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**“FISCAL SUSTAINABILITY,
PRESENTATION OF ACCOUNTS AND
ACCOUNTABILITY”**

1st Subtheme:

***“PRESENTATION OF ACCOUNTS AND
ACCOUNTABILITY”***

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Foreword

At the XIVth General Assembly of the OLACEFS we in the Region agreed upon a rather sketchy definition of the “Presentation of Accounts” concept, on the basis of the one developed by the World Bank, and as the synthesis of two central ideas:

- o *Presentation as the process whereby public officials offer to the community, through the Supreme Audit Institutions (SAI), detailed information on the action they have taken in their course of duty.*
- o *The duty to justify actions and punish breaches, as an addition to the duty to report.*

The agreement reached in the Assembly doubtlessly renders explicit a set of central elements or axis of the “Presentation of Accounts process”, to wit:

- o The “*community*” as the principal and as the one meant to receive the information about how the “agency” was discharged. Primary control in the framework of democratic coexistence.
- o The “*performance of duties*”, as the discharge of such agency entrusted in order to provide the community with the public goods and services to meet the needs that have been detected and submitted to a political processes whereby priorities are determined. It doubtlessly refers us to show the “performance” by officials in terms of its results, encompassing all aspects concerned (i.e.: financial, productive, compliant with the law, etc.).
- o “*Detailed information*” as the specific input of the revision process to which the acts performed by the officials are submitted, on the basis of requirements linked to the existence of a legal standard establishing them as mandatory, defining aspects related to form and content and determining the qualities such information must have, emphasizing aspects connected with completeness and timeliness.
- o “*Justification of the action taken*” as the process whereby action is proven to have been taken on the basis of convincing reasons, adequate testimony and documentary backing sufficient for the purpose.
- o “*Punishment of breaches*”, denoting the element consisting in punishing officials (placed at different decision-making levels, and therefore having more or less authority to act at their discretion) when their conduct strays away from expectations, in which case both political penalties and statutory punishment under the laws in force become applicable. It is so that assuming responsibility acquires real effects, providing credibility to the presentation of accounts process.

It is beyond doubt that we cannot discuss presentation of accounts without referring once more to the notion of “*accountability*” that, as it was transcribed in the submission by this Office of the National Auditor General of Argentina to the aforementioned Assembly, the Office of the Auditor General of Canada has defined as “the obligation to respond to the responsibility that has been conferred”, something which connotes three notions related to each other:

- o responsibility for the task entrusted,
- o Presentation of Accounts on the responsibility conferred and
- o accountability before the authorities and before the citizenry for such responsibility.

In the presentation of accounts process there appear various points where attention should be focused that are worth discussing, such being the case of its social and institutional impact in connection to demands for transparency, of the existence of technical management pre-requisites making it possible for a consistent presentation to exist and of the implementation of practices leading us towards the accountability concept set forth above.

Presentation of Accounts and Transparency

In the countries of this Region, which have undergone, during recent years, profound financial and institutional crisis, a social demand has sprung up regarding the need for “*transparency in public affairs administration*”, as the effect of a perceived proliferation of corruption acts in the public sector, affecting trust in the social coexistence system.

It is important to define clearly the concept of transparency, and we turn for such purpose to the definition adopted by the Office of the Under-Secretary for Public Administration of the Argentine Republic, to wit:

“Transparency is the opening to public knowledge and scrutiny of the information concerning the use of State resources, and the conduct, the performance and the decision-making criteria applied by public servants”.

A simple question is thus posed: Which is the role to be assumed by presentation of accounts in public administration —and, even so, by accountability— in order to face the demand for transparency? Not even the slightest doubt can be entertained about their paramount position in this framework of social demand and institutional reality.

In the Region, transparency in public administration, together with the struggle against corruption, are currently placed at the centre of public opinion attention, a process which is probably set in motion by the action undertaken by research journalism, that has revealed cases of irregular conducts considered to be paradigms. However, in no way must we take such claims to be a demand that might be qualified as original or new, for it is a characteristic woven into the regional institutional schemes, which allow for their operation and effectiveness.

It is in the manner described that the notions of transparency implicit in the concept of presentation of accounts is geared to basic social coexistence notions such as those of: *Rule of Law, Democracy and Republic*.

Civil society is the one who perceives the need for its officials to provide it with explanations as to where and how the community efforts are directed, in a context of scarce resources and countless unsatisfied basic needs, and that same civil society demands they take responsibility for their actions. All of which in the framework of the necessary strengthening of the Rule of Law allowing the relations between the State and the citizens to be cleared up, for in many circumstances they have been blemished.

All persons who are entrusted with resources earmarked for a given purpose, have the “ethical”, and in some cases, as that of the public sector, the “legal” duty to respond and report “clearly” on the administration, the management and the yields of the funds, goods or resources allocated and on the results obtained when discharging the agency duties conferred upon them.

Along such lines, in the framework of representative democratic systems, the powers vested in public officials carry with them the necessary justification of their actions before the citizens and their representatives. It is clear enough that such vested powers, which make up the “state powers” deriving from the will of the people, and having effect on the complex fabric of social relations and on each of the individuals in the community, are to be balanced by “social control” tending to limit them and channel them towards the purposes the principals had in mind when vesting such powers.

When Montesquieu was putting forth his theory of separation of powers he warned about the resulting undesired deviations attending the use of such delegated power, and sought to check it in order to protect the freedoms and rights of man, in which we can implicitly recognize the idea of struggling against corruption and of demanding transparency.

It is to be observed that the republican system of government, widely accepted in the Region, implies, among other aspects, separation of powers, publicity for acts of government, and the responsibility of those in government.

Thus, in the Argentine Republic, for instance, the 1994 constitutional reform made it explicit that the Legislative Branch had external control powers over the whole of the public administration, with the technical assistance of the Auditoría General de la Nación (AGN) (Office of the National Auditor General) —which does not have the jurisdictional powers other SAIs have—. Such provisions indicate the intention to strengthen the balance of power between those with the responsibility to implement government policies and those authorizing and controlling them as agents for society.

On the other hand, the paramount expression of the claim for publicity in public action, as well as for explicit responsibility for it, is to be found in the presentation of accounts, as the centrepiece of the administration by the executive branch, whereby it submits to the controlling agents a detailed and specific account of the action taken during a given period.

Up to this point, we have been making reference to the presentation of accounts as to a factual and statutory requirement in force, and the groundwork for the transparency that is required, without forgetting that there are a set of factors which are critical if it is to be endowed with the effectiveness demanded by the institutional scheme, to wit:

- o The *fostering of awareness* in citizens as to their right to request for accounts to be rendered,
- o The *fostering of consciousness* in officials as to their obligation to render their presentation of accounts,
- o The existence of *statutory standards* for presentation, providing for a language common to the various parties involved —with different levels of aggregation and disaggregation—, with the concept of information “friendliness” as a general framework,
- o The *timely intervention by SAIs*, affording trustworthiness to the accounts presented, in the eyes of the members of the Legislative Branch and of the citizens,
- o The *timely public legislative processing* of the presentation.

As it has been previously pointed out, the SAI have authority to take part in the process of explaining the destination of public funds and the appropriateness of their use, considering the

different functions they are to perform according to their statutory basis in various countries (i.e.: technical assistance to the Legislative Branch or jurisdictional powers). However, they can play an additional role as far as the aforementioned factors are concerned, be it through launching teaching actions for the benefit of citizens, through making recommendations to be implemented when facing deviations by audited entities, through the revision of the statutory standards or through developing control strategies to supply additional and timely knowledge to those in charge of assessing presentations.

Concerning this latter aspect, defining sector strategies, by areas and/or by government instrumentalities, supported by risk and material assessments, implies the combination of financial, management and full auditing procedures allowing a thorough use of the resources available to SAIs, and a greater insight into government administration, in terms of economy, efficiency and effectiveness.

Presentation of Accounts and electronic government

Electronic government is aimed at harnessing information and communication technologies (ICTs) in order to enhance the services and the information offered to the citizens, as well as at increasing public administration efficiency and effectiveness. Likewise, a contact path between the principal and the agent is added, with a view to increasing public sector transparency and participation by the citizens.

In essence, e-government centres its actions in the following typical forms:

- o Filing and following procedures by electronic means,
- o Interconnecting and integrating government instrumentalities, and private entities with common interests,
- o Making available to the citizens and to civil society organizations information of various types, but essentially related to public administration.

With respect to this last aspect, that is of special interest for the purposes of this paper, the need to enhance the quality and to increase the quantity of information, as well as to implement new, friendly and attractive mechanisms for citizen participation, so as to achieve greater transparency in the acts of government, is seen as the central objective. This touches on matters such as the availability on web pages of financial and management reports, of information about transactions

(i.e.: publishing the different steps towards procurement contracting) or specific institutional action (i.e.: the agenda of public hearings).

Electronic government introduces a new reality, which we could briefly outline as:

- o *Friendly access* to information for the citizenry,
- o *Availability of information* in different formats, be it on the basis of the formal presentation of accounts reports or of additional and/complementary information, or of information with no identifiable link,
- o *Limited regulation* regarding content matters in official pages,
- o *Absence of specific control processes* affecting the information made available to the citizenry through the Web,
- o *People are prone to give credit* to the information available on the Web.

This set of points, along with what has been said already about the presentation of accounts, makes it unavoidable for the SAI to take such reality into consideration, in order to safeguard the above mentioned elements of trust in social coexistence, in the light of the existence of information which is available, but not supported by control processes providing it with objectivity.

There is no doubt that the friendliness of this manner of access to information makes it into a virtual presentation of accounts to the citizenry, immediately available, that, at first sight, could be considered a substitute for the traditional presentation. However, when assessed in greater depth, it should be qualified as complementary, for it provides, at this point in technological development, an essential tool leading towards transparency in administration.

We here face the challenge to search for effective means to render the information that is made available in order to comply with the tenets embodied in the Rule of Law trustworthy enough to produce the transparency required. Notwithstanding which, technology also provides us with a way to show the results of control actions taken by the SAI, characterized by an immediate relation with the citizenry, thus contributing to transparency —different SAIs, among which the Office of the National Auditor General of the Argentine Republic, publish auditing reports and receive inquiries through their Internet pages— .

Basic instrumental requirements

It is not to be forgotten that the presentation of accounts is an action placed within the framework of government administration planning, which, at the “control” point in such process, will allow for:

- o *Resource assessment and reallocation* and
- o *Dealing with deviations and responsibilities*, considering the specific statutory framework.

It is clear, of course, that to get to that point a set of previous actions in the above mentioned planning process must have been taken, addressing matters such as:

- o *Strategic planning* (including the issue of documents, such as those drawn up in some of the countries in the Region: government plan and development plan),
- o *Tactical planning*, which is the consequence of strategic planning, defining operative plans and action plans,
- o *Budgeting* of the above mentioned plans, both financially and physically —physical measurements, goals and standards— and identifying those responsible.
- o Setting up *information systems* to allow for administration monitoring, wherein financial, costs and physical production information be contemplated.

It is well worth devoting a special paragraph to the process of having the General Public Administration Budget, a document that is essential to manage public policies, prepared and approved. Since it is made on the basis of a clear definition of policies, objectives, programmes and goals, it conditions essentially the presentation process and, in a culture rooted in time according to which presentation of accounts is but budget execution, it evidently appears as a major risk.

In such framework, the specific limitations which might appear in the preparation process and the ones generated by delegation of approving powers in the Executive Branches by the Legislative Branches, bear a direct influence on the presentation of accounts, be because of deficiencies that prevent determining clearly the destination of the resources and assessing results from the standpoint of established policies, be it because a proper disclosure of the motives behind the budgetary adjustments effected is lacking.

The experience in Argentina shows that, although since the beginning of the financial administration reform of the State —1992— there have been important improvements, especially as far as budgetary technique and management tools are concerned, and although the Office of the National Auditor General of the Argentine Republic has advanced on different matters connected with its revision tasks, particularly with respect to the Investment Account —in the course of the

second half of the current year the examination of the one corresponding to fiscal year 2006—, relevant deficiencies persist, affecting rendering of accounts assessment on a sound basis, among which it may be worth pointing out, for example, the following:

- o The lack of strategic definitions, set forth in a single body of documents, and the attending inconsistency along the different stages of the planning process,
- o A rather unclear determination of objectives and goals, as well as inconsistencies among them,
- o The need to improve the current management indicators,
- o The weaknesses present in the internal control systems implemented,
- o The limitations of the information systems as to the wholeness and timeliness of the information it provides. Additionally, there are integration processes among systems that are still pending,
- o The lack of cost accounting systems.

In the current state of affairs, it becomes difficult to speak of efficiency, effectiveness, and economy in the public administration, and whatever judgments can be made, with the limitations set forth above, are centred in effectiveness, leaving out economy and efficiency assessments due to the lack of available information with which to back them up.

It is necessary to mention specially the presentation process of “collection”. Continuing with the Argentine case, which is similar to others, government administration has been noticed to be mainly focused on the administrative process linked to expenditures and their registration (in the budget and as inventory), but in such matter attention has been concentrated on tax administration, and not in the full presentation of results. Registration thereof is effected on the basis of the deposits being made in bank accounts, there being consequently transactions with pecuniary effects that are not shown in the presentation of accounts, as neither are fiscal expenditures resulting from special tax treatments, exemptions and promotion schemes (7.8% of national revenue and of social security resources).

It is therefore necessary to view the presentation of accounts as a part of government administration as a whole or, as we have set forth above, a milestone in the planning process, individualized as the one of review or control. As such, presentation interpretation and assessment are conditioned by the management models and tools employed, and by the quality of the implementation thereof.

Result-based Presentation of Accounts

Once the preceding considerations have been made, some aspects of the presentation of accounts technique itself, and in such sense there appears, as a present-day tendency, the “*result-based presentation*”.

Along such lines, the presentation is an instance of results-based management, an approach advocating enhancement in public sector policy implementation through the responsibility of officials for the results obtained. It is clear that they are to be compared with a set of precise strategic results, previously defined and communicated, achievable within the established time limit, acting as administration guidelines and as a necessary reference for after the fact assessment.

Within the framework of the referred model, various relevant aspects are to be considered, to wit:

- o *Defining results* through a permanent strategic planning process, supporting consolidated operative plans, and in line with citizen needs.
- o *Orienting internal responsibilities, resources, actions and structures* towards pre-established short, medium and long term results.
- o Establishing *resource allocation criteria* based on achievement of results.
- o *Determining budgeted resources* on the basis of determining the products or services needed in order to achieve the results. It is made clear that such methodology is compatible with programme budgeting, which is widely implemented in the Region.
- o *Using resources efficiently*, through internal processes aimed at the obtention of results.
- o Implementing *information systems* with the sensors necessary to issue reports on the results obtained.

Taking into consideration the aforementioned aspects, the list of which has been illustrative, not taxative, is a necessary requisite for:

- o Transparency and enhancement of the ratio between the resources invested and the results achieved.
- o Public resources use assessment on the basis of strategic decisions made on established governmental policy.
- o Fostering citizen participation.

On the other hand, it is sought through it to generate consistency and coherence among government strategic objectives, operative plans and the plans of government instrumentalities or entities, providing the presentation with an overall concept allowing the assessment of both programme results and policy impact.

There are various implementation experiences in the Region, and even specific programmes aimed thereat, but it is worth underscoring the recommendations by the “High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment” that undertook an assessment of the internal systems of the aforesaid organisation in view of the need for reforms stated at the 2005 World Summit in New York. Given our attention focus we could summarize some of them:

- o Reform United Nations operational practices to ensure a focus on results as a response to needs and an advance towards the Millennium Development Goals.
- o Provide funding in line with the expected results so as to link them to the donor funds.
- o Integrally link performance, funding and accountability, in view of results.
- o Publish internal evaluations of spending, performance and the plans.
- o Render result-based presentations of accounts.

The result-based presentation of accounts includes the traditional criteria for presenting financial accounts, which in no way should be set aside, and widens the scope of information requirements for the purpose of accessing the “*accountability*” to which we have already made reference. The methodology reviewed allows us to answer a set of questions we can ask ourselves as citizens about public administration, for it answers on the following:

- o the policies furthered, the decisions adopted and the action taken;
- o administrative and operational management, and the responsibilities involved;
- o the use of resources, in financial terms; and
- o the benefit produced by government action on social needs —impact—.

Conclusion

Presentation of accounts constitutes a cornerstone in the framework of democratic coexistence, but it requires its strengthening as a tool supporting transparency in public administration. Thus, both the commitment by the various actors involved and the improvement in the quality of the technical

instruments adopted in order to provide trustworthiness to the information opened to the citizen scrutiny turn out to be of the very essence.

In such framework, the SAI, on the basis of the wide scope of the control activities entrusted them and of a solid technical background, acquire a leading role as agents for change, taking into consideration their institutional position —with the variations specific to each country— that place them in contact both with those who present accounts and with those to whom they are rendered.