

Inaugural address
ICAI Conference on
“Enhancing Accountability and Good Governance in
the Public Sector”
Ist November, 2004

Mr. Philippe Adhemar, Chairman Public Sector Committee,

Dignitaries on the dais,

Distinguished invitees,

Assembled delegates,

Ladies and Gentlemen

It gives me great pleasure to be with you this morning and inaugurate the Conference on “Enhancing Accountability and Good Governance in the Public Sector”. The Conference is to deliberate upon Efficiency, Productivity, Transparency, Accountability, Cost Competency and a host of other issues which would promote Accountability and Good Governance in the Public Sector. These various facets of Good Governance and Accountability are of supreme importance to developing economies like India which are endeavouring to bring cheer to the Common Man despite soaring oil prices. To have the Chairman and his colleagues of the Public Sector Committee of the International Federation of Accountants with us

today to share their thoughts and experiences is heartwarming. Institute of Chartered Accountants of India have done well to organize this Conference. I congratulate them.

Good Governance and Accountability have been ever green concepts engaging the attention of the ruler and the ruled across the globe and across the millennia. Much before Magna Carta and Bastille breakup the Middle Kingdom of China, the Great Indian Peninsula and Principalities of Greece and Rome had addressed issues of Good Governance and Accountability. These issues of Governance evolved kaleidoscopically mirror imaging changes in the expectations of the populace and forms of government. We all know that to begin with it was the king who was the repository of Good Governance as in the Kingdom of Heaven. In terra firma the Chinese emperor had the practice of hearing reports delivered by officials on changes in population in different regions, changes in the area cultivated, changes in the quantity of agricultural produce harvested etc. He also heard records of transactions of receipts and disbursements of money and grain.

Similarly, in India centuries before Christ, the Tamil Sage **Tiruvalluvar** had described an ideal ruler as

“A wise ruler is one who knows how to develop the resources of his kingdom, how to collect and guard his revenues and how to spend them wisely”.

These sporadic practices to govern well had no theoretical basis, textual validation, approved methodology or universal appeal. The natural linear progression was therefore codification of the practices. Kautilya did that in India in his famous treatise Artha Shastra. According to him men by nature were fickle and like horses changed themselves after being put to work. So he codified the processes of performance accounting to ensure Good Governance. Similarly, the Cameralists of Germany, who dominated the thinking in regard to Royal finances, codified the rules for administrative routine of fiscal departments.

Eventually codification yielded place to legislation with the arrival of the Parliament. The Common Man instead of the Crown emerged with new ideas of Good Governance. The representatives of the ruled carried these new ideas to conclusion through legislation in the Parliament. This metro culture of London and Paris was globalised through colonialism and mercantilism.

Two centuries of Good Governance in the West Minster model was inadequate when Soviet model emerged. Governments everywhere started investing in Steel and Tourism, Hotels and Hospitals to reach commanding heights in the economy. Naturally new ideas of governance were generated. Centralised planning, Cost control, Investment appraisals and a multitude of new practices emerged in favour of Accountability and Good Governance in

the industrial economy. Concomitantly the First World experimented with budgetary mechanisms and controls as a way to better life. Thus, economic planning paved the way for the State to become a producer and budgets became main tools of distribution and stabilization, a measure of good governance.

The offshoot of industrial economies is the advent of multi-national companies operating in several countries across time zones in a seamless manner and affecting millions of people. These new titans have sprouted Corporate Good Governance with emphasis on Accountability. The practices in Government sector and Commercial sector are converging in many countries to provide good governance and ensure Accountability, especially when the ownership is diffused and distant. In the process accrual accounting is becoming the bottom line.

In short the historical changes, sociological shifts and economic complexities have determined the size and shape and the colour and contour of Good Governance and Accountability. Accountability and Good Governance have been inseparable twins like heart and health. If one ticked well the other flourished well. And Accountability has been the heart of the matter in human development and economic history.

Like Governance, the concept of Accountability has also expanded with time. Initially it was merely Verification where the king had to protect the national wealth from his functionaries. **Kautilya** records

“Just as it is impossible not to taste honey or poison that one may find at the tip of one’s tongue so it is impossible for a Government official not to taste, at least a bit, of king’s wealth”.

So the king had to keep a check on his officials. **Kautilya** adds

“Just as it is impossible to know when a fish moving in water is drinking it so it is impossible to find out when a Government servant is misappropriating money”.

So the king had to be vigilant. He further adds

“It is possible to know even the path of birds flying in the sky but it is impossible to find the ways of Government servants who hide their dishonest income”.

So verification became a game of chess between the Ruler and bureaucracy and demands and designs of Accountability got calibrated.

Verification is perhaps a primordial instinct. It is not limited to Indian ethos or to Kautilya. It is jokingly said that when Adam was missing for a couple of hours and remained unaccounted Eve counted his ribs that night while he was asleep to assure herself that there was no other Eve and no rib was missing. The instincts of Adam and Eve have travelled down the ages

to Auditors and Accountants, Bureaucrats and Civil Society. They have evolved several checks and balances to counter the basic tendency to taste the honey belonging to the king. These are by and large in the system of Payments and Collections and storage of Valuables and Assets. Treasury Controllers, Paymaster Generals, Financial Advisors, Internal Auditors and the like constitute the land army to prevent any peace time plunder.

Accountability in the industrial empires especially in the post-war era expanded to include ideas of economy, efficiency and effectiveness. Policy Controls, Process Controls, Regulatory Controls and Result Controls were continually erected and sharpened. Programme Budgets, Performance Accounting, Pert Charts etc. arrived. Time slices of the budgets were sought to be matched with result slices of performance to produce the sandwich of prosperity. Efficiency, Productivity and Cost Competency became the objectives and remain with us till date. The short point of the exercise is achieving more with less. This economic quantitative objective has now been subsumed into the concept of Accountability and Good Governance.

Soaring ambitions of the people and globalization of economic activities has further transformed the meaning of Accountability. It is no more limited to quantitative techniques and financial inputs/outputs. In the contemporary world Governance and Accountability has several qualitative facets like Integrity, Responsiveness and Sustainability. Taxpayers as well

as Shareholders are expecting timely response as well as service with a smile. Sustainability of Good Governance is hinging upon the adoption of Accrual Concepts and inter-generational Accounts.

While the facets of Accountability have multiplied, the constituency which demands these objectives has enlarged. The ying yang between the ruler and the ruled has yielded place to an enlarged circle of stakeholders like Creditors and Civil Society, Stock Exchanges and Universities, International Community and Non-Governmental Organisations and Bankers and Academicians. Even Budgets which were ensuring distributive justice are now being enlarged to include participation by the stakeholding community for preference identification, conflict resolution and impact evaluation. The Civil Societies everywhere have drawn a leaf from Einstein to add fourth dimension like time and space to the concepts of good governance. Economy, Efficiency and Effectiveness have been enlarged to include Ethicality and Equity in Governance. The aspirations of the Common Man and the need for Social Security net have erected new pillars of Good Governance. I am happy to note that this conference is proposing to address all these quantitative and qualitative aspects of Good Governance and Accountability.

Just as Accounts and Accountability are related so are Documentation and Disclosure. Documentation in the books of accounts is not adequate for

modern Good Governance. There is a shrill demand for greater disclosure. Such disclosures are facilitated by standards. Standards also enable a common picture and comparison especially in the globalised world. Imagine Eve became reassured because human body has standardised number of ribs. But for the standard there would have been chaos right at the beginning of human history.

While Accounts and rules of book keeping enable information to Policy Makers or owners, Process Makers or managers and Taxpayers or Shareholders, the standards enable architecture of financial information according to the needs of the individual stakeholders. The technological mediations possible with computers enable data disaggregation and delivery, customised to the focused groups, enabling particular Accountability. Thus Standards and Information Technology techniques have given a fillip to expanding Accountability.

We, in Public Sector in India, are beneficiaries of the substantial contribution made by the Public Sector Committee of the International Federation of Accountants in the field of Standard Setting. The International Public Sector Committee on Standards addresses the Accounting, Auditing and Financial reporting needs of Government agencies. The Committee also issues and promotes bench mark guidance and conducts educational and research programmes. That this august Committee with its Chair is

available to us today augurs well for the Standard Setting Committees in this country. As Chairman of the Government Accounting Standards Advisory Board I am personally happy. I am also happy to share with the Committee and the audience here that the Comptroller and Auditor General of India has recently engaged a reputed Consultant to review the Conceptual Framework of Indian Government Accounts. So the visit of the Committee and its deliberations are of particular significance to us. The review group would be separately meeting the IPSAS Committee this afternoon.

I hope Mr. Philippe Adhemar and his colleagues have had a comfortable flight, happy landing and a warm reception. I am sure they will have a good stay and memorable technical discussions.

I congratulate the Institute of Chartered Accountants of India for organizing this timely conference and embedding in the conference the country perspectives for exchange of ideas.

Constancy and Change, Consolidation and Growth are inescapable facts of life. That this conference would enable that is my fervent hope.

Thank you for your patience and I wish you a very meaningful technical session.