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## **COMPTROLLERSHIP GENERAL OF PERU**

**“A modern, technical and impartial control to the  
service of the country”**

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**Accountability and Liability**

**Lisbon, May 2007**

The Comptrollership General is pleased to present its comments on Accountability and Liability, as a contribution to the exchange of ideas between SAIs.

We would like to closely consider the relationship of financial sustainability with accountability and liability. The concept in general may be understood as the organisation's capacity, whichever origin it may have, to develop adequate procedures aimed at attracting resources to ensure its operative and administrative operation. So that in time it may comply with mission for which it was originally created. Taking this concept to the plane of public institutions represents a greater commitment from Public Administration opposite to citizenship, to which it must provide continuous and timely quality services, since it takes financial resources from the public as a result of their manufacturing, commercial, and other work activities; which is why the citizenship represents its *raison d'être* and the final addressee of its actions.

The English term "liability", is an ethical concept associated with the acceptance and acknowledgement of responsibility for actions, products, decisions and adopted policies, which also implies the duty to inform, explain and assume responsibility for the outcomes. This concept is totally applicable to Public Sector field, insofar as its mission is to draft and apply a set of policies with the purpose of raising the population's living standard and materializing planned values and goals that sustain society's and the state's existence; all of which, indubitably establishes liability and accountability in this field.

Government authorities and civil servants, under contract, elected, or designated, must bear in mind in their everyday duties that their management is temporary, that their work management actions and results shall be object of value judgements, nevertheless, this sensation of constantly being under the public scrutiny must be taken as part of the cycle: planning, carrying out, assessing and proceeding, constituting the basis for the work's quality improvement.

Liability is properly framed in a democratic political character environment, where governors acknowledge they are permanently being judged and where citizens, besides

having the responsibility of impartially assessing their authorities, get involved with state's work through various means granted by the constitution, laws and lawful practices, as electoral processes, public information access, citizen participation in administration instances, communication means, citizen control among others.

Thus, accountability serves as a reporting mechanism, through which authorities and civil servants report on their performance, understood as the ability to fulfill the appointed duty and achieving programmed goals.

Accountability is necessary given it opens spaces for management feedback, favoring the development of recommendations to improve public organization's management, as a mechanism to achieve its goals, and at the same time, to help the population develop trust towards its authorities.

In this framework we have accountability "horizontal" organisms which are part of the state's formal structure and that have the responsibility and competence to control the actions of the Executive Power; as well as, accountability "vertical" organisms, which are the means through which citizens demand accountability in the use of power appointed to State by the citizens.<sup>1</sup>

We are interested in emphasizing specific accountability mechanisms of horizontal level implemented in Peru, especially related to the Comptrollership General's role in the search for Peruvian State's accountability improvement.

Article 82 of the 1993 Political Constitution of Peru states that the Comptrollership General's role is to :.....(....) *"Supervise the legality of the State's budget implementation, public debt operations and the work of institutions subject to control"*. This competence is drawn from article 16 section c), Law Decree No. 26162 –Law from the National Control System from the 29<sup>TH</sup> December 1992, which states as system's

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<sup>1</sup> World Bank: A new social contract for Peru. How to accomplish a more educated, healthy and solidary country? Daniel Coltera, editor, 2006, page 839.

competence: *“To establish procedures so that all heads of institutions subject to this Law, render opportune accountability of their performance”*. This Law Decree was subsequently revoked by Law No. 27785 – Statutory Law from the National Control System and the Comptrollership General of Peru, 13<sup>TH</sup> July 2002, stipulating as a Comptrollership General’s competence in article 22, section u), *“To establish procedures so that all heads of institutions, render before the governing body, opportune accountability of the public funds under their responsibility, as well as the products of their performance”*.

Acknowledging this framework, the Comptrollership General’s duty is to determine the procedures and methods through which the heads<sup>2</sup> should be accountable for their work. It is worth noting that the main instruments to be taken into consideration for this are:

- a. Financial Administration Integrated System - SIAF
- b. Accounting System – SICON
- c. State Procurement and Engagements Electronic System – SEACE
- d. Internal Control strengthening in public institutions
- e. Improving accountability procedures before the Comptrollership General of Peru

It is important to mention the following regarding these instruments:

- a) The SIAF is a performance and a Financial Management computer system of the Public Treasury related to Implementation Units<sup>3</sup> (IU) developed by the Ministry

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<sup>2</sup> Head: maximum institutional hierarchical authority of individual character or collegiate, according to Law 28716 – Public Institution’s Internal Control Law issued the 18<sup>TH</sup> April 2006.

<sup>3</sup> Implementation Unit: organic branch that has an administrative decentralisation level to implement, determine and gather income, contract obligations, accrue expenses and order payments in agreement with the legislation in effect, register information, report on the progress of objectives and perceive and implement disbursements of debt operations. Term stated in Law 28112- Fundamental Law of the Public Sector’s Financial Administration, 27<sup>TH</sup> November 2003.

of Economy and Finance; we can say that the system has two clearly defined spheres: the Unique Register concept, which is related to the synthesis of all the expenses and income operations of IUs as well as issuing information to Governing Bodies such as: National Budget Department - NBD(Dirección Nacional de Presupuesto – DNPP), Public Treasury Head Office - PTHO(Dirección Nacional de Tesoro Público – DGTP) and State Certified Public Accountancy - SCPA(Contaduría Pública de la Nación - CPN), and payment management for financial operations using resources from the National Treasury; since IUs can only register their drawings in SIAF when given a draft authorization by the Public Treasury.

- b) The SICON is a computer system developed by the SCPA which enables registering the Public Institution's Financial and Budgetary Statement, Annexes and supplementary information, in a three monthly and half yearly manner, and at the Closing of Financial Year, which, in return facilitates a trustworthy computerized development, within established deadlines, of the State General Account. It is pertinent to point out that such an instrument contains information on outcomes and analysis on budgetary financial, economic, heritage, and goal fulfillment, as well as financial performance indicators during a financial year.

The Comptrollership General issues an Audit Report regarding fulfillment of objectives of the State General Account's, the reliability and transparency and of the information and the proper integration and consolidation of financial statements based on the information of the aforementioned account. It also includes the recommendation's state and implementation and taking in observations from other financial years.

- c) The SEACE is a computer system developed and administered by the State Engagements and Procurement Superior Council (Consejo Superior de Contrataciones y Adquisiciones del Estado - CONSUCODE) which is based on the following modules: i) Information Module, 100% operational, where all acts developed by each institution related to engagements, is registered from each and

all 2,850 State institutions: Annual Engagement Plan, entire basis text of each process, citation, queries, observations, proposal comparative chart, giving approval, entering agreement, situation of the contract implementation, conflicts if any may occur, and their corresponding solutions; ii) Electronic Transaction Module, through which electronic engagements may be carried out, more than 1,000 operations of minor quantity have been carried out to date (up to \$1,000 each) in a pilot plan; as well as the first electronic reverse auction.

The SEACE is already associated to the SIAF, so that the obligation of inputting information has been strengthened, since without this no payment operations may be registered.

- d) Law No. 28716 – Internal Control Law of State Institutions, from 18<sup>TH</sup> April 2006, was issued regarding internal control strengthening in public institutions, this law states that institutions should necessarily instill internal control systems in their processes, activities, resources, operations and institutional acts, aiming its implementation at the fulfillment objectives, such as, encouraging and fully exploiting efficiency, effectiveness, transparency and economy in the institution's operations, as well as, the quality of its public services; and ensuring accountability of public assets and funds and/or an undertaken and entrusted objective or mission by civil or public servants.

This standard with a law status is mandatory to all public institution's heads and civil servants, its inobservance will bring about operational and administrative responsibility unbiased of civil or criminal responsibility in place. Likewise the opinion, states the liability of the Comptrollership General of Peru, Institutional Control Bodies and the appointed and engaged Audit Partnerships, regarding internal control assessment.

The Comptrollership General has issued a regulatory body called "Internal Control Standards" in agreement with the aforementioned legal framework, passed with Resolution of the Comptrollership General No. 320-2006-CG from 3<sup>RD</sup> November

2006, where, in numeral 3.7 it specifies accountability as a basic standard for management control activities, expressly establishing that “(.....) *civil and public servants must be prepared at all times to fulfil their periodic accountability obligations before its corresponding instance, regarding the use of State assets and resources*”, for which purpose it considers that: “*the internal control system must serve as a source and aid for the necessary information to strengthen and support the obligation of an appropriate accountability through the implementation of control measures and procedures.*”

To achieve an effective implementation of the internal control system “technical guidelines” are being developed, to put into operation the system’s assessment by the Comptrollership General and Internal Control Bodies; as well as, the general guidelines for its implementation according to the nature of each public institution, falling on each institution, the responsibility of its implementation.

- e) The Comptrollership General considers necessary to improve the current accountability process, so that detailed information may be obtained to learn about the performance results of civil servants and heads of institutions. In the same way, the Comptrollership General considers the Accountability Reports from Heads as tools for public institution’s performance assessment in their medium term strategy<sup>4</sup>, for which it intends to develop a new process that allows obtaining, including, validating, verifying and analyzing the performance result information of the institution’s Heads, as well as the accountant information with a software application support via Web. This will enable producing reports for each public institution and sector, gathering systematized information useful for control ends; as well as, to periodically report citizenship in general about the advance level of actions carried out by public institutions, and also being able to have a real time control of the Head’s actions, both from the ones that comply in reporting, as those that do not comply.

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<sup>4</sup> Strategy comprised in the “Strategic Guidelines 2006-2010” developed by the Comptrollership General

We initially consider that the new accountability process must have the following features:

- It must be aimed at the civil servants, and not cause significant operative burden nor duplicate work during the record process; which involves periodically opening information exchange with other control organisms such as, Ministry of Economy and Finance, State Certified Public Accountancy, CONSUCODE, etc.
- It must be based in official management documents: Institutional Strategic Plan, Operative Plan, Duties and Planning Regulations, among others.
- Have a clear and exact understanding on who are to be held accountable, pointing out their obligations, what they achieved, and the amount spent and how it was spent.
- Authorize the disclosure of results according to the legal framework in force.

The main objective is to promote an accountability culture, centered in the opportunity, and a technical and objective audit of results. Nevertheless, we consider that the interaction with governing institutions of general, fiscal, budget, contractual, State enterprise activity, and accounting record policy, will be necessary to achieve feedback from the accountability process and will be a determining element to institutionalize the process in a medium and long term; which will require communication and political resolution efforts of the highest levels; as well as, the use of technical tools to make possible a free-flowing information exchange.