

Recommendations of the International Seminar

Role of Controller General of Accounts

Recommendation 1: Appropriate investments need to 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.

Recommendation 2: Growth-induced reforms require that decision-making process must internalise the available financial information about various governmental schemes and programmes.

Recommendation 3: 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.

Recommendation 4: Controller General of Accounts should help build relevant capacity in public institutions so that public money is managed more efficiently.

Recommendation 5: 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.

Recommendation 6: Accounting information should be disseminated in a manner that meets the needs of various stakeholders.

FORM AND CONTENTS OF ACCOUNTS

Recommendation 7: Governments should aim to create a common platform for classification of transactions that can serve the divergent users' needs while maintaining the integrity of the system.

Recommendation 8: The move towards rationalisation of the form and contents of accounts should be strengthened. The chart of accounts should be revised, if necessary, to reflect meaningful financial information keeping in view user-needs.

Recommendation 9: Accounts should reflect future liabilities that exist on account of commitments entered into during the current and previous years. Contingent liabilities, subsidies and grants in-aid should be spelt out clearly.

Recommendation 10: To begin with, steps should be taken to standardize the reporting system to move to International Public Sector Accounting Standards (IPSAS) developed by the International Federation of Accountants (IFAC). This will inter-alia facilitate subsequent adoption of accrual based IPSAS.

Recommendation 11: National standard setting bodies should adopt international standards, amending these standards should happen in rare cases. Accounting policies must unambiguously reflect these standards.

Recommendation 12: Expert committees should be constituted, comprising professionals from various countries, to study common issues and recommend pragmatic solutions that could be uniformly adopted by countries in the region. The sharing of information in these committees would also be mutually beneficial.

Recommendation 13: Countries in the region should get together and move towards establishing an institutional structure to oversee the modernization of government accounting in the region.

GOVERNMENT BUSINESS AND BANKING SECTOR-STRENGTHENING PARTNERSHIP TO PROMOTE ACCOUNTABILITY

Recommendation 14: Greater emphasis should be placed on the use of Information Technology to strengthen Government-Banking partnership and for increased transparency, efficiency and operational effectiveness.

Recommendation 15: To derive optimum benefits technological upgradations and work process reengineering should be done simultaneously at both ends, i.e. Banks and Government.

Recommendation 16: To benefit from cost savings and enhanced efficiency, centralization should be aimed at for data collection, processing and consolidation.

Recommendation 17: Banking sector should perform its role relating to government transactions in an environment, which is competitive. This will, in turn, promote efficiency.

TRANSITION TO ACCRUAL ACCOUNTING – CROSS COUNTRY EXPERIENCE

Recommendation 18: Transition to accrual accounting is called for. However, a cautious and calculated approach is desirable. A clear, holistic and agreed vision should be the basis for strategic planning in this regard. The emphasis should be on building upon strength in the existing system and eliminating weakness.

Recommendation 19: Accrual accounting should be seen as a component of the Public Financial management system. It should, therefore, be supported by a clear accountability protocol and a system that focuses on outputs and outcomes. Appropriate incentive and sanctions must also be provided for in the new system.

Recommendation 20: Treasury regulations should be reviewed to align them with the changed scenario.

Recommendation 21: Transition to Accrual Accounting requires sustained commitment on the part of top management.

Recommendation 22: Governments should provide greater exposure to accounting personnel to benefit from cross-country experiences of countries, which have successfully implemented this transition.

Recommendation 23: Given the multi-ferrous challenges posed by the transition to accrual accounting, a separate workshop on this theme needs to be organised at the earliest.

ACCOUNTING FOR RESULTS

Recommendation 24: There is a clear need to measure outputs and outcomes. Linking inputs, activities and output to outcomes must be a stated objective of the “new” accounting system.

Recommendation 25: Accounting should be an integral component of Managing for Results.

Recommendation 26: Categories of classification of government expenditure, which do not provide any managerial information, should be eliminated.

Recommendation 27: There is a need to constantly review and upgrade capacity in the government accounting profession.

INTERNAL CONTROL FOR OPERATIONAL EFFECTIVENESS

Recommendation 28: Accounting function within governments should provide useful information on inputs as well as outputs and outcomes.

Recommendation 29: Modern Internal control systems should be designed to provide reasonable assurance that organizational activities are in synergy with organizational goals.

Recommendation 30: Internal controls should be based on risk identification and management during the whole accounting period. While properly managing risks controls should be cost-effective.

Recommendation 31: The accountability of managers should be clearly defined. Forms of a modernized internal control system should move from mere compliance of rules and regulations to an output-orientation.

ACCOUNTS AS AN AID TO MANAGEMENT

Recommendation 32: Managing for results requires an accounting system that can provide information for better design of schemes and programmes. Accounting on accrual basis, which provides more detailed information is therefore recommended.

Recommendation 33: Financial performance and physical progress should be linked and reflected in accounts.

Recommendation 34: Performance should be integrated in the accounting framework and standardized costing norms should be developed. Towards this end, well-defined performance measures should be developed; government accounting systems should enable accurate measurement of the costs of government activities.

MODERNISATION OF INTERNAL AUDIT

Recommendation 35: Internal Audit should expand its scope to include Performance Audit and Value for Money audit.

Recommendation 36: While evaluating internal control systems, internal audit should ensure that these systems are cost effective and designed to achieve results. Observance of due diligence must also be constantly reviewed.

Recommendation 37: Recommendations of Internal Audit should be closely aligned with organizational priorities. Significant and high-risk areas should clearly be the focus of audit recommendations.

Recommendation 38: Internal Audit Standards must be developed and adopted at the earliest. To facilitate efficient discharge of its changing responsibilities, sufficient attention should be paid to capacity building in this field.

HUMAN RESOURCE DEVELOPMENT

Recommendation 39: There is a big gap between expectations from Government accountants and the adequacy of professional expertise. This issue needs to be addressed immediately.

Recommendation 40: 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.

Recommendation 41: 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.

Recommendation 42: Human Resource Development efforts must seek to address all issues relating to the changing role of the organization and changing expectations from its employees.