

STRENGTHENING INSTITUTIONS FOR ACCOUNTABILITY

Workshop Paper 4

Presented by, Sajeve Deora
Director, Integrated Capital Services Ltd., India

Presented at, Accountability. Now Nigeria
46th (2016) Annual Accountants Conference
The Institute of Chartered Accountants of Nigeria

Abuja, October 12, 2016

Democracy, Visible in Insitutions

People needed to own resources

Utilised for collective good

Elect, Appoint, ~~Rule~~ Govern

Promote Self Governance

Government Of, For and By the People

Innately the definition implies:

- Institutions have accountability to the people
- Need to establish strong institutions of governance

***Institutions must keep Pace with Time
Systems, Processes, Delivery meet Aspirations***

Democracy, Challenges

- Performance of Democracy = Performance of Institutions
- Leverage and Debt
- Populism and Austerity
- Repository for assets – Watch-Out Global Trends
- Asset recognition and accounting
- Impact assessment
- Get Institutions competitive

*We Get the Government we Vote for
All Sections should be Aware and Understand Collective Good*

Transparency, Accountability

Governments entrusted by people to manage their financial resources in a sensible, cost-effective manner

Lessons from a crisis that problems do not result in government's debt becoming burden for future generations

ROBUST FINANCIAL INFORMATION

Administration at times does not know what they can afford, decisions get based on poor & incomplete information

Passage towards a robust system of financial management is tough & long, and requires commitment

***Time for Governments to be:
Leaders in Financial Reporting, Not Remain Laggards***

Institutions, Delivery

Institutions	Governance
System of rules constituting environment	Exercise of economic, political, administrative authority
Effective management of resources and environmental	Technical dynamism, Gender equity, Risk mitigation, Inclusion
Germinates: Policymaking, Innovation, Cooperation	Incentivise: Individuals, Civil Society, Public Administration to pursue Policies

Knowledge gap is addressed by:
 Strengthening Institutions
 Enabling higher level of Governance

SOUND INSTITUTION + GOOD GOVERNANCE

Improves *Productivity*

Reduces *Rural Poverty, Hunger, Malnutrition*

Accountability, Changing Face

Accept Responsibility

Obligation to account for Activities

Disclose Results in a transparent manner

Includes Responsibility for money or entrusted property

Applicable Law, Statutory provisions

Regulator driven, Systems for Self-regulation

Placing claims for breaches ahead of priority holders

Take advantage of Technology Jump, Bridge Digital Divide

Cover up for lost time, Gaps in delivery

***Interface of Bots, Robots, Devices, Digital Media
Meet & Greet, Personal, Legal Services, Customs, On Road***

Accountabilty. Now

Stands For	Campaign for higher standard of public sector information Financial reporting per International Financial Standards
Achieves	Building a global coalition Accrual basis of Accounting Spreads information, Creates Awareness Conciousness and capacity on National level Developing partnerships to achieve comparability Benchmarking to improve measurabilty, Drive change
Targets	Quality information, Make a difference

Financial Reporting Raises the Bar

Assets Accounted, Sound Decision Taking

Creates Checks and Balances on Public, Public Sector Exepnditure

Action Areas, Provide Visibility

- Private sector Desire to capture, Estimate and value
- Public sector International Public Sector Accounting Standards/ IPSAS
- Actions Inclusive, effective, collective
- Public services Delivery of higher quality
- Improvement Accountability, Risk management
- Policies Investments & Institutions, Processes pro-poor
- Benefit group Smallholder to be provided market access
- Long term goal Sustainable management of natural resources
- Develop Agriculture & rural areas through institutional innovations
- Strengthen Rights on assets, property, resources; On land, water, air

Access to Public Databases, Open Data
Art. 19 UN Universal Declaraton of Human Rights
Reveal Classified? Forget or Erase, Security & Safety

Accountability, Pitfalls

High level of checks and balances	Well understood?
Fair value estimation, recognition	Tackle poverty, inequality?
Making the decision public	National considerations?
Management of assets, resources	Controls over cash flow?
Double entry accounting	Subjectivity in measurement?
Free and fair decisions	Transparency, resource allocation?
Statements highly technical	Understood by common man?
Abridged financial reporting format	Harmonised format across sectors?

Accountability Represents:

Listing the Un-measurable

Encourage Discussions and Debates on Financial Statements

Adoption of Better Way Forward for Governmental Functioning

Coalition of Organizations, Operating in a Competitive Environment



Environment of Comparisons, Public Glare

Enabling Transparency will lead to an Environment of Comparisons

Public glare will expose Institutions to requisite complusions

- Adoption of IMF's Fiscal Transparency Evaluation
- IMF's Fiscal Transparency Code provides milestones for adopting:
 - Fiscal reporting, and Forecasting & budgeting
 - Risk analysis & management, and Resource revenue management
- Compares on Standards of:
 - Fiscal Transparency, and Accounting & Auditing
 - Fiscal Information, and Assessment Tools & Instruments adopted

Transparency is based on Information being:

Accessible, Relevant, Timely, Contextual, Reliable, Understandable

Comparability is Possible when Organisations have:

Clear Role Responsibility, Open Budget Process, Assured Integrity

Measuring, Rating, Ranking, Vision

Analyse Data

- Measure Common format
- Finance Bankability Securitisation, Costs are inbuilt in service fee
- Rate Hetrogenous group of institutions
- Rank Disclose top rankings, Full disclosure over time
- Compare Local Institutions & Ones in Neighbouring countries
- Updation Periodic, Data, Rating, Ranking
- Uplift Active Group from Within
- Vision Prepare plans with public engagement

***Strong Local Self-Governments, Participatory Budgeting Monitoring
National Policy for Name and Shame of:***

- ***Organisations and Institutions***
- ***Persons and Officers***

Citizen Right v/s Government Analytics

Technology has enabled compilation of citizen data, Data is potent *Algorithmic Decision Making* systems and processes, Data protection Predictability of behavioural and financial patterns, Better estimations

PROS	CONS
<p>Removes personal bias Use in Policies, Contracts, Jobs</p>	<p>Bias of rule engine</p>
<p>Use of data in Algorithmic working Systems Processes Permissions for:</p> <ul style="list-style-type: none"> • Safeguard • Disclosure • Authorisation 	<p>Regulations on use of Data:</p> <ul style="list-style-type: none"> • By Government, Private • Free, Fixed fee, Revenue share • Big data analysis • Neural Networks & Authorities

Monetisation Around Benchmarks

Social Impact Fund or Index

Identify functions of government:

With high social impact

Having high non-plan costs

Reforms can increase development

Set up a Fund for areas wherein costs can be saved

Initial corpus from government, Multilateral agencies

CSR, Accelerated tax rebates for Round 2 funding

Repeat inmates, School dropouts, Clean water, Public health

Set-up a Traded Index for areas requiring increase in social awareness

Market makers, Institutional traders connected with activity

Flood control, Air Water Soil quality, Afforestation, Waste

Disruptive Thoughts, Uber Moment



Act Against Delinquent, Trace People, Assets

- Key requirement, United Nations Convention against Corruption
- Stolen assets are difficult to trace, Particularly if moved cross border
- Prosecutors need to think creatively, Create co-operative environment

FATF – Best Practices Paper on Confiscation, February 2010

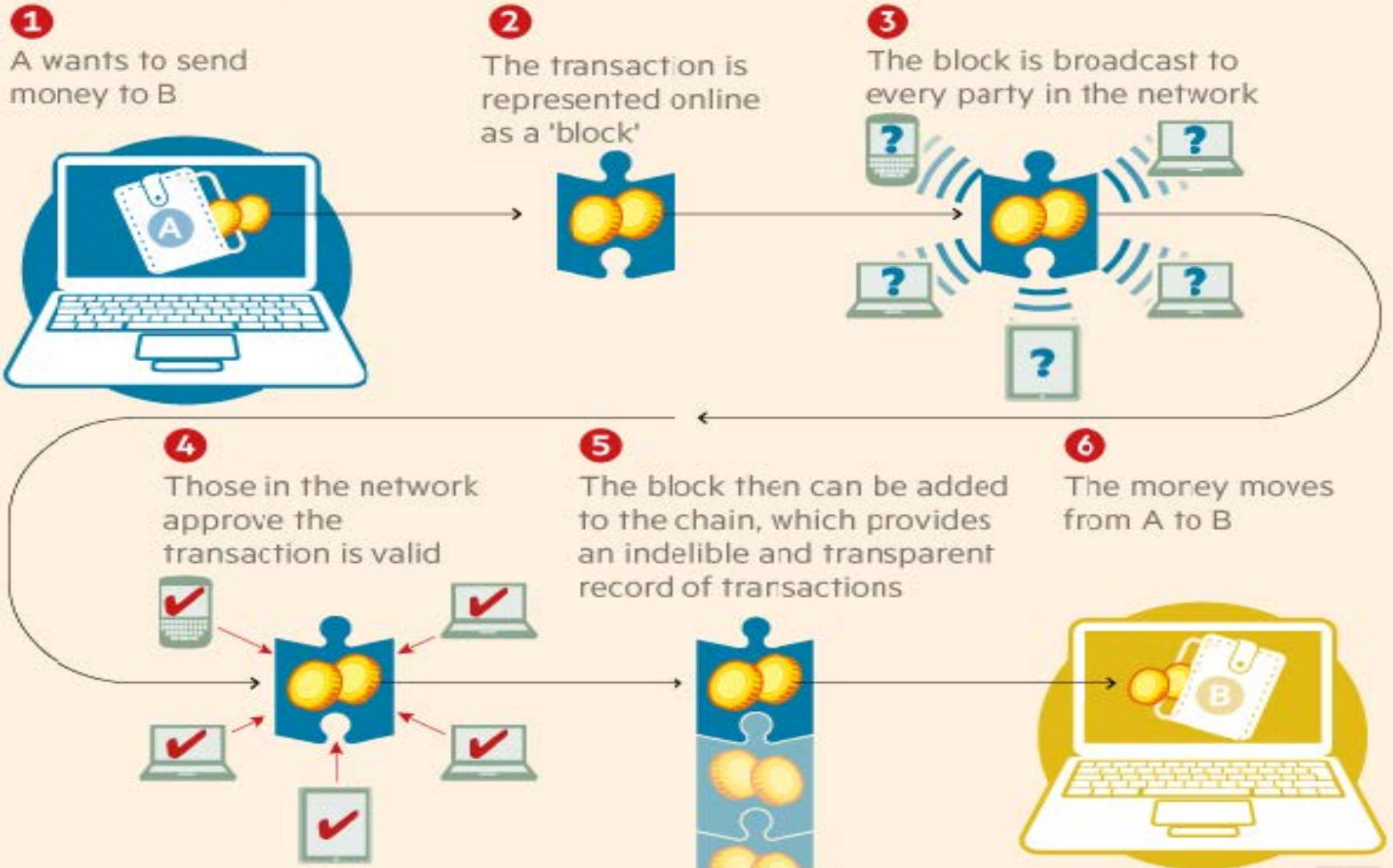
- Trace flow of funds, People behind transactions
- Determine real beneficiaries, Affix liability and action claw-back
- Recovery is dependent on co-operation across jurisdictions

Traceability Jurisprudence

***Defence is not open to one who has changed his position in bad faith.
Defence is available when position has so changed that it would be
inequitable to require a person to make restitution, except if spent.***

Blockchain, Important for Governance

How a blockchain works



Source: Financial Times: next.ft.com

Blockchain, Emerging Paradigm

- P2P electronic cash system, Exchange network moves values
- Decentralized, Shared public ledger of time-stamped transactions
- Network open for review by anyone within the network, Real-time
- Back-end database in network maintains Distributed Ledger, Openly
- Transaction validation mechanism, Without intermediary assistance
- Updated by networks of users, Transparency of names & values, Trail

***Revolution in Digital World Post Internet, Emerging Uses
Low Regulation for Now, Provide Migration from Legacy
Provenance, Smart contracts, Underwritings, Payments, Transfers
Governments encouraging Cryptocurrency, Transparency in Payments
Study Behaviour of Hackers & Digital Stealing, Make Systems Robust***

- Global Initiative on Fiscal Transparency (GIFT)
- High Level Principles on Fiscal Openness, endorsed by UNGA
- IMF's Code of Good Practices on Fiscal Transparency
- IMF's Government Finance Statistics Manual
- OECD Principles of Budgetary Governance
- International Budget Partnership's Open Budget Survey and Index
- Public Expenditure & Financial Accountability Performance Measurement Framework (PEFA)
- International Public Sector Accounting Standards (IPSAS)
- Emerging Market Investor's Alliance (EMIA)
- Public Expenditure Reviews, Constitutional & Statutory Frameworks
- CoP at World Bank: Fiscal Transparency Participation & Accountability

Public Expenditure & Financial Accountability Performance Measurement Framework

Developed as a contribution of collective efforts of stakeholders

Assesses if a country has tools to deliver 3 main budgetary outcomes:

- Aggregate fiscal discipline
- Strategic resources allocation
- Efficient use of resources for service delivery

Objectives in relation to Public Financial Management Systems are:

- Provide reliable information on performance
- Determine efficiency of Government reform process, its performance
- Facilitate harmonization of dialogue on PEM performance



UN Top Ranks, e-Government Survey 2014

e-Government Development

Country	Index
Republic of Korea	0.9462
Australia	0.9103
Singapore	0.9076
France	0.8938
Netherlands	0.8897
Japan	0.8874
USA	0.8748
UK, Northern Ireland	0.8695
New Zealand	0.8644
Finland	0.8449

e-Participation Index

Country	Index
Netherlands	1.0000
Republic of Korea	1.0000
Uruguay	0.9804
France	0.9608
Japan	0.9608
UK, Northern Ireland	0.9608
Australia	0.9412
Chile	0.9412
USA	0.9216
Singapore	0.9020

UN e-Government Score 2014, Africa

	Index/EGDI	EPI	HCI	Level/GNI
World	.4712	.3947	.6566	
Africa	.2661	.2190	.4492	
Tunisia	.5390	.6471	.6717	M-Upper
Mauritius	.5338	.5294	.6882	M-Upper
Gabon	.3294	.2157	.6677	M-Upper
Ghana	.3735	.3922	.5613	M-Lower
South Africa	.4869	.3333	.7282	M-Upper
Kenya	.3805	.6471	.5552	Low
Nigeria	.2929	.3333	.3811	M-Lower

Higher Digital Interface Results in Higher GNI

HCI Generally Directly Effects e-Government and e-Participation

Reducing Human Intervention in Dealings in Public Assets, Services

Accountants, Guardians

Accountants have an obligation to Society that the Institution:

- Observed maintenance of correct record and reporting
- Disclosed transactions not recorded or off- books
- Ensured the reader understands and is able to form an opinion
- Audit for completeness of information and fairness of reporting

Society expects Accountants to have ensured that the Institutions’:

- Systems and policies are activity relevant, and generally followed
- Revenue and costs do not suffer from leakage or inflation
- Deviations from policies are for good reasons and authorised
- Financial state & effect of undue favours, Gaps in Risk Management

Accountants: Watchdog, Whistle Blower

Estimate: Value of Loss, Leakage, Defalcation

Early Warning: Risk to Existence of Institution

THANK YOU