An Overview on Governmental Accounting Aims and Accountability

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**ABSTRACT**

Nowadays, due to the resource constraints and increasing needs and people expectations on the one hand and the corruption spread in state on the other hand, the necessity of providing necessary context for responding public and providing clear information is felt. Then, the aim of this paper is to review the goals of governmental accounting and analyzing accountability. For this purpose, firstly the governmental accounting aims and important features of governmental activities are considered and then, need for transparency in governmental accounting, accountability and decision making as aims of governmental accounting are discussed and finally, concept, types and necessity of accountability will be studied.

**INTRODUCTION**

Most of the financial experts in public sector agree that governmental accounting and financial reporting have long been as essential tools of evaluating financial accountability and have provided the necessary platform to perform and evaluate operational accountability in the past three decades. In other words, these Standardizer experts and authorities consider financial reporting as reliable information system that can create safe flow of financial information between executives as Accountor and selected representatives of people as Accountee [2].

There are fundamental differences between accounting system, governmental financial reporting and profit units’ financial reporting. The differences are due to the environmental effects on these two organizations’ activities [1]. The concept of accountability in accounting system of public sector especially governmental system is important and in other words, it forms center of gravity and infrastructure of this system. Governments must be accountable to citizens based on this concept and explain education process and the methods of using public funds properly [3].

In this paper, the matter will be investigated in next sections, following the introduction in section I. In the second section governmental accounting aims, in the third section, important features of governmental activities, in fourth section, the need for transparency of governmental accounting, in fifth section, governmental accounting, in sixth section, accountability, decision-making and main aims of governmental accounting and accountability, in seventh section, concept and types of accountability, in eighth section, necessity of accountability and finally, in ninth section the conclusion will be provided.

2- The aims of Governmental Accounting:

Vela Bargues [14] studies the current and traditional governmental accounting aims and introduces current aims as a result of new governmental accounting which includes budgetary accounting, financial accounting and cost accounting. He explains that running and controlling the budget traditionally has been the core of governmental accounting and basically, governmental accounting is tool for legal management and control. After emerging paradigm of users, information of aim will not lonely be enough and duties of governmental accounting will gone beyond that. The Governmental Accounting must meet the following aims, in addition to its traditional duties in providing budgetary information:

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Providing appropriate and realistic images of assets, liabilities, financial condition and results of organizational performance within framework of law and regulation that govern and oversee the activities of reporter unit.

Providing logical and useful information regarding the required level and amount of provided services, cost of these services and the way of supplying needed revenues for responsibility centers.

The possibility of integrating and collecting financial-economic information related to public sector in national accounts (macroeconomics) at regional, national and transnational level.

Vela Bargues emphasizes that all these tasks have been formed around the main aims of current accounting, which provide useful information to meet the needs of users in decision-making and performing accountability.

3. Important features of governmental activities:

Federal Accounting Standards Advisory Board (FASAB) Statement approved in 1993 has described exclusive features of governmental environment as below:

1. Sovereignty: the central government acts as a system through which citizens apply their sovereignty.
2. Separation of powers: the power has been separated among three executive, legislative and judicial powers in order to prevent possible power abuse of central government, and it is controlled through the control and balance mechanism of each power by another power.
3. The Central Government System: This system consists of three central, state and local governments and this makes difficult exact accountability to most programs.
4. Responsibility for providing public security and welfare: providing public security and welfare is unique duty of government which has accountability in this case.
5. The power to collect taxes, borrow and issue money: the central government has the exclusive power of access to financial resources and can collect taxes, borrow and issue money.
6. The influence of organized groups (political process): evaluation and examination of central government policies are difficult by people. So people tend towards organized groups and form large and small groups. Many of the selected and appointed governmental officials of central government and groups, to which people are accountable, are interested to information on any of programs, tasks or activities of government.
7. The political system against competitive markets: in the lack of competitive market, determining the quantity and quality of governmental services is difficult and measuring the added value of governmental programs implementation is not possible for social welfare through common criteria such as net profit.
8. Assets: in private sector, it is expected that assets to have benefits over costs. In this section, benefits are measured in terms of incoming cash flows and for this reason; the assets are gained which their cash flows are over their earning cost. Expected benefits in the public sector are not often the incoming cash flows, but the expected and offer able services to public by property.
9. Responsibility against news media: news media control central government activities and government encourages such a control. Government has a special responsibility to disclose his activities to citizens and taxpayers and accountability to them.
10. The importance of budget: Budget is a political process tool to reach agreement on aims and allocating resources among different priorities and providing a system for controlling expenditures.
11. The need for specific control mechanisms: in the absence of external constraints, predicting specific control mechanisms such as political constraints and appointed accountability through regular elections, separation of powers and other appointed accountabilities in the constitution.

4. The necessity of transparency in governmental accounting:

Proper use of limited resources and equitable distribution of wealth and preventing possible misuses are crucial for government, and despite the efforts, we observe administrative and financial corruption in developed and developing countries, although its intensity varies in different societies, and manifestations of corruption differs from one country to another due to the different cultures and outlooks, but the corruption itself is a serious threat for law security and governance and thereby solidifies the values and norms and will reduce social trust to governance. In all countries, the corruption phenomenon is unacceptable, especially in Islamic countries where the religion base of society members and authorities is faith and Sharia, this will negate confidence and will lead to greater negative effects. There is need to accountability of authorities to citizens in order to prevent and reduce administrative and financial corruption, and this in turn requires accurate, timely and clear information. Then, we need a strong system of governmental accounting as information system in order to provide information. In governmental accounting, budget, budgeting and auditing are essential and budget performance report has been prepared with the aim of governmental accountability. Information must be presented in budget in a manner that observing it we can understand the actual performance of government and assess activities of governments [4].
5- Governmental Accounting and accountability:

GASB (Governmental Accounting Standards Board) defines public accountability as the most important purpose of financial reporting by governments and governmental agencies. According to Governmental Accounting Standards Board, financial report must provide information to help users on following cases:

- Assisting accountability
- Assisting in political, social and economic decision-making.

In other words, the financial report is expected to support not only the performance of public accountability but also, support economic, political and social decision making [15].

According to the fact that users’ needs in any financial reporting of accounting domain are different in terms of financial and governmental, it is clear that in the absence of standards and rules and regulations, reporting generally faces challenges that makes accountability role more and more prominent, due to lack of benefit in public sector and non-profit activities. The aim of governmental accounting standards and their reporting is to obtain information that evaluates public and users on the method of obtaining resources and use them sufficiently and correctly in order to supply cost of required services and government’s ability to provide new services. Maintaining and enhancing the quality of services that government provides to citizens requires appropriate information that is different from economic institutes’ information [6].

Developed countries such as America, Canada, Australia and New Zealand and some European countries have played a major role in development of accounting for many years through fundamental studies and scientific researches and have significantly effected on its evolution. These countries have implemented numerous studies on accounting and governmental financial reporting and have carried out reforms in accounting systems and governmental financial reporting, designing and implementing new governmental accounting systems. Since the early 80th century onwards, researches and studies have been implemented in order to improve quality and enhance the capabilities of accounting systems and governmental financial reporting with an emphasis on public accountability that its results have been presented in such countries late twentieth century and on the eve of twenty-first century. Fundamental developments of past two decades in accounting and governmental financial reporting that are not comparable with developments of preceding 80 years, have generally focused on promotion of public accountability of government. As a result, accounting system and governmental financial reporting of such countries have changed basically and desirably that are main tools of doing serious responsibility [1].

6- Accountability and decision-making, the main aims of Governmental Accounting:

Jorge [11] believes that the main aims of reporting in reports published by National Committee of Governmental Accounting, Governmental Accounting Standards Board and Central Government Accounting Standards Advisory Board or even other national frameworks include providing useful information on accountability and decision-making. But in the public sector, the accountability is more important. In fact, the priority is for international users and this is not surprising, since most of these frameworks have been developed by institutions that the reason for their existence and duties are related to external financial reporting. In their view, defining user needs in terms of accountability and decision-making is more challenging in public sector than private sector due to the large number of users.

For example, Jones [12] explains that accountability must implicitly include decision making, as Accountee cannot be considered completely passive, in that case, accountability becomes non-significant, or the relationship between Accountee and Accountor and explaining what a benefit have published financial statements in a subsequent decision making, will be uncertain.

Rutherford (1992) explains problems of these two aims, financial statements in public sector, that in public sector as in private sector, the assumptions is that the aim of reporting is to provide useful information for international users’ decision making. Specifically, he cites the conceptual framework of International Federation of Accountants (IFAC) and focusing on needs of international users, defines information on decision-making and resource consumption theory as important needs of users. Information relevant to decision-making and resource consumption is defined as the important needs of users. The information required for accountability is considered as important needs of users and has priority over decision making. According to Rutherford, delegation of decision making to second place may be due to bias of public sector conceptual framework towards accountability. Although, accountability term is vague despite its splendid appearance compared to clear concept of decision making in commercial sector, and cannot be used in defining characteristics of required information. Rutherford believes that if theoretical framework of public sector is designed in a manner that is comparable with its counterpart in commercial sector, it is necessary to explain the concept of accountability clearly and in detail. In addition, Rutherford concedes that conceptual framework of public sector has tended to Normative and Grammatical approach and discussions on information needs are based more on comparable prejudice than empirical research. Rutherford expects the bias towards instructional approach due to the inability of positive approach in identifying users of governmental accounting information and its needs. Rutherford explains that positive approach has had little success even in identification and classification of truly
international users who use financial statements. Rutherford explains that the problem has not been international users identification such as taxpayers and investors. Therefore, the main problem is in identifying decisions that users make according to the published financial statements. For example, consider a voter who must measure his interests according to political party of previous and next government and then decide. Whether the financial statements will provide additional required information for comparing previous and next governments or not, is not clear, and whether it is worth these information are worthy for spending time to study them or not, must be identified. There is no doubt that voter or any other user requires related data for governmental efficiency and effectiveness; but this is not enough reason for them to read this information. Even in full accrual reporting, obtaining information related to efficiency and effectiveness is difficult, since measuring non-quantity output is not really practical. In general, it seems that needs of users who are out of government is heterogeneous so that financial statements cannot satisfy their need to decision making. In fact, these statements are too general and aggregated. Therefore, according to Rutherford there is no logical reason that international users want to use financial statements and this is a reason for the fact that determining international users experimentally is quite difficult. Even if we introduce experts like news media and political analysts in the international group of users of public sector reports, identifying types of decisions that experts make based on financial statement are difficult. Rutherford even explains creditors who are absolutely foreign compared to public sector and creditors' investment risk is almost zero at the level of central government; because when government has a deficit at any time, it increases tax resources or other and almost never go bankrupt. Therefore, creditors do not need information like commercial sector to assess the risk of investment or their own borrowings. Rutherford also explains that there are differences between characteristics of public and commercial sector user societies. In public sector, the distinction between internal users (management) and international users is not clear as commercial sector. In public sector, there is a variety of intermediate users who are internal based on some aspects and are international based on other aspects; as legislators in governmental accounting of central governments that are considered internal in some aspects and international in other aspects.

7- The concept of accountability:

Accountability, particularly in the area of financial accountability has had relationship with accounting and governmental financial reporting from the government’s beginning. Although, the relationship between accounting and financial accountability is sufficiently strengthened from the establishment of parliamentary political systems and proportional to distribution and modulation of power, rulers have always used accounting system and financial reporting to manage issues. Accountability is a concept that is rooted in political belief that has recognized the right to know truths for citizens as main owners of rights. This belief is largely in the form of political systems based on separating powers and power distribution and modification and was emphasized in the Constitution of countries [2].

Public accountability is defined in dictionaries as follows:

"Requiring someone to explain and provide logical reasons for actions that has done” simply saying, accountability is a duty that people who do it provide convincing explanations and reasons for their responsibilities and provide required reports. Accountability encompasses two duties: one of them is to do defined actions and the other one is to response and provide logical reasons for the action that was performed. If someone is required to perform specific action, it is called responsibility. But if someone is required to provide report, it is called accountability. For example, a company’s board of directors on the one hand is responsible for proper use of resources that shareholders have provided and on the other hand they are accountable to provide reports on how management acts on mentioned resources. Essential elements of this process arise from the relationship between managers and shareholders; the relationship whereby the shareholders have the right to know and access information. In a democratic society, governments are elected by direct votes of people and legal representatives who were elected by people control government appropriately based on a parliamentary system using right tools. Accountability in democratic societies is based on the belief that people have a right to know as well as they have right to receive facts publicly and through public discussions with them and their representatives. In democratic governments, people ultimately have the power. Citizens delegate authority to their official representatives after elections. A power separation system is created between three powers (Executive, Legislative and Judiciary) in addition to authority delegation so that applying necessary controls establish a balance between three powers and prevent the possible abuse of power by people's representatives. In these governments, state is responsible as Executive power on assigned duties against Legislative power and both of them are accountable to citizens. In this system, government officials and public institutions are expected to be accountable for their performances and their results against citizens and their legal representatives. Accountability requires government to explain citizens on what they do. Carrying out this responsibility, the government must provide logical reasons on increase of public financing and the way of using resources, [1].
Since the registration and reporting needs judgment, therefore extent of authority must be considered for Accountor that is inevitable. Today’s accountability is far from registering accounts, and has become a symbol of desirability in both public and private sectors [7].

7-1 Types of accountability:
Stewart [13] defines accountability as such "ladder of responding" (accountability using standards is defined accountability using judgment)
1. Accountability for accuracy and compliance with law
2. Accountability of processes
3. Accountability of performance
4. Accountability of Program
5. Accountability of Policy

Jenkins & Gray [9] have introduced three different categories of accountability that result from a combination of various factors, including law, economics, industry, society and politics
1. Financial Accountability (combining economic logic and law and emphasis on accuracy, consistency and efficiency)
2. Management Accountability (it focuses on accountability for total organization in order to comply with rules and performance of provided services, under the legal, economic and technical rationale effect.)
3. Professional Accountability (social rationality combined with legal and technical rationality, focusing on responsibility for access, appropriateness and quality of offered services in order to consider customer requirements)

Guarini [10] differentiate on below cases based on measurement subject (individual local government efficiency, bunch effectiveness of local government agencies convergence) and data users (internal and external):
1. Accountability Management: (efficiency of Local Government, internal)
2. Accountability Partnership: (a group of organizations’ efficiency, internal critics)
3. Public Accountability: (local government efficiency, external Critics)
4. Government Accountability: (control) (group of organizations’ efficiency, external Critics)

8- The necessity of accountability:
The importance and necessity of accountability is arisen from its nature and laws. Since governments have achieved their power through people votes, therefore they have the people power to make decisions regarding them, then it is normal that people call for demands and the demands will be highlighted by democracy and communities’ republican [8].

Nature of the involuntarily relationship between financial resource providers and consumers of public financial resource is among the main reasons that makes essential public accountability, especially in governmental sector. A number of accounting thinkers such as Yuji Ayjyry, Robertson and Askaptr and Williams in 1987 declared that using theoretical framework based on accountability excels using framework based on decision-making in public accounting and even private sector. These experts believe that the advantage of accountability–based theoretical framework due to recognizing social nature is the relationship between citizens and government, as well as the relationship between shareholders and board of directors. Mc Kinney and Lawrence believe that using accountability–based theoretical framework is more important because more power will reach equilibrium with greater accountability. Some also believe that in the absence of a profit motive or governing regulation on the market, accountability can take a more important role in guiding management in order to guide management practice.

Professor Yuji, in his famous speech at Harvard University announced that accounting framework can be established based on decision making or accountability. Choosing any of these theoretical frameworks has great effects on work results. Ayjyry believes that in theoretical framework based on decision making, the aim of accounting is to provide useful information for economic decision making. More information is desirable provided that it is affordable and confidential information will be desirable provided that it is useful. In theoretical framework based on accountability, the aim of accounting is to establish a proper system of information flow between Accountor and Accountee or right owners. This framework is based on a two-way relationship. According to this relationship, Accountee has the right to know, as the Accountor has the right to distinguish a privacy law in disclosing his information [1].

9- Conclusions:
Governmental financial reporting and accounting system as effective tools of accountability assessment have attracted financial experts, government officials and politicians attention. The relationship between Accountor and Accountee process is defined and regulated between government and people on rules and regulations and means of transporting fiscal accountability of government to people who are government
Accountee is done through financial reporting and this type of report is prepared by accounting environment and financial reporting system and provided to public. Providing Governmental Accounting Standards and its implementation will make clearer financial reporting and complete accountability of government and presented financial information will have quality when they are prepared based on Governmental Accounting Standards.

REFERENCES