Toward A Unifying Framework For Budgetary Control And Accountability In The Public Sector

1Bilal Hama, 2Abd. Rahim Romle, PhD 3Namo Ezzat

1Bilal Esmail Hama, School of Government, Universiti Utara Malaysia, 06010 Sintok Kedah, Malaysia.
2Abd. Rahim Romle, PhD., School of Government, Universiti Utara Malaysia, 06010 Sintok Kedah, Malaysia.
3Namo Seerwan Ezzat, School of Law, Universiti Utara Malaysia, 06010 Sintok Kedah, Malaysia.

ABSTRACT

The system of budgetary control includes a variety of procedures, obligations and instruments which lead to change the workplace and offer better services and goods. The budgetary control process is compromised of budgeting, planning, controlling and evaluating, which provides a formal basis for monitoring and controlling, towards the achievement of the objectives specified in the budgeting and planning stages, thus providing evaluating and makes auditing as a component part in the process which is necessary to be able to make corrections to current operations and activities in order to meet the original objectives and plans. Furthermore, accountability is an essential element of good governance so the need for accountability and efficiency of service delivery in public organizations, put’s public organizations at the fore front in establishment of control systems. Hence it is necessary to explore the factors that determine and impact accountability in the public sector. This paper presents the relationships between budgetary control, planning, monitoring and controlling, auditing, and integrity with accountability in the public sector and their impact on accountability in the public sector is examined.

INTRODUCTION

In order to improve the public sector’s service quality, accountability should be intensified. So, there is a real necessity for the effect instrument for government to control and improve accountability among employees. Unifying a framework for budgetary control and its dimensions and accountability is a crucial issue. As mentioned by in [22] accountability is being driven down the organization to the level of the individual in both private and public sectors. Improving economic governance, fostering fiscal responsibility and combating corruption necessarily require strengthening the institutions of accountability and oversight in the budgetary process [34]. Controlling corruption and reaching to levels of integrity in the public sector are dependent on accountability. Furthermore, the foundations of public administration basically rely on accountability issues. Thus in a country with a highly accountable public organizations a low level of corruption could be expected while ensure accountability and control corruption in the public sector become a challenge for public management [5].

Referring to Apaza (2013) and Santiso [27] strengthening the accountability systems and the quality of the bureaucracy may effectively help in combating corruption. The issues like how to control the exercise of power in order to establish credible constraints on the abuse of power and checks on the misuse of authority is primarily concerned by accountability. They called accountability as an institutionalization of mistrust. Public administrative accountability relates to compliance with and conformity to rules and standards. It tends to be hierarchical/ vertical in form and applies to situations where there is a public governance enforcement mode. The focus of public administrative accountability is conformity to standard procedures, compliance with rules. It
is linked to political and legal accountability, having in common a vertical orientation with authoritative and legitimated jurisdiction [10].

Apaza [6] defines accountability as any situation in which individuals who exercise power are expected to be constrained by external means, i.e., reversal of decisions, dismissal, and judicial review and to a degree by internal norms, i.e., codes of ethics and professional training. As mentioned by in [13] accountability is the act of being held to account for actions through external scrutiny, justification, and sanctions where citizens can seek redress or remedy to rectify or resolve an issue.

Accountability is all about being answerable to those who have invested their trust, faith, and resources to you [12]. Problems of accountability associated with traditional modes of delivery involving centralised bureaucracies include cost padding, service diversion, limited responsiveness to local needs, limited access and high prices charged especially to the poor [7]. Accountability is primarily concerned with how to control the exercise of power in order to establish credible constraints on the abuse of power and checks on the misuse of authority [34]. Hence, accountability and the quality of bureaucracy are key elements for controlling corruption in public administration as [5].

As mentioned by Caiden (1998) in Santiso [34] the essence of accountability in the public sector is to answer for one’s responsibilities, to report, to explain, to give reasons, to respond, to assume obligations, to render a reckoning and to submit to an outside or external judgment. According to Cleare [13] without accountability, there is no assurance that the public agency or private contracted organization is delivering the appropriate services, being responsible stewards of taxpayer funds, and treating all clients fairly. To assure accountability and prevent corruption, public administrators need to implement control mechanisms which constrain bureaucrats’ behavior [6]. As mentioned by Barton [8], Humphrey, Miller, and Scapens, Mayston in Salleh and Khalid [33] accountability requires openness, transparency, information, and the agreement of responsibility for one's actions. The view of accountability takes into account all accounting and the operations of governments.

**Literature Review:**

**Budgetary controls:**

Budgetary controls is generally recognized as the main instrument for allocating resources to specific recurrent and development activities, but many developing countries paid little attention to budgetary controls. It is nevertheless also recognized that a country can have a sound budget and financial system and still fail to achieve its intended targets because of lack or weakness budgetary control. Moreover, budgeting and budgeting Control occupy an important place among techniques used in planning and control functions of an organization [2, 23].

Budgetary control is the process of establishment of budgets relating to various activities and comparing the budgeted figures with the actual performance. It is defined as a system which creates and utilizes budgets as a means of planning, controlling, monitoring and taking appropriate actions to achieve expected performance. Accordingly, there cannot be budgetary control without budgets, and budget and budgetary control system are the controlling tools of an institution's operations through establishment of standards and targets [17, 30]. As mentioned by in [38] budgetary control establishes responsibility, and compares the actual performance with budgets targets. From the above definitions the following basics of budgetary control could be revealed:

1. Establishment of objectives for each function and section of the organization.
2. Comparison of actual performance with budget.
3. Ascertainment of the causes for such deviations of actual from the budgeted performance.
4. Taking suitable corrective action from different available alternatives to achieve the desired objectives [30].

Tunji [38] and Adongo and Jagongo [2] indicate that budgetary control is part of the overall system of responsibility accounting within an organization and being at the center of increasing organizational efficiency, as costs and revenues are analyzed and controlled in accordance with areas of personal responsibilities of the budget holders through permitting financial monitoring. As mentioned by in [23] a budget provides a detailed plan of action for an organization over a specified period of time. By planning, problems are anticipated and solutions thought. This helps to reduce on costs and achievement of goals is enhanced.

**Benefits of budgetary controls:**

The benefits of budgetary controls are summarized by Adongo & Jagongo [2] and Periasamy [30] as follows:

1. It facilitates reduction of cost.
2. Budgetary control guides the management in planning and formulation of policies.
3. Budgetary control facilitates effective co-ordination of activities of the various departments and functions by setting their limits and goals.
4. It ensures maximization of profits through cost control and optimum utilization of resources.
5. It evaluates for the continuous review of performance of different budget centers.
6. It helps to the management efficient and economic production control.
7. It facilitates corrective actions, whenever there are inefficiencies and weaknesses comparing actual performance with budget.
8. It guides management in research and development.
9. It ensures economy in working.
10. It helps to adopt the principles of standard costing.
11. A budgetary control aims at maximization of profits or an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use.
12. Specific time aims; the plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal of the organization.
13. As a tool for measuring performance, budgetary controls provide comparisons between the budget targets and actual targets and deviation determined; performance of each department is reported to the top management which enables introduction of management by exception.

Objectives of budgetary controls:

Budgetary Control is planned to assist the management for policy formulation, planning, controlling and coordinating the general objectives of budgetary control and can be stated in the following ways:
1. Planning: A budget is a plan of action. Budgeting ensures a detailed plan of action for a business over a period of time.
2. Co-ordination: Budgetary control co-ordinates the various activities of the entity or organization and secure co-operation of all concerned towards the common goal.
3. Control: Control is necessary to ensure that plans and objectives are being achieved.

Control follows planning and co-ordination. No control performance is possible without predetermined standards. Thus, budgetary control makes control possible by continuous measures against predetermined targets [30].

Accountability:

Accountability is a very crucial good governance element and refers to holding government officials responsible for their actions in public management [31]. Adongo and Jagongo [2] explain that the need for accountability and efficiency of service delivery in public organizations, put’s public organizations at the forefront in establishment of control systems. Heerden and Steyn [24] express that the prevailing belief in the new public management is that improved effectiveness and efficiencies enhance accountability and eliminate corruption. They also illustrate that in the absence of accountability, incidents of corruption often occur.

According to Cleare [13] without accountability, there is no assurance that the public agency or private contracted organization is delivering the appropriate services, being responsible stewards of taxpayer funds, and treating all clients fairly. As mentioned by [8] in [33] accountability requires openness, transparency, information, and the agreement of responsibility for one’s actions. The view of accountability takes into account all accounting and the operations of governments. Accountability is the process via which a person, or group of people, can be held to account for their conduct [11]. It is discussed by that accountability focuses on the ability to account for the allocation, use and control of public expenditure and resources in accordance with legally accepted standards, regarding budgeting, accounting and auditing.

As mentioned by in [13] accountability is the act of being held to account for actions through external scrutiny, justification, and sanctions where citizens can seek redress or remedy to rectify or resolve an issue. With an increased emphasis on accountability, the concept has been defined in different ways from punishment or sanction to answerability and enforcement [1]. As Accountability is primarily concerned with how to control the exercise of power in order to establish credible constraints on the abuse of power and checks on the misuse of authority [34]. Chi-Chi ana Appah [12] believe that accountability is all about being answerable to those who have invested their trust, faith, and resources to you.

Accountability mechanisms can broadly be classified as either ‘horizontal’ or ‘vertical.’ The former can occur internally (for example, an internal audit within a government agency) and can be among equals (for example, legislators holding each other accountable). Horizontal mechanisms occur externally and involve one party holding another accountable and therefore exercising ‘superior authority’ or greater power [3]. Bovens [9] thinks that accountability refers to a specific set of social relations that can be studied empirically. According to
any coherent approach to the wide array of relationships of accountability seems to require a common questionnaire grid, structured around two fundamental criteria:

- Underpinnings: Why does the agency find itself accountable to any particular external stakeholder? Before being accountable we are first and foremost “held” accountable for our actions. The partner must therefore have legitimate grounds for holding us to account. Any denial of this reality risks driving agencies to develop a multitude of standardised tools and accountability procedures, without examining the various types of information requests they receive. How can we therefore characterise these different “reasons” for entering into a relationship of accountability?

- Tools: Which tools are effectively in place for asking an agency to provide information and ensuring that its activities are monitored by an external party? Has the external stakeholder agreed with the agency as to what type of information should be exchanged, depending on the type of standards to be met? To what extent do these external stakeholders have a systematic and public monitoring procedure, which enables them to influence agencies’ practices?

In practice, there are a number of different, but well established, accountabilities in the public sector. These include: public accountability, which summarized by Glynn and Murphy [18] as “those who are charged with drafting and/or carrying out policy should be obliged to give an explanation of their actions to the electorate”; financial accountability – this is perhaps the longest established accountability concentrating on the regularity with which resources entrusted to an agent have been managed; legal accountability, i.e. accountability to a court of law, or equivalent, for the exercise of powers; and managerial accountability, i.e. accountability by managers for the achievement of defined, and perhaps agreed, resource utilization objectives [11].

Public accountability:

As mentioned by Ayeni in Heerden & Steyn public accountability is being about how those who exercise powers in the name of the public fulfill their duties and obligations, and the process by which they are made to answer and account for their actions. Krishnan, Desai [15] and Barton [8] define public accountability as the obligation and the responsibility of public officials to explain and justify their conduct, performance and decisions to a stakeholder by using accountability mechanisms.

According to Bovens [9] public accountability is the hallmark of modern democratic governance, democracy remains a paper procedure if those in power cannot be held accountable in public for their acts and omissions, for their decisions, their policies, and their expenditures. Desai [15] illustrates public accountability is a powerful lever that can be used to improve the quality of governance. He believes that public accountability rests on four foundations; appropriate representation, citizen’s participation, legitimate conduct and liability enforcement.

Bracci [10] discusses that the focus of public administrative accountability is conformity to standard procedures, compliance with rules. It is linked to political and legal accountability, having in common a vertical orientation with authoritative and legitimated jurisdiction. Bovens [9] illustrates that the publicness of public accountability relates to at least two different features. First of all, ‘public’ relates to openness. The account giving is done in public, i.e. it is open or at least accessible to citizens. Therefore, we will only in passing take up the, often more informal, confidential, if not secret, forms of internal accountability. Secondly, public refers to the public sector. We will concentrate on public managers, on officials spending public money, exercising public authority, or managing a corporate body under public law. We will therefore not discuss the public accountabilities of managers of purely private entities in great detail. As mentioned by in [32] changes within the public sector have “fundamental implications for the structure and auditing of public accounts, as well as for the processes by which public servants are held to account”.

Barton [8] explains that there are two reasons for accountability in public sector

1. The reasons for the importance of accountability in the operation of government arise from the nature and role of governments in a democratic nation. Governments have sovereign powers over policy formulation and implementation.

2. The second major reason for openness and accountability of governments is that it puts pressure on them to manage their operations with acceptable efficiency and effectiveness. Where all the information, including cost information, is provided to parliament and the public, then parliamentary committees, opposition parties and the media can highlight areas of bad management and inefficiency and place pressure on the government to take appropriate remedial action.

Hypotheses Statement:

The relationship between budgetary control and accountability in the public sector:

Gadade and Wagh [17] describe budgetary control as the system of creating budgets, monitoring progress and taking appropriate actions to achieve expected performance. Controlling is one aspect of the budgetary control which facilitates reduction of cost and ensures maximization of profits through cost control and optimum utilization of resources [30,2]. Periasamy [30] shows that to make budgetary control successful, there should be
a proper delegation of authority and responsibility. And to obtain an effective budgetary control, proper periodic reporting system should be introduced which is done by accountability among public sector’s employee.

Preventing corruption is as complex as the phenomenon of corruption itself and a combination of accountability mechanisms and effective law enforcement mechanisms are needed for success. Public organizations need to be effective and accountable to the public. This means that there must be proper mechanisms of control as a way of assuring accountability and preventing corruption [5].

\[ H_1: \] There is a significant relationship between budgetary control and accountability in the public sector

The relationship between monitoring and controlling, and accountability in the public sector:

According to UNDP [39] monitoring may focus on tracking projects and the use of the agency’s resources. Joseph discusses that budgetary monitoring and control process assumes that expenditure must agree with the budgeted plans and maintains information about expenditure. Sevilla [35] believes that the rules should be driven by the need to ensure accountability in the use of public resources, allowing total audit coverage of public spending by external independent control. As mentioned by Briston in [23,27] the financial control and monitoring ensures efficient and cost-effective program implementation within a system of accountability.

Budget discipline in terms of control of budget deficits is only one aspect of public spending, although a very important one. Accountability of budget discipline and compliance with fiscal rules mean assuming responsibility if fiscal of targets are not met. Legality and efficiency in sub-national public spending have to be pursued by public managers and controlled and verified by control institutions [35]. Jones [21] indicates that personal accountability is found to be the core elements of internal control. Moreover, he thought that internal control is one of the most important mechanisms of delivering accountability and enables organisations to monitor and control their operations.

Referring to [35] policy/ program evaluation can be used by management as a management tool and also by internal and external controllers to assess whether the intended goals and improvement in performance delivery have been achieved, while maintaining appropriate accountability.

\[ H_2: \] There is a positive relationship between monitoring and accountability, and accountability in the public sector

The relationship between planning and accountability in the public sector:

Referring to [37] planning involves selecting objectives and action to achieve them. It is looking ahead and preparing for it, which links it to budgeting. Through planning the organization is able to assess where it is supposed to be in terms of objectives and goals. Planning is the process of setting goals, developing strategies, outlining the implementation arrangements and allocating resources to achieve those goals [39].

Vuthy and Craig [42] considered that planning is an instrument to enhance accountability in order to achieve the best possible pro-poor outcomes. In their study they found that the ability of planning to promote accountability has been continuously improved by the introduction and implementation of reform initiatives, and accountability of whom to whom depends on the type of planning. The plan is primarily a tool for management, to enable the systematic achievement of strategic objectives. It is also a key accountability mechanism with stakeholders [36]. Planning is a tool for promoting accountability between levels of government, between departments at the same level and between citizens and government [42].

\[ H_3: \] There is a positive relationship between planning and accountability in the public sector

The relationship between auditing and accountability in the public sector:

Goodson, Lapointe and Mory discuss that auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity. The public sector auditor’s role supports the governance responsibilities of oversight, insight, and foresight. Auditors have a key role to play in the development and monitoring of ensuring that public accountability and value for money are maintained [14].

Harmonisation [20] states all public-sector auditing contributes to good governance by enhancing accountability and transparency. Far from being a problem, public audit can play an important role in more accountable public services. Ahmad, Jusoff, Othman and Othman (2009) in their study found that the lack of audit staff is ranked as the major problem faced by internal auditors in conducting an effective internal auditing. This needs utmost consideration and attention of related parties such as the top management and the audit committee in their effort for sound governance and accountability in their organizations. Both internal and external audit promote good governance through contributions to transparency and accountability for the use of public resources [20]. Vanker [41] expressed that the purpose of public sector auditing is to enabling oversight,
accountability and governance in the public sector. Audits help ensure the economical, effective, and efficient utilisation of charitable funds and are a central accountability mechanism [36].

\[ H_4 \]: There is a positive relationship between auditing and accountability in the public sector

The relationship between integrity and accountability in the public sector:

According to Maesschalck [29] the integrity standards are should be done in such a way that public servants can be held accountable for their actions. The issues of globalization, transparency, integrity and improvement of government service delivery increase the need for governance and accountability [19].

Promoting integrity, both at the organizational and individual level, is a key component in a comprehensive strategy to prevent and fight corruption in the public sector. The establishment of a strong integrity framework is both a major challenge and a crucial step towards increasing the effectiveness and accountability of the public sector, as well as preventing corruption [40]. Dossing, Mokeki and Weideman [16] thought that integrity is one of the accountability’s elements. Moreover, they stated that integrity is an attribute of the overall performance of the system of checks and balances to control corruption. More specifically, integrity enforcement is about the existence of rules that aim to prevent corruption in relationships between the actors involved in service delivery.

\[ H_5 \]: There is a positive relationship between integrity and accountability in the public sector

Conclusion:

Diagram 1: Hypothesized Structural Model

Diagram 1 performs theoretical model on the relationships of five independent variables - budgetary control, planning, monitoring and controlling, auditing, and integrity - and dependent variable – accountability - in the public sector. This model describes clearly the relationship between the developed constructs. Thus, the proposed model in this study will give better understanding on the direct and indirect effects on the relationships between budgetary control, planning, monitoring and controlling, auditing, and integrity and accountability in the public sector. The developed model can be tested empirically to support the hypothesized relationship in the future investigation.

REFERENCES