting from these units.

With regard to Professional Culture and Staff Motivation, Mr. Harrison stated that an interesting point of the project is that the Management, Accounting, Auditing and Budgeting Course is across cadre course open to all Ministries and departments. An indication of the level of staff motivation and professional culture is that approximately 80 scholarships have been awarded to students of the course to do an M.A in Government Financial Management programme offered by the University of Ulster. The programme has been modelled on an existing MSc degree. The qualifications increased from a Certificate of Integrated Financial Management in Year I to Diploma in Year 2 and the award of an MSc at the end of Year 3. At every stage the participants get a chance of getting a meaningful UK qualification.

Concluding his deliberation, *Mr. Harrison* stated that the extent to which technical competence leads to a solution is constrained by issues of broader governance. However, in Bangladesh the technical improvements have built a basis for achieving better linkages between policies and resources and better budgetary outcomes and have promoted the role of the line ministries,

which in turn has begun to generate the demand from ministries for better policy advice and budget analysis to support their decision-making. The surest way of consolidating and improving this, according to Mr. Harrison would be through improvements in the wider quality of governance, including enhancing the role of parliament. For a start, the success of the project to date has helped to develop momentum for change and Human Resources Management has built the change management capability.

The Chairman concluded the session by thanking the panellists.

Conclusions & Recommendations:-

- ❖ There is a big gap between what Government accountants are required to do and the adequacy of professional expertise. This issue needs to be addressed immediately.
- ❖ Induction training of Government Accountants followed by periodic exposure to new ideas and practices should form an integral component of PFM reforms. Both domestic and internationally available resources should be used to augment skills and capabilities.
- ❖ Establishment/ Strengthening of in-house training institutions is necessary to sustain the learning process. Apart from upgrading skills, such an institution could collaborate with other institutions to develop customized training programmes and facilitate exchange of ideas and experience.
- ❖ Human Resource Development efforts must seek to address all issues relating to the changing role of the organization and the changing expectations from its employees.