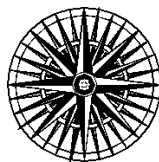


*Report to the World Bank infoDEV Programme*

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**From Accounting to Accountability:  
Managing Accounting Records  
as a Strategic Resource  
[infoDEV 980121-257]**

**Background Study Report: Literature Search and Interviews  
[funded by UK DfID ESCOR Research Programme/ESCOR R7063]**



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**August 1999**

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# Chapter 1 Introduction

## 1.1 Executive Summary

Organisations rarely see the connection between the breakdown or complete collapse of record systems and larger problems or failures of financial management. This study represents a significant initiative to bring attention to the deterioration of those records that should underpin financial management and thus provide a safeguard against corruption and fraud. The report relates the decline of record keeping systems to the different strategies adopted by donor agencies and developing countries to gain control over financial management processes, support financial accountability and reduce the spread of economic crimes.

In sub-Saharan Africa, financial management systems have deteriorated with serious implications for accountability. Evidence of this includes instances where corruption and thefts of government assets have gone unchecked. Many efforts to strengthen financial controls have failed because the fundamental structures needed to underpin them are often overlooked; this includes record keeping.

A case study carried out in The Gambia marks a significant step toward articulating the issues that relate record systems to accountability in sub-Saharan Africa. The research team had the unique opportunity to work with two Ghanaian prosecution lawyers involved in the Commissions of Inquiry to expose and prosecute corrupt activities involving state assets. First hand accounts were obtained detailing how records provide evidence in investigations and how they can be used to help ensure accountability in financial management practices. The experience of The Gambia sets the context of the report and makes clear the case for evidence, in the form of records, as the basis for accountability in the public sector (chapter 2).

In sub-Saharan Africa the instability of government institutions and the questionable sustainability of reforms remain impediments to the public sector's ability to function effectively and provide accountable and transparent government. There have been a variety of approaches to support greater financial accountability in the region. (chapter 3/3.1). In particular, recent research has shown that the effectiveness of government internal regulation makes a significant contribution toward the success of public sector financial management. Even when civil servants have appropriate technical skills, public servants have no incentive to make improved financial management systems work. Strengthening internal regulators may provide the necessary incentives (chapter 3/3.2).

There is a direct relationship between internal regulation and the more complete and accurate recording of government decisions and actions. Records provide evidence of compliance to regulations and records management rules provide the guarantees that the evidence is captured in a system and is readily available. Yet the need for records management and a records management regulator is not recognised. When government financial controls lack a records management component, they lose their capacity to retrieve information efficiently. (chapter 3/3.4)

Corruption has now become part of the debate on aid effectiveness and has become a significant driver in the demand for accountability (chapter 4). Experts in financial management and corruption control who were interviewed for this study all recognised that well-managed records systems are vital to the success of anti-corruption strategies. Records provide verifiable evidence of fraud and can lead investigators to the root of corruption. Moreover, well-managed records can help prevent corruption and fraud by acting as a credible and cost effective restraint. On the whole, prevention is much cheaper than prosecution (chapter 4/4.4).

A firmly established local demand for public sector information is a vital ingredient in achieving sustainable improvements. Where records are not requested or used, there will be no commitment by public servants to maintain the records and systems required for transparency. If poor governance and the absence of accountability are at the root of corruption, then poor records systems and low demand for information are at the root of the lack of transparency (chapter 4/4.5).

While most developing countries have the basics of a financial management system and some kind of a records management system, all too often they are simply not used effectively. Information users in developing countries do not appreciate the complexities of establishing and maintaining records systems. Organisations rarely see the connection between the breakdown or complete collapse of record systems and larger problems or failures of financial management (chapter 5).

Over the years, institutional development has resulted in a number of changing paradigms in public expenditure management (eg line item budgeting, performance budgeting, etc). Most governments have explored these approaches either in full or in part. Yet despite their having a strong impact on thinking, little progress was made in terms of actual implementation. A major factor contributing to these failures may have been that those responsible for bring about change ignored the importance of the fundamentals needed to underpin these paradigms. Record keeping is one of these fundamentals (chapter 5/5.2).

More recently, the World Bank and other donor and lending agencies are developing initiatives to reduce aid dependence and limit opportunities for corruption by strengthening local financial management capacity. The World Bank chaired Special Programme of Assistance to Africa (SPA) and the World Bank's Loan Administration Change Initiative (LACI) are examples. These initiatives provide an opportunity to draw attention to the importance of maintaining more accurate and timely financial record keeping systems to support accountability. However, they do not yet acknowledge that public sector administration in developing countries must have the record keeping capacity to manage the inputs and control the outputs that these initiatives require (chapter 5/5.2-5.3).

From the internal control and audit perspectives, the movement of records within the financial management structure should be prompt, seamless and secure. Records managers and those involved in the internal control and auditing process need to participate in designing systems, monitoring their operation, and recommending improvements. Accountants and auditors understand that records are needed for accountability. However, they and other senior public officials are only just beginning to recognise the need for records *management*. (chapter 6)

Financial legislation and regulations, which provide the foundation for designing financial management systems, tend to specify what records should be kept but not how to keep them. Records professionals in developing countries have not been trained to understand how legislation affects the creation and use of records, in particular financial records. Training and education are needed to enable a shift from pure implementation issues (eg modernising record keeping systems) to developing capacity for translating changing legal and regulatory requirements into practical systems. In addition, education is needed to create local capacity for applying new technologies to record keeping systems design (chapter 6/6.3).

The management of information generated electronically is often perceived as purely an information technology issue. However, programmers and information technology professionals are principally concerned with current systems and preparing for the next generation of systems. One role of records professionals is to ensure that the valuable evidence of transactions and decisions is preserved over time and remains accessible. Already there are chronic problems in accessing and reading records over time. This results in a growing number of instances of gaps in the evidence required for financial accountability. Solutions must be sought to translate emerging strategies for handling electronic records into practical and implementable terms if they are to be put into practice in developing countries (chapter 7/7.3).

The World Bank's financial accountability framework fails to take account of record keeping issues. This is best illustrated by the fact that accounting and auditing standards presuppose that adequate records exist, are in good condition and are accessible. By implication, they require that records should be organised and retrievable, but they do not specify how. The chaotic and collapsed state of record systems is one of the primary reasons why accounting standards will not easily be implemented in developing countries (chapter 7).

A phased approach is critical to bringing about records reforms (chapter 8). A number of steps must be taken if records are to support accountability efforts. These include:

- encouraging a culture for creating, maintaining and using records. This includes obtaining and retaining the commitment of legislators, senior public officials and high ranking civil servants to support programme development
- identifying and strengthening current records legislation and enacting legislation where it does not exist. This includes institutionalising records management through legislation (eg legislation that establishes a National Archives and National Records Service) and empowering records managers to enforce compliance with public sector record keeping requirements
- defining and implementing records related standards and introducing or strengthening the record keeping components of accounting and auditing standards
- developing financial management systems that explicitly incorporate a record keeping component

- developing assessment tools for consultants and donor and lending agencies to evaluate the capability of government record keeping systems to support financial management requirements. This includes tools to assess the vulnerability of records systems to corruption and fraud and guidance notes to government anti-corruption agencies on how to use records in their investigations
- supporting the role of national archives as a records management regulator. This includes imposing disciplinary action for poor record keeping as identified through audit and providing incentives for better records management.

## **1.2 Acknowledgements**

The support and courtesy extended by the UK Department for International Development (DfID), the officials of the government of The Gambia, the World Bank and several key research teams in the United Kingdom and United States and their willingness to explore a wide range of complex issues made the project productive and enjoyable. We should particularly like to thank the following individuals for the support they gave to the research team in The Gambia: Mr Omar H Alghali, Chief Justice; Mr Bright Akwetey and Mr Sammuell Tetteh Letsu, Principle State Counsels, The Justice Alghali Commission of Inquiry; Mrs Fataumatta Jallow-Gaye, Auditor General; Mrs Margaret Keita, Accountant General; and Mr Andrew Evborokhai, Director, National Records Service. We would also like to thank Professor Alan Doig, Commercial Development Unit, John Moores University, Liverpool; Mr Jeremy Pope, Executive Director, Transparency International; and Mr Mike Stevens, Principle Public Sector Management Specialist, PREM Network, The World Bank for their interest in the project and for their valuable comments.

We would also like to thank the legion of senior officials, researchers and others that contributed important insights and whose names are listed in Appendices C and D. Dr Ato Ghartey, Accountant General of Ghana (on secondment to the United Nations Programme for Accountability and Transparency UNDP PACT) and Dr Pino Akotia of the University of Ghana at Legon participated in all interviews in The Gambia and offered important insights.

## **1.3 Methodology**

This study has been undertaken by Kimberly Barata, Research Officer for the International Records Management Trust, under the supervision of Piers Cain, Director of Research, Development and Education for the Trust, and with the guidance of Dr Anne Thurston, Executive Director of the Trust.

### **Case Study in The Gambia**

Interviews with government officials were carried out in The Gambia to produce a pilot assessment tool to evaluate the effectiveness of public sector record systems to support financial management requirements. The fieldwork was needed to ensure that the tool accurately reflects the practical concerns and local realities for officials working within a developing country context.

The researcher spent two weeks in Banjul accompanied by the IRMT Director of Research and Development; a Ghanaian national with a PhD on financial records; and the Accountant General of Ghana (on secondment to the United National Development Program's Program for Accountability and Transparency [UNDP PACT]). The Accountant General and the financial records expert provided an invaluable 'reality check' on who should be interviewed, how interviews should be approached and whether the information obtained in those interviews was accurate, well-founded and related to local realities. The Trust's long standing involvement in The Gambia and the close working relationship established with government officials when making the documentary video *The Return to Democracy: Accountability and Documentary Evidence in The Gambia* (1997) ensured that the research team obtained access to the necessary officials and facilities.

The research team worked with two Ghanaian prosecution lawyers on assignment to The Gambia Commissions of Inquiry. The Accountant General, the Auditor General and the Chief Justice of The Gambia also participated along with senior members of their staff. Insights derived from these interviews both strengthened the development of the assessment tool and provided the foundation for the research carried out in the UK and US into the issues of accountability and anti-corruption.

The work programme involved:

- reviewing existing documentation, including reports and white papers of the Commissions of Inquiry, reports on financial records systems in The Gambia (prepared under a British technical assistance programme), relevant legislation, financial regulations, the accounting manual and the UNDP PACT Draft *Mission Guidelines*
- conducting on-site inspections of records in agencies with responsibility for revenue generation, financial management, expenditure control and audit
- interviewing the Accountant General, Auditor General, Permanent Secretary for Finance and Economic Affairs, Director of the National Records Service and senior members of their staff
- participating in workshop sessions with the prosecution lawyers for the Commissions of Inquiry to explore the records issues arising from the mismanagement of documentary evidence as a result of fraud and corruption and to consider the relationships between financial management, legal and record keeping requirements to support accountability
- producing a draft assessment tool for records management systems based on the requirements drawn from the relevant documentation, on-site inspections, interviews and workshops.

A draft assessment tool was produced as the primary output of this field study. The purpose of the study in The Gambia was to examine the financial management situation on the ground and assess how records management could best support this process to enhance accountability. This is the first time that the link between accountability, corruption and poorly kept financial records has been examined and the first time such an assessment tool has been produced.



The draft tool is included as Appendix A. The availability of this tool will enable governments and donor funded missions to determine the reliability of record keeping systems. The tool is divided into interrogatory sections that provide a context for particular records functions and explain their purpose. A structured checklist follows these sections. It is designed in questionnaire format to better structure the material for the evaluation report.

The IRMT Director of Research, together with other IRMT staff and consultants visited The Gambia in 1999 as part of a DfID capacity building project. For the sake of completeness, additional material obtained during that exercise has been incorporated into this report.

## **Literature review and interviews**

A literature review was carried out to set the study in the context of current thinking on development, governance, accountability, corruption, and financial and records management issues. It involved both a conventional and Internet search of the literature of multilateral donors such as the World Bank, IMF and UNDP as well as national agencies such as UK DfID, USAID and DANIDA. The reports, manuals and publications of professional accounting and audit bodies were also of relevance. These include: the International Organisation of Supreme Audit Institutions (INTOSAI) Committee on Accounting Standards, the International Federation of Accountants (IFAC), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Canadian Institute of Chartered Accountants (CICA) and the UK National Audit Office (NAO). Finally, relevant records management literature was also consulted.

Interviews were carried out with representatives of donor and lending agencies (eg the UK DfID, USAid, and the IMF) NGOs (eg Transparency International (TI)), university departments in the UK and USA engaged in research into accountability and anti-corruption issues (eg John Moores University Liverpool, and the Universities of Staffordshire, Manchester and Cardiff in the United Kingdom and the University of Maryland at College Park in the United States). Other relevant organisations, such as the International Chamber of Commerce (ICC), the UK National Audit Office (NAO) and the Chartered Institute of Public Finance and Accountancy (CIPFA) also participated in interviews. A comprehensive list of individuals interviewed is included in Appendix C.

Finally, the research officer visited the World Bank headquarters to consult public sector financial management analysts, make use of the Bank's extensive libraries, and work with one of the authors of the UNDP's draft *Country Assessment in Accountability and Transparency* guidelines. The latter was used as a framework for the development of the assessment tool.<sup>1</sup>

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<sup>1</sup> *Country Assessment in Accountability and Transparency (or: Mission Guidelines for Financial Accountability and Transparency)*, draft proposal by Anthony M Hegarty for UNDP Management Development and Governance Division, Programme for Accountability and Transparency (PACT), February 1997 (a subsequent final draft was issued in May 1998, by Dr Ato Gharthey, UNDP PACT). The study will also make use of the *Financial Accounting Reporting and Auditing Handbook*, Central and Operational Accounting Division, The World Bank, January 1995.

## **Chapter 2 The Gambia: A Case Study**

### **2.1 The Significance of The Gambia as a Test Site**

The research carried out in The Gambia marks the first significant step toward establishing, in a practical, concrete manner, the relationship between the breakdown or complete collapse of record systems and larger problems or failures of financial management. The research team draws on the work of two Ghanaian prosecution lawyers on secondment to The Gambian Commissions of Inquiry to expose and prosecute corrupt activities involving state assets.<sup>2</sup> First hand accounts illustrate how records provide evidence in investigations and how they establish accountability in financial management practices.

Interviews with the Accountant General, Auditor General and the Chief Justice of The Gambia and senior members of their staff provide important insights into the legal and regulatory framework that supports financial record keeping. Discussions also reveal problems in financial management, which have led to a break down in the quality and quantity of records being kept.

The primary objective of the field study is to develop the records management assessment tool. Its design draws heavily on the realities observed and is intended to address directly the shortcomings that were exposed during interviews, through site inspections and through a review of the legislation and financial regulations. The intent is for this tool to serve as the basis for on-going research to develop methods for strengthening record systems and minimising opportunities for fraud to occur in systems.

The case study sets the context for the report. It is meant to encapsulate the problems and illustrate many of the issues that are dealt with in the chapters that follow. The assessment tool builds practically on the issues discussed and provides a framework to begin to determine how to restore and strengthen systems.

#### **The Gambia and the Commissions of Inquiry**

The experience of the Republic of The Gambia makes the case for evidence as the basis for state accountability starkly clear.

The Gambia is the smallest country in sub-Saharan Africa, with only 11,300 square kilometres. It lies on the banks of The Gambia River in the westernmost part of Africa and is almost an enclave of Senegal except on its narrow Atlantic coast. Its estimated 1998 population of 1.3 million is the fifth smallest on the continent.

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<sup>2</sup> The case study draws primarily upon interviews with, and sources provided by, Bright Akwetey and Sammuell Tetteh Letsu, Principal State Councils to The Gambia Commissions of Inquiry, as part of the work programme carried out in The Gambia. Other interviews in The Gambia provided important insights and are listed in Appendix C.

Despite its small size the population is diverse; there are five major ethnic groups and several minor ones, each with its own distinct language.<sup>3</sup> Approximately 90% of the population are Moslem, 9% are Christian (mainly in the capital city Banjul), and the remaining 1% follow traditional beliefs. The illiteracy rate is very high (approximately 62% according to 1995 estimates) and the per capita income are rated amongst the lowest in the world.<sup>4</sup>

Until 1994, The Gambia was hailed as one of the few multiparty democracies in Africa with a government *officially* committed to a programme of good governance. Gambians enjoyed constitutionally guaranteed freedoms of speech, religion and the press. Yet one party, the People's Progressive Party (PPP), completely dominated politics from the Gambia's independence from the United Kingdom in 1965 to the 1994 coup. Sir Dawada Jawara of the PPP was the country's only leader. During this time The Gambia enjoyed political stability, with one exception: an abortive attempted coup d'état in July 1981 carried out by the then paramilitary Field Force that left an estimated 1,000 Gambians dead. The eight-day uprising was finally put down by 1500 Senegalese troops called in by Jawara under a mutual defence treaty. In the wake of the coup attempt, The Gambia and Senegal formed the Senegambia Confederation, which was dissolved in September 1989 following irreconcilable differences between the parties.

Since the late 1970s economic deterioration has become widespread and even self-perpetuating in sub-Saharan Africa and The Gambia was no exception. By 1985 the country was troubled by a host of economic difficulties, including:

- external arrears exceeded 50 per cent
- foreign debt was approaching 250 per cent
- the current account deficit on the balance of payments was more than 30 per cent
- the public sector budget deficit was around 25 per cent
- inflation was accelerating
- real per capita income was declining
- currency substitution was well advanced
- the country's international creditworthiness had evaporated
- donors had suspended all aid except for humanitarian assistance.<sup>5</sup>

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<sup>3</sup> Including Mandinka 42%, Fula 18%, Wolof 16%, Jola 10% and Serahuli 9%. <http://www.odci.gov/cia/publications/factbook/ga.html> [checked 30 March 1999]

<sup>4</sup> <http://home3.inet.tele.dk/mcamara/gam.html> [checked 30 March 1999]

<sup>5</sup> Malcolm F. McPherson and Steven C. Radelet, eds. *Economic Recovery in The Gambia: Insights for Adjustment in Sub-Saharan Africa*. (Cambridge, MA: Harvard University Press, 1995): 8-9.

The crisis in The Gambia evolved over several years. Many of the fundamental problems were well known to the government and its advisors, but action was delayed. As was the case throughout Africa, institutional problems were far more serious than originally anticipated, for example: mediocre leadership, the absence of ‘agencies of constraint,’ and a general lack of accountability (due to cronyism, nepotism, opportunism and corruption).<sup>6</sup> Many Gambian officials and ordinary citizens recognised that there were abuses within the system and that, in reality, the government was not accountable to the people.<sup>7</sup>

On 22 July 1994 four junior military officers led a successful coup d’état against President Jawara. The Armed Forces Provisional Ruling Council (AFPRC), led by Lieutenant Yaya A J J J Jammeh and three other lieutenants, replaced the civilian government in The Gambia and immediately established a military ruling council, suspended the constitution<sup>8</sup> and banned all political parties. The coup was the result of internal problems in the army and the government’s security and defence policies (ie their unhappiness over late pay and discontent with the Nigerian soldiers who held commanding positions in the Gambian army); it was not the result of economic dissatisfaction. However, the military officers, under the leadership of Lieutenant Y Jammeh, alleged rampant corruption and incompetence as the main reason for overthrowing the Jawara government.

The public’s initial support for the coup did partially reflect economic concerns, including the absence of sustained development and the increase in corruption. Many citizens were dismayed by the Jawara regime’s thirty-year hold on power and outraged at the apparent increase in corruption.<sup>9</sup> As a result, many Gambians were not unhappy to see Jawara deposed. The international community, however, condemned the take over because Jawara had managed to establish an international reputation for adherence to democratic rule and human rights.

As a result of intense pressure during its turbulent first year in power, the new government pledged itself to eliminating corruption. It, therefore, took a number of steps to enhance transparency and promote accountability, including strengthening the role of the Auditor General and holding Commissions of Inquiry to identify areas of economic crime.

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<sup>6</sup> McPherson and Radelet, 6.

<sup>7</sup> In-depth information about the state of financial management prior to 1994 can be found in: Clive S. Gray and Deborah A. Hoover. ‘Capacity Improvement in the Ministry of Finance.’ In Malcolm F. McPherson and Steven C Radelet, eds. *Economic Recovery in The Gambia: Insights for Adjustment in Sub-Saharan Africa*. (Cambridge, MA: Harvard University Press, 1995); Katherine Marshall. ‘Vision and Relationships in the International Aid World: The Gambia-World Bank Kairaba Partnership Forum.’ *Development Discussion Paper* No. 602. (Cambridge, MA: Harvard Institute for International Development, September 1997).

<sup>8</sup> The Constitution was written on 24 April 1970; suspended in July 1994; rewritten and approved by national referendum on 8 August 1996; reestablished in January 1997.

<sup>9</sup>: ‘...especially because corruption apparently had diminished in the latter half of the 1980s, first as the country ran out of foreign exchange reserves, then later when the government was under the close scrutiny of the IMF. ... For example, during the height of the economic crisis [in the later half of the 1980s], Jawara reacted quickly and forcefully to abate rent seeking in customs administration with it threatened the budget and the stabilisation programme. Customs corruption remained under control for several years. When it began to re-emerge, Jawara took some action, but not as forcefully as before, and there was little impact. By the early 1990s, with the budget deficit mainly under control, donor support secure, and IMF oversight withdrawn, customs corruption emerged on a wide scale. At this stage, the President failed to take any action to address the problem.’ Malcolm F. McPherson and Steven C. Radelet;:315.

In November 1994 the Government established Commissions of Inquiry into public officers' assets, Government Departments, Public Co-operations, land administration and donated crude and refined oil. Although Gambian police investigators and court personnel provided the infrastructures for the Commissions, the Chief Prosecutors came from Ghana. The Commissions were chaired by Judges, operated within the court system and followed due legal process. Moreover, the Commissions have been linked to the Auditor General's Department and the Accountant General has also participated as a member of one of the Commissions. By January 1998, they had been sitting for nearly three years and had painstakingly documented the mechanisms for defrauding the state of its assets.

In the course of these activities the lawyers have had the full authority of the government to investigate corruption cases throughout all agencies involved in public sector finance. They have been able to identify loopholes in financial systems and observe the way in which the lack of control of documentary evidence contributes to weak financial controls.

The work of the Ghanaian prosecution lawyers drew to a close in early 1998. The lawyers' understanding of the areas in which fraud can be perpetuated enabled them to make a significant contribution to the development of the assessment tool.<sup>10</sup>

## 2.2 The Case Study

### **The legal framework and financial record keeping compliance**

In The Gambia the *National Records Service Act of 1994* made provisions for the proper management of public records. Section 14 of this Act states that officers within the public service and other institutions are charged with establishing good record keeping practices and making arrangements for the appropriate storage of records in their custody.

This Act builds on a fundamental concern in The Gambia for keeping and controlling accounting and financial records as implicit in Section 109 of the *Constitution Act of the Republic of The Gambia* which sets out the principal duties of the Auditor General. Sub-section (3) provides for 'access to all books, records, returns, reports and other documents.' Strengthening this, the *Finance and Audit Act* gives the Auditor General the power to search any 'book, document or record' in a public office (Section 14 (1) (c)) and to have access to all 'books, vouchers, documents... or other Government property of any kind whatsoever' held by a public officer (Section 14 (2)).

These provisions indirectly impose an obligation on ministries and departments to ensure that financial and accounting records are adequately kept and managed in order to facilitate the audit function and the exercise of search and access rights by the Auditor General. However, government agencies do not appear to fully recognise the nexus between this obligation and good records management.

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<sup>10</sup> Others involved in the work of the Commissions and in government financial management provided meaningful and important insights into the record keeping requirements for the assessment tool.

Under Section 16 (1) and 17 (1) of the Act, the President is able to extend indefinitely the periods within which the government accounts and the certified accounts and audit report are to be submitted by the Accountant General and the Auditor General respectively. This has significant consequences for the management of financial and accounting records, in particular those records that must be retained until the accounts and audit report are accepted. Such an extension serves to negate the purpose of any records disposal programme and carries with it a cost penalty in terms of the resources required to store and maintain records that would otherwise be destroyed.

Furthermore, Section 24 (1) of the Act gives the Minister of Finance and Economic Affairs authority to issue financial instructions for the proper keeping of financial and accounting records and, by implication, the Minister also has the responsibility to ensure that the instructions are carried out. The financial instructions need to be linked with records management if the Minister's authority is to be effective in this area.

The Act requires ministries and departments, either implicitly or, through the issue of financial instructions, explicitly, to meet certain standards in record keeping. The issue of introducing sanctions to enforce these requirements was considered by a Working Party on Financial and Accounting Records<sup>11</sup> and discussed with senior management and heads of key departments, including the Accountant General and Auditor General. There was broad agreement in principle with a proposal to introduce sanctions. These were seen as reinforcing what would essentially be a record keeping system based on good practice, professional training and commitment. Previously, in July 1993, the Ministry of Finance and Economic Affairs issued a circular to all Permanent Secretaries advising that in future the release of funds would be conditional on timely reconciliation of Vote Charge Books against the Monthly General Ledger. However, it was acknowledged that this had experienced limited success.

Records arising under the operation of the *Income Tax Act* are the specific responsibility of the Central Revenue Department (CRD). The requirement to treat all records as secret and confidential (Section 4 (1)) and to communicate information contained in the records only to an authorised person (Section 4 (2)) carries with it the need for the proper control, storage and handling of records within the Department.

Section 64 of the Act states that additional assessments may be instituted up to six years from the original year of assessment. This allows income tax records to be treated as semi-current records after six years. Whether this would permit the destruction of such records after that period is a matter that has to be considered in relation to Section 36 of the *Limitation Act* which provides for no time limit on the recovery of a tax or duty or interest on a tax or duty. The CRD was to have clarified this with the Solicitor General because there are clear implications for records management, in particular the additional resources that would be needed to meet any long-term retention period.

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<sup>11</sup> This working party was established in October 1994 to assist with the review and implementation of measures relating to financial records. Membership is comprised of National Records Service (NRS) staff and a representative from the Accountant General's Department. Meetings held from October to December 1994 dealt with arrangements for a financial records survey, planning and review of workshop activities, restructuring the Records Office of the Accountant General's Department, refurbishment of the Accountant General's Department's records store and drafting disposal schedules.

The *Financial Instructions* are issued by the Minister of Finance and Economic Affairs under powers conferred by Section 24 of the *Finance and Audit Act*. They place responsibility on the Accountant General, accounting officers and other government officers for accounting for government moneys, revenue, expenditure and assets and keeping of financial records.

The *Accounting Manual* is issued under *Financial Instructions 0111*. It sets out the responsibilities and roles of the Accounting Officers and officers of the government accounting service in the ministries and departments. The Manual details the operating procedures for the central and departmental accounting systems, the computerised payroll system, sub-treasuries and the design and use of accounting forms. While the procedures are comprehensive in describing the purpose, creation, use and distribution of certain financial records within the system, little or no guidance is provided on the control, storage or disposal of records in order to meet the audit, accountability and financial management needs of government. Despite the requirement that accountants and their staff should be fully conversant with the contents of the Manual, many officers revealed a lack of knowledge in this area.

The *Audit Manual* is issued under the general powers of the Auditor General conferred by Section 109 of the *Constitution Act* and the *Finance and Audit Act*. In addition to audit procedures the Manual makes clear the expectations of the Audit Department regarding the availability of and access to records.

Despite these legal and regulatory provisions, public sector financial record keeping systems fail to adhere to a proper structure and order. Overall, the financial and accounting records system is highly bureaucratic, paper intensive and inefficient. Although comprehensive in scope, the system is not fully applied (eg inventories and write-off registers were not being kept) and lacks professional records management support.

Much of the problem stems from the fact that accounting records in the Accountant General's Department and the ministries and departments throughout the Civil Service are managed by officers of the government accounting service who have no records management training. Members of the Records Management cadre who staff records offices have only received local training.<sup>12</sup>

Concern for the apparent abandonment of financial records management responsibilities was expressed by many of the individuals interviewed. The absence of certain records and the inability to produce records for audit appear to support their views. A commitment to the system from those responsible for government financial management is essential if the creation, control, retrieval and authorised disposal of audible records are to be achieved.

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<sup>12</sup> International Records Management Trust consultants have drafted guidelines on managing financial records and scheduling them for destruction, but neither of these have been implemented by The Gambia Government. The Trust's guidelines for financial records management were at a very early stage when technical assistance to The Gambia was suspended. Phase II of The Gambia Project (scheduled for early 1999) will revise and issue them.

For auditors, who are the linchpin of the whole system, the disorganised state of the present financial records system is a major deterrent to achieving their mandate. As the Auditor General stated, audit is all about promoting and upholding public accountability. Auditors have to review a whole range of financial statements, financial systems and now with the mandate to conduct performance audits, they have to review management practices. This is where documentary evidence is crucial. In the absence of records as evidence, an audit cannot proceed, which is what the Auditor General's Office is currently experiencing. Whenever the office embarks on an audit the first constraint faced is that records are either not there or, if they are, they are disorganised.

Furthermore, the internal audit function does not appear to be effective in securing compliance with existing accounting procedures. The Internal Audit Unit was established under the Ministry of Finance and Economic Affairs to provide appraisal of control systems and to assist Accounting Officers in fulfilling their responsibilities. The *Audit Manual* stipulates that there should be an independent appraisal within the organisation to examine, evaluate and report on accounting, financial and other operations as a service to management. However, the Internal Audit Unit is, in fact, employed on budgetary control duties and supplying internal expenditure checks on day-to-day transactions. The Auditor General's Office has emphasised the need to define the Internal Audit Unit's role more clearly and return it to its original purpose.

### **Current financial systems**

The main processes begin in the department's accounting units and at sub-treasuries, where payments are authorised and revenue is collected, and end when vouchers are stored following payment and the preparation of the general ledger.

The main documentation flows examined were:

- Payments
- Revenue
- Payroll
- Pensions

The Financial Instructions (1989 Edition) and the Accounting Manual (1990 Edition) provide the basic rules and guidance for the operation of central government accounting systems. In some respects these are out of date, but they provide a framework for understanding and recording financial systems.

### ***Payments*** (see Chapter 1, Annex A and B)

The Accountant General has prime responsibility for the maintenance of central and departmental accounting systems and is responsible to the Permanent Secretary, Department of State for Finance and Economic Affairs (DFEA). Expenditure is controlled through



Departmental Estimates and Quarterly Allocations to Departments by DFEA. The Internal Audit Unit that reports directly to DFEA exercises day-to-day control of expenditure.

The Accountant General is divided into two main units: the Treasury Unit responsible for Verification and Payment, and the Accounting Unit responsible for the General Ledger Accounts. The Data Processing and Information Unit processes the payment vouchers after payment and produces the monthly General Ledger printouts. From these printouts all payments can be identified by batch number (original Payment Voucher), and Treasury Payment Voucher Number (duplicate Payment Vouchers and supporting documents).

The recording of vouchers in the Accountant General's Department (AGD) is very thorough. At each stage staff record every voucher in registers, called Waybooks. From the Accounting Unit in the Departments to the Cashier in the Accountant General's Department, every payment voucher is recorded at least six times.

### ***Revenue*** (Chapter 1, Annex C)

The major sources of income are from the Central Revenue Department (taxes on income) and Customs and Excise (taxes on goods and services, and international trade). Most of the other Departments receive income from various sources. The Accounting Unit exercises strict control over the issue of General Triplicate Receipt books and only these books or other approved forms of receipt may be used.

Receipts are recorded in the Departments' Revenue Collector's Cash Book and are paid into the bank daily. The Treasury Unit of the Accountant General's Department also receives revenue directly and keep their own Revenue Collection book. The main Revenue Cash Book maintained by the Treasury Unit contains details of receipts from all sources. As for payment vouchers, the Accounting Unit and Data Processing and Information Unit perform the accounting and data processing of receipt vouchers, respectively.

### ***Payroll*** (Chapter 1, Annex D and E)

All appointments and changes to the centralised payroll system flow through the Treasury Unit Payroll Section on Salary Input Forms prepared by the employing Department. The Payroll Section validates these forms against copy documents received from the Personnel Management Office. After processing, the Payroll Unit checks all payroll changes against the Master File printouts.

### ***Pensions*** (Chapter 1, Annex F)

Details of all approved pensions are maintained on the computer Master File maintained by the Data Processing and Information Unit. Pensions are not paid automatically but must be claimed each month, quarterly or half-yearly, depending on the frequency of payment. The Treasury Unit Pensions Section checks every claim against the Master File before payment. There are control weaknesses in the current system and these are being pursued by the National Audit Office.

## **Perspectives on key financial management concerns**

### ***Financial policy perspective***

The Government of the Gambia is embarking on a programme to strengthen its financial management functions over the next few years. The priority areas include:

- improved statistical information for financial management, both from the Treasury system and from sectors responsible for economic management, including Customs, Inland Revenue and Trade
- the development of a medium term macro-economic framework
- improved cash management. At present the Treasury is unable to reconcile its figures with those of the Central Bank
- the introduction of a system of programme budgets for sectors, to be completed by the end of 2001. The lead sectors are education, health and agriculture
- improving the budgeting for pensions expenditure.

Many functions formerly carried out on paper have been or will be computerised. These include:

- inland revenue (this is already operational)
- national budget
- network links between the Treasury and the Central Bank
- debt management (operational)
- accounting (in the procurement stage)
- public investment programme
- customs (ASYCUDA and Sales Tax – these systems are operational)
- statistical system in the Central Statistics Department.

Despite these changes, there will continue to be large quantities of paper within the system. Improvements in the management of paper records is regarded as necessary to support government objectives.

### ***Audit perspective***

Auditors reported that weaknesses in the management of financial records have a significant impact on their ability to conduct efficient audits. Specifically, concerns were raised about:

- lack of security and control of documents, creating opportunities to conceal fraud. The records in sub-treasuries were less of a problem, except where it was necessary to retrieve older documents
- staff not being held responsible for keeping records in good order or for accounting for missing documents
- delays of up to five weeks in retrieving vouchers in the Treasury Unit
- weaknesses in the tracking of vouchers in the Treasury Unit
- weaknesses in the Office of Attorney General in recording property, moveable goods and bank accounts of deceased who die intestate, with the result that the beneficiaries may not receive their entitlement
- weaknesses in recording goods seized by the Supreme Court in lieu of payment
- weaknesses in the Workman's Compensation payment records in the Department of Labour
- problems in reconciling imprest account records (especially overseas imprests) between those held in the Personnel Management Officer and the Treasury Unit.

### *Accounting perspective*

Permanent secretaries complain that they do not have access to adequate information to make financial decisions. This is attributed to delays in receiving accounting information from the Treasury Unit, insufficient accounts staff in the ministry, poor education and low capacity of staff in the accounting cadre, and an absence of any training or guidance to the accounting cadre on the keeping of financial records. In the absence of well maintained financial records, accounting staff recently assigned to the ministry are unable to familiarise themselves quickly with the ministries' finances. This can be a problem where accounts staff have absconded or have been transferred at short notice.

The accuracy of the civil service and pensions payroll is a cause of serious concern. In particular, there are problems with:

- staff being paid a higher salary than their grade allows
- incorrect payments of allowances
- staff continuing to be paid from the payroll after they have left the service
- pensions continuing to be paid after the pensioner has died.

Accountants assigned to department report concerns over the management or availability of financial records:

- Since April 1997 no ledger print outs from the computerised accounting system have been sent by the Accounting Unit in the Accountant General's Office to departments. Accountants are unable to reconcile the print out with their Vote Charge Book, with the consequent risk of undetected fraud or error. Also the ministries are unable to keep track of their expenditure.
- Delays in retrieving duplicate vouchers and supporting documentation from the Accountant General. These delays were estimated to vary from as little of thirty minutes to one day for vouchers recently sent to the Internal Audit Unit; two to three days for vouchers three months old; four to five days for vouchers up to one year old and two to three weeks for voucher over one year. Accountants cannot deal efficiently with queries on previous transactions.
- Delays in making payments. In particular, accountants in line ministries may only become aware that a payment has been held up in Internal Audit when the unpaid vouchers are returned to them at the end of the year. As a consequence suppliers are reluctant to provide goods on credit, the credibility of government in the eyes of the business community is impaired and local businesses may suffer.

### **Computerisation and financial records in The Gambia**

The opportunities for better use of government information and the parallel threat of the loss of control of documentary evidence are issues facing governments around the world. Despite difficulties with intermittent power supplies, lack of trained computer personnel, problems with accurate source data and vulnerability to hackers, The Gambia is steadily computerising its financial information systems. Undoubtedly many of the loopholes in financial control will be closed and there will be significant efficiency gains. However, the integrity and security of documentary evidence, which has been the basis for the return to democracy, will have to be protected if accountability is to be safeguarded.

Currently, the procedures for backing up data varies widely from department to department. The Payroll and General Ledger system in the Accountant General's Department is backed up and 'grandfathered' regularly. There are approximately 400 14.5MB (8x4 inch) data tape cartridges dating back to the start of the system in 1989. Some areas such as the Central Statistical Department and the GAMTAXNET system are backed up daily. However, in the latter case the only copies are held in the Commissioner's filing cabinet. In other areas the need for frequent back ups is not so well appreciated. The ASYCUDA system in the Customs and Excise Department lost data for the period January – October 1998. As a consequence the Ministry of Finance had difficulties supplying data required for an IMF mission. The Internal Audit Unit also reported loss of data with their pilot system for recording daily expenditure and receipts. The National Records Service is considering creating a secure off-site storage service for government departments to enable electronic records from strategic financial system to be restored in the event of a disaster such as a fire in the Central Revenue Department.

## **The Commissions of Inquiry**

The issue of economic crimes or white-collar crimes is a widespread phenomenon in Africa. Various public officers acquire wealth by illegal or dishonest means. In The Gambia, the lack of record keeping was deliberately chaotic and was done in order to prevent anyone from following the trail. Although the financial instructions were clear, managers overrode controls to achieve personal financial gains. The thefts, which effectively disenfranchised the people of The Gambia, covered the whole spectrum of public sector finance.

For the Commissions of Inquiry, records have played a vital role in enabling investigators to reveal what had gone before. In an inquiry, the whole system depends upon the availability of documentary evidence. Individuals are prosecuted on the basis of evidence from a wide range of sources. For example, their salaries are compared to their expenditure as documented in bank statements, police vehicle licensing records, land records and other sources of evidence. Most of the public officers investigated by the Commission lived beyond their means by embezzling government funds. Other methods of detection have included examining documents for evidence of tampering by comparing them with supporting documentation. Surprise searches, investigations and spot checks may unearth original documents that were being hidden.

The same principles have been applied in investigating departmental expenditure, which is regulated by the *Finance and Audit Act* and the *Financial Instructions*. The investigations revealed that for approximately ten years the Auditor General did not present audited accounts to Parliament, despite this being a mandatory requirement of the Constitution of The Gambia.

Ultimately, by using the available records the Commissions have pinpointed the theft or loss of revenue equivalent to tens of millions of US dollars; a loss of huge significance for so small an economy.

## **The investigations**

While there are many more cases available as a result of these inquiries, two sample investigations have been selected which encapsulate the problems and illustrate many of the issues that will be dealt with throughout this study.

A Commission of Inquiry, established by The Government of The Gambia in November 1994 to investigate the Activities of Government Departments and Ministries, was charged with assessing losses incurred by the State. In this case, these losses are a result of corrupt activities carried out by businessmen in collaboration with customs officers and customs clearing agents to evade paying customs duties.

Through the investigation team's findings the Commission discovered that the Director General of Customs (from 1989 - 1992) was a key player in perpetrating fraud. By collaborating with various importers, many with very good contacts throughout the ruling Government, large amounts of customs duties payable on various imports were either never levied or, where levied, never collected. False invoices were allowed to pass as genuine and customs entry forms, bills of lading and other relevant documents were indiscriminately

dumped in a basement at the Department of Customs headquarters.<sup>13</sup> Over time, these documents were nearly destroyed by pest infestations and damp conditions; some of the records became indecipherable. However, once discovered, the Commission's investigating team sorted through the remains to recover as much information as possible. Using whatever documentation they could salvage coupled with records obtained abroad from the shipping agents the team was subsequently able to recover the equivalent of US \$10,126,294 in unpaid duties to the State.<sup>14</sup>

By examining the records, the investigating team was able to determine some of the methods Customs Officers used to facilitate fraud including:

- *mis-description* of goods imported to attract lower duties
- *mis-classification* of goods to put them in categories where duties are not required or are lower
- *non-examination* of the goods to determine their nature, quality and quantities
- *under-declaration* of the quantities of goods
- *mis-quotation* of the prices of items.<sup>15</sup>

The importers and their clearing agents evaded paying duties by a variety of methods including:

- submitting false invoices with lower values prepared and issued in The Gambia in place of invoices issued by the exporters abroad
- under-declaring the quality and quantity of the goods imported
- under-quoting freight charges
- describing the goods as being in transit to neighbouring countries, thereby attracting no duties
- issuing cheques in settlement of duties levied but intentionally mis-signing their signatures, deliberately mis-stating the figures or deliberately writing the face value so as not to correspond with the figures quoted on cheques.

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<sup>13</sup> The Income Tax and Customs and Excise Departments do not have the same degree of control over their records in The Gambia as do other departments of the Ministry of Finance and Economic Affairs (eg the Accountant General's Department, Internal Audit, etc). The case files, which represent the principal area of documentation, are not controlled through professional systems.

<sup>14</sup> The prosecution lawyers computed the equivalent amounts recovered in US dollars.

<sup>15</sup> Other methods of fraud uncovered by the Commissions which relate to record keeping include: ghost workers on the payroll, withholding unclaimed wages and pensions, charging personal purchases to official expenditures using forged bills and invoices, listing copies of previously used original vouchers or changing the dates of properly approved vouchers from the previous year, paying false invoices, creating false deposit balances to support false refund claims.

In cases pertaining to the last method described, the Central Bank of The Gambia did not honour the cheques and, according to procedure, forwarded them to the Accountant General's Department. They should then have been forwarded on to the Office of the Director General for Customs where a special task force had been established to recover outstanding payments and locate individuals who had issued the fraudulent cheques. However, because several officers working in the Accountant General's Department were in collusion with the perpetrators, the officers often withheld cheques. In some instances, officials returned the fraudulent cheques to the issuers and entered false receipt numbers into the Dishonoured Cheques Register so that it would appear that these cheques had eventually been honoured. Had the stated procedures been adhered to and had these records been managed properly by the Department of Customs, the amount recovered by the Commission would have been even higher.<sup>16</sup>

Another Commission of Inquiry was established around the same time to investigate the assets and properties of the former President, two former Vice Presidents and sixteen Ministers of the First Republic. The investigative team was to ascertain whether these assets and properties were legally acquired. In particular, the Commission was investigating the former President's expenditures on foreign travel for the period of 1989 to 1994. During this time the former President took 40 foreign trips accompanied by very large delegations.

All of the information requested by the anti-corruption investigators other than the cost of airfares, was provided by:

- the Ministry of Finance which had responsibility for budgeting for foreign travel
- the Personnel Management Office (PMO) which was responsible for all correspondence about the size of delegations, dates of travel, requests for tickets and payment of per diem allowances
- the Accountant General's Department, under which the Government Treasury issued expenditure cheques.

This investigation revealed that the records regarding airfare costs had not been kept. The Ministry of Finance claimed not to have responsibility for documenting these costs and referred the investigators to the PMO. The PMO also claimed not have responsibility for these records and subsequently suggested that the team check with the Accountant General's Department, which also denied responsibility. Even the office of the Secretary General (Head of Civil Service) could not provide these records despite its responsibility for generating all information and instructions on Presidential visits.

The Commission was able to recoup an amount equivalent to US \$1,813,446 as a result of the evidence found in those records that were obtained. However this excludes the cost of 610 primarily first-class airfares. Without the documentary evidence, it is impossible to prove whether these tickets were actually ever issued and, if so, ever used.

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<sup>16</sup> The Commission of Inquiry that handled this case estimated that the amount, which could have been recouped, would exceed US \$10,000,000.

In a country as poor as The Gambia, the records available to the investigating team showed that in some cases 80% more was spent on the President's travel than on education for a whole year. The expenditure on the President's household was approximately 60% more than the expenditure on drugs and dressings for the Ministry of Health for an entire year. In total, the expenditure on foreign travels was more than health and education combined for a full year. This reveals a situation where the little revenue brought in through customs and internal revenue by means of taxation is dissipated through foreign travel.

### **2.3 Lessons Learned from the Commission of Inquiry Findings**

These and other examples available in the published reports<sup>17</sup> illustrate the crucial need to protect public sector records, in particular financial records, to provide evidence for accountability. The uses and abuses of public and official records demonstrate the need for stronger records management and for strengthening the culture for record keeping.

The example of the customs records illustrates how easily records can be manipulated in the absence of records management controls. Furthermore, it demonstrates that despite their being tampered with records can, if available, be used to detect fraud and expose collusion. The missing records of airfare costs provide an example of the risk of not keeping records and/or establishing responsibility for keeping records. If the responsibility for creating and keeping records is not assigned and the implications of this responsibility clearly understood, it is unlikely that the evidence required for accountability will be there when needed. These examples and others refute strongly the common assumption that records exist and are safeguarded.

The prosecutors involved in these investigations understood, at first hand, the importance of having access to accurate and complete records. They stressed the following requirements for maintaining and protecting records in this environment:

- educating public officers about the value of maintaining secure, authentic and reliable public financial records
- improving and enforcing record keeping control systems
- providing adequate record keeping storage facilities
- employing qualified records professionals to manage record keeping systems

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<sup>17</sup> Included among the published reports are: The Republic of The Gambia. Commission of Inquiry Decree No. 11 as amended Cap. 30:01, *Report of the Justice Alghali Commission of Inquiry into the Financial Activities of Government Department and Their Line Ministries for the period May 1987 to June 1995: Income Tax Department*; The Republic of The Gambia. Commission of Inquiry Decree No. 11 as amended Cap. 30:01, *Report of the Justice Alghali Commission of Inquiry into the Financial Activities of Government Department and Their Line Ministries for the period May 1987 to June 1995: Accountant General's Department*; Republic of The Gambia. *White Paper on the Report of the Public Assets and Properties Recovery Commission*; Republic of The Gambia. *White Paper on the Report of the Commission of Inquiry on The Gambia Co-operative Union*; Republic of The Gambia. *White Paper on the Commission of Inquiry into the Crude and Refined Oil Contracts Entered into by The Gambia Government in 1984*.



- holding department heads accountable for information loss
- enacting and enforcing compliance with public records legislation
- encouraging a culture of safe record keeping at all levels and sectors of public administration
- instituting punitive measures against the destruction, loss, theft or tampering of public financial records.

Furthermore, the prosecutors stressed that if corrupt and fraudulent practices are to be deterred, new methods of combating malfeasance must be employed and existing, but dysfunctional, controls must be restructured and then implemented properly. Conditions must be created which make corruption and fraud a high risk, low return activity.

## **Conclusion**

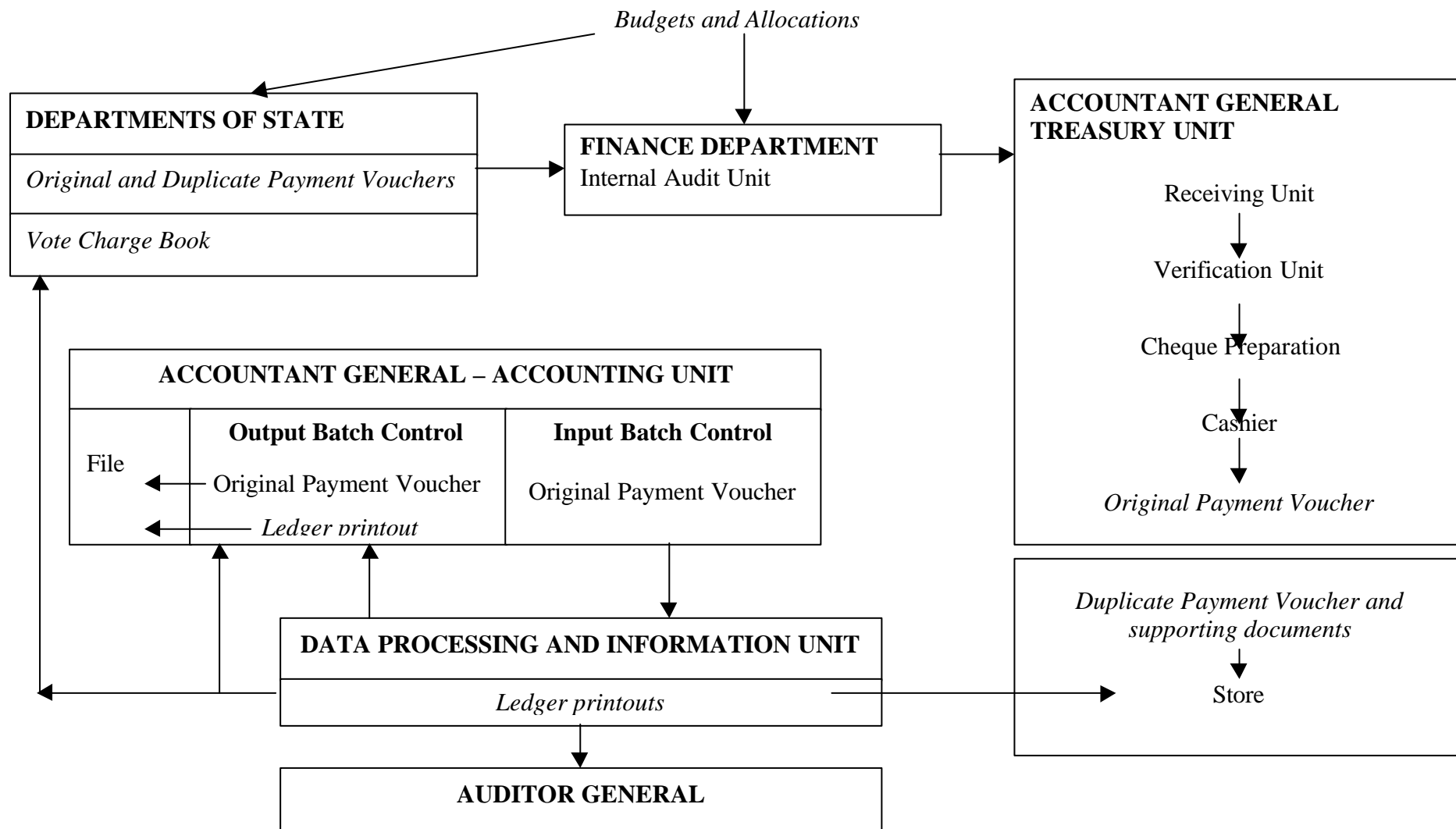
The case study in The Gambia draws attention to themes that will be examined further in the literature search and in future research:

- the adverse effect of collapsed record keeping systems on the ability of accountants and auditors to carry out their roles effectively in sub-Saharan Africa
- the impact of initiatives to reform the management of public sector finance
- the consequences of computerising financial management functions
- the growing attention paid by donors, governments and public opinion to the problem of corruption and initiatives to either retrospectively punish wrongdoers or to prevent and discourage corruption and fraud.

The case study sets the context for the rest of the report. Although evidence is widely recognised as being the basis for accountability in the public sector, records management is a neglected area in development thinking.

## OUTLINE OF DOCUMENTATION FLOW: PAYMENTS

### THE DEPARTMENT OF STATE FOR FINANCE AND ECONOMIC AFFAIRS



## ANALYSIS OF DOCUMENTATION FLOW - PAYMENTS

## Departments of State

Procedures	Records	Documentation Controls
1.1 Raise requisition	Departmental Requisition Book	Forms serially numbered Copy retained in Unit
1.2 Obtain goods, services	<ul style="list-style-type: none"> <li>• Local Purchase Order (LPO) (AGF 32)</li> <li>• Petty contract (AGF 33)</li> <li>• Claim/petty cash voucher (AGF 7)</li> </ul>	Forms serially numbered Copy retained in Unit
1.3 Submit for payment	Payment Voucher (AGF 1) in triplicate	Ministry Reference Number Voucher dated LPO Number Account Code Copy retained in Unit
1.4 Enter in main ledger	Vote Charge Book (AGF 31)	Retained in Unit for reconciliation with monthly print out from Accountant General <b>NB Printouts not received by departments since April 1997</b>
1.5 Send to Internal Audit	<ul style="list-style-type: none"> <li>• Voucher Way Book</li> <li>• payment vouchers and supporting documents eg requisition, invoices</li> </ul>	Voucher Way Book signed by Internal Audit for receipt of original and duplicate Payments Vouchers, LPOs and all supporting documents.

## Internal Audit Unit

Procedures	Records	Documentation Controls
2.1 Receive vouchers	Voucher Way Book of Ministry/Department	Internal Audit sign for all vouchers from Ministry/ Department
2.2 Register vouchers by Department	Departmental Register	Date of receipt and voucher reference
2.3 Approve/check vouchers	Payment Voucher (AGF 1)	Principal Accountant signs and date stamp
2.4 Ensure funds available	Vote Control Book	Vote Control Book retained in Internal Audit Unit
2.5 Validate Local Purchase Order	LPO Register	LPO Register retained in Internal Audit Unit
2.6 Ascertain daily cash flow for Ministry of Finance	Daily Register of Vouchers	Maintained in date order with voucher reference; retained in Internal Audit Unit
2.7 Transfer vouchers to Treasury Unit	Voucher List/Way Book	Entries serially numbered. Original and Duplicate Payments Vouchers, LPOs and all supporting documents (requisitions, invoices etc) sent to Treasury Receiving Unit. Signed for by Treasury Receiving Unit

## 3 Treasury Unit

Procedures	Records	Documentation Controls
3.1 Vouchers received in Receiving Unit from: <ul style="list-style-type: none"> <li>• Internal Audit Unit</li> <li>• Ministry/Dept 'Below the Line' accounts and family allotments</li> <li>• Sub Treasuries and embassies</li> </ul>	Voucher List/Way Book of Internal Audit Unit  Voucher List/Way Book of Accounting Unit  Input Batch Control Document	) ) All vouchers ) signed for ) date stamped ) RECEIVED ) and entered in ) Registers ) )

<b>Procedures</b>	<b>Records</b>	<b>Documentation Controls</b>
3.2 Record documents	Register of Documents Received	Register maintained by date received and Payment Voucher number
3.3 Transfer to <i>Verification Unit</i>	Register of Documents Received	Signed for by Unit
3.4 Record accepted vouchers	Voucher Control Form/Way Book for each Ministry: <ul style="list-style-type: none"> <li>• LPOs and Petty contracts</li> <li>• Recurrent payments including salaries and allowances</li> <li>• 'Below the Line' and family allotments, loans, court deposits</li> </ul>	Maintained by Payment Voucher number
3.5 Return rejected vouchers to originator	Way Book of rejected vouchers	Entered by date and Purchase Voucher number, signed for by originator
3.6 Dispatch vouchers for payment <ul style="list-style-type: none"> <li>• foreign payments and special accounts to Accounting Unit</li> <li>• others to Cheque Preparation</li> <li>• payments less than 300D to Cashier</li> </ul>	Voucher Control Form/Way Book	Signed for by Accounting Unit, cheque drawer, and Cashier
3.7 <i>Draw cheque</i>	Cheques Supporting documents Cash Book (cheque payments)	Payment Voucher given Treasury Payment Voucher reference number from Cash Book by Cashier, in sequence. Voucher stamped PAID
3.8 Transfer to: <ul style="list-style-type: none"> <li>• cashier</li> <li>• Accounting Unit</li> </ul>	Cheque, duplicate payment voucher and supporting documents  Cash Book (cheque payments) and original Payment Voucher	Cashier signs Cash Book for cheques  Accounting Unit signs for documents in Way Book

## 4 Cashier

<b>Procedures</b>	<b>Records</b>	<b>Documentation Controls</b>
4.1 Issue cheque	Duplicate Payment Voucher and supporting documents	To store, filed in Treasury Payment Voucher (TPV) number order
4.2 Pay cash	Cash Book (cash payments)	To Accounting Unit

## 5 Accounting Unit

<b>Procedures</b>	<b>Records</b>	<b>Documentation Controls</b>
5.1 Prepare for data processing	Payment Cash Books Summary Cash Book Salaries and Allowances Cash Book Input Batch Control Form	Check Way Book and sign Batch daily vouchers in Account Code order (less than 40 per batch) Batch numbers, Treasury Payment Voucher numbers and number of documents
5.2 Take to Data Processing and Information Unit (DPI) at end of month	Way Book	Batch numbers reconciled in Way Book Computer operators sign for batches
5.3 Check computer processing	Print out of ledger by Vote Code and batch/voucher	All entries checked against vouchers Original Payment Voucher stored by month in batch number order

## ANALYSIS OF DOCUMENTATION FLOW: REVENUE

### 1 Ministerial/Department/Sub-Treasuries Accounting Units

Procedures	Records	Documentation Controls
1.1 Issue of Receipt Books	General Triplicate Receipt Book (GTR)	GTRs issued by Treasury Unit (Accounting Unit) on departmental requisition. Receipt Book Issue Note recording serial numbers signed for by receiving officer.
1.2 Receipt of cash and cheques	GTR – official receipt Revenue Voucher (AGF 2)	Copy 1 to payer Copy 2 to Receipts Section Copy 3 retained in GTR Book AGF 2 prepared and given Ministry reference number
1.3 Enter in Cash Book	Revenue Collector's Cash Book	Entered from GTR and AGF2

### 2 Treasury Unit Receipts Section (TURS)

Procedures	Records	Documentation Controls
1.4 (i) Payment to Central Bank (ii) Payment to Sub-Treasury (iii) Payment to TURS	(i) Paying-In-Slips (ii) Sub-Treasury Cash Book (iii) TURS Cash Book (iv) AGF2	(i) Stamped by bank; (ii) Receipt issued, recorded in Sub-Treasury Cash Book; (iii) Receipt issued, recorded in TURS Cash Book
1.5 For revenue paid to Central Bank; take GTRs, Cash Book and Paying-In-Slip to TURS	GTRs Cash Book Paying-In-Slip AGF2	TURS check Paying-In-Slips against Cash Book, GTRs. TURS stamp examined

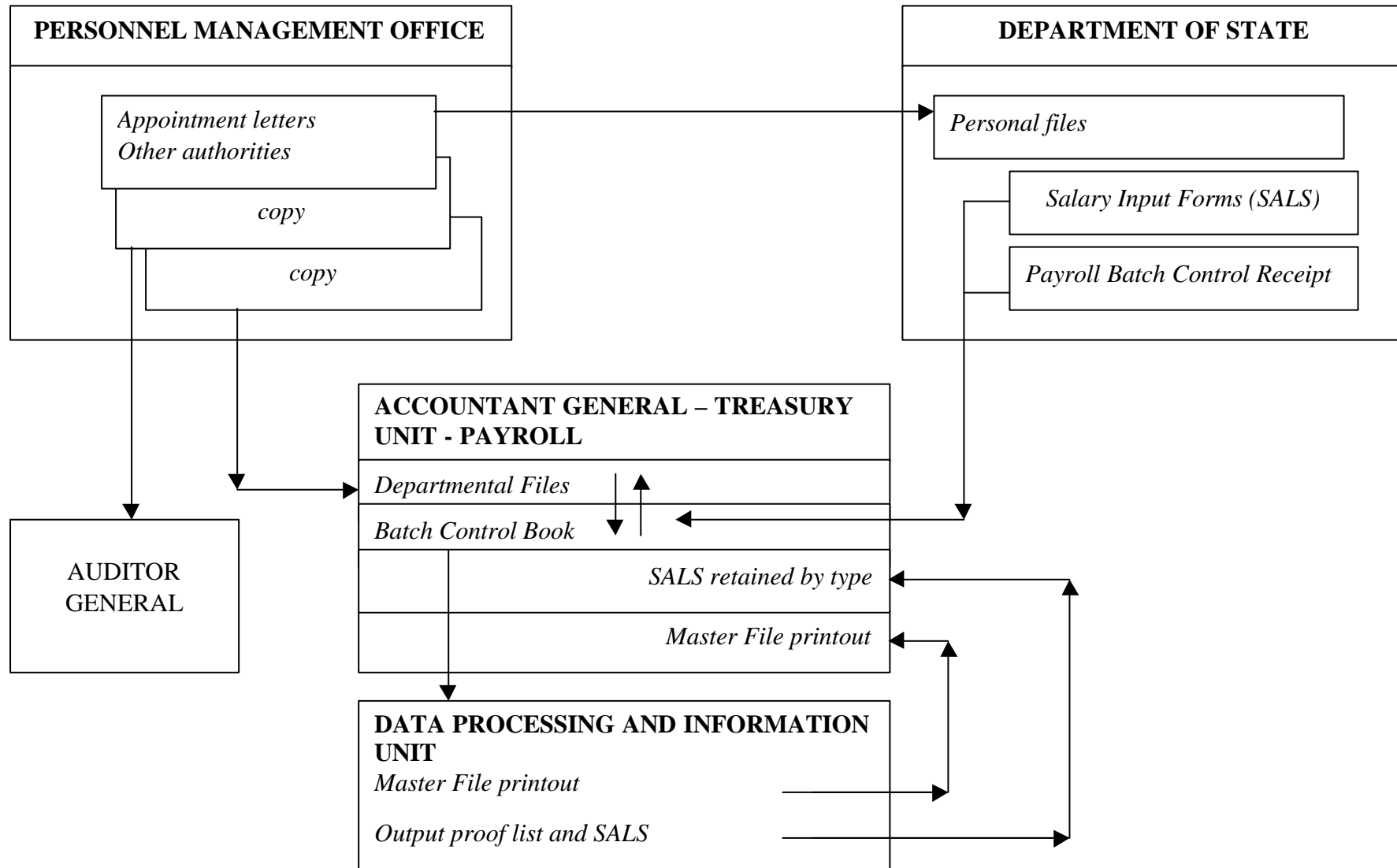
<b>Procedures</b>	<b>Records</b>	<b>Documentation Controls</b>
1.6 For revenue paid to Central Bank take GTRs, Cash Book and Paying-In-Slips to Treasury Unit Receiving Cashier (TURC)	GTRs Cash Book Paying-In-Slip AGF2	Cashier issues receipt for documents; Receipt posted to TUC's Cash Book; Treasury Receipt Number given (TRV No) and entered on voucher. Duplicate AGF2, supporting documents to store in TRV no.

### **3 Accounting Unit**

<b>Procedures</b>	<b>Records</b>	<b>Documentation Controls</b>
1.7 Accounting Unit: prepare for data processing	Receiving Cashiers Cash Book Sub-Treasury Cash Books TURS Cash Book Input Batch Control Original AGF2	Vouchers checked to Cash Books and batched. Batch numbers allocated and entered into Way Book
1.8 Take to Data Processing and Information Unit (DPI) at end of month	Way book and vouchers	Batch numbers reconciled in way book Computer operators sign for batches
1.9 Check computer processing	Print out of ledger by Vote Code and batch/voucher	All entries checked against vouchers Original AGF2 stored by month in batch number order



OUTLINE OF DOCUMENTATION FLOW: PAYROLL



## ANALYSIS OF DOCUMENTATION FLOW - PAYROLL

### 1 Personnel Management Office

Procedures	Records	Documentation Controls
1.1 Authorisation of appointment, promotions, retirement, etc.	Personnel Management Office letters	Filed on P file in Personnel Management Office Copy to Treasury Unit Copy to Auditor General

### 2 Department of State

Procedures	Records	Documentation Controls
2.1 Authorisation of other changes	Department letters	Filed on P file in Department Copy to Treasury Unit Copy to Auditor General
2.2 Raise salary input forms	Forms (SAL I to VII and XI)	Authority attached signatures
2.3 Despatch forms to Treasury	Payroll batch control receipt (BAT 1)	Receipt signed by Treasury

### 3 Treasury Unit

Procedures	Records	Documentation Controls
3.1 Validate SAL forms	Forms (SAL I to VII and XI)	Check against copies in Department file
3.2 Prepare batch for computer	Batch Control book (BAT 2)	Batched by Ministry and by form type Batch numbers assigned Signed by Principal Accountant in Treasury Signed by Data Processing for receipt

<b>Procedures</b>	<b>Records</b>	<b>Documentation Controls</b>
3.3 Check computer processing	Output proof list	Computer output checked against SAL forms SAL forms filed by type
3.4 Maintain payroll data	Master print out	Printed every 2 months Cleared of terminations at year end

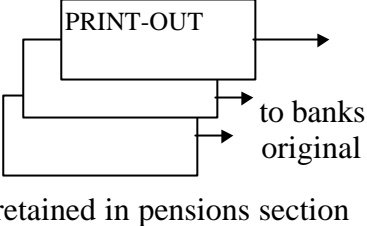
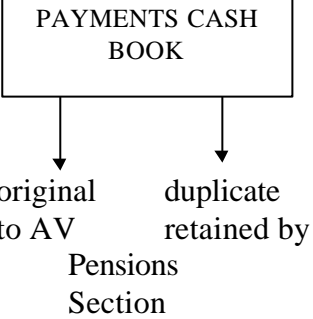
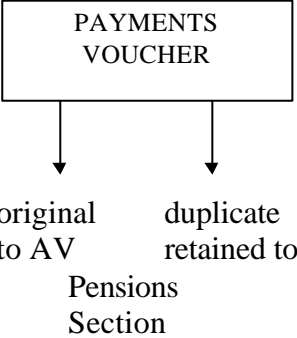
ANALYSIS OF DOCUMENTATION FLOW – PENSIONS

Treasury Unit – Pensions Section

Procedures	Records	Documentation Controls
Pensioner makes claim to pensions section	Form F 15A	<ol style="list-style-type: none"> <li>1 Signed by claimant</li> <li>2 ID Number</li> <li>3 Pensioner Serial No.</li> <li>4 Arrested by authorised official</li> </ol>
Claim form checked	Form F 15A	<ol style="list-style-type: none"> <li>1 Serial no and ID checked against Master File or Pensions Statutory Register</li> <li>2 Check alteration</li> <li>3 Check amount against master File or Register</li> <li>4 Check frequency of payment-,monthly, quarterly, half yearly</li> </ol>
Claim forms sorted by payment and alphabetically, pending payment	<p>Forms F 15A</p> <pre> graph TD     A[Forms F 15A] --&gt; B[BANK DIRECT]     A --&gt; C[CASH]     A --&gt; D["CHEQUES &gt;D400"]             </pre>	<ol style="list-style-type: none"> <li>1 Check for duplicate claims</li> <li>2 Tied together</li> </ol>

2 Pensions Systems (Bank Payments)

Procedures	Records	Documentation Controls
Processing for payment	<p>PRINT-OUT received mid-month, sorted by bank</p>	All claims checked against print-out

Procedures	Records	Documentation Controls
Action if no claim form in second month	<ol style="list-style-type: none"> <li>1 Letter to bank</li> <li>2 Call in pensioner</li> </ol>	If no form for three months pension stopped (monthly pensioners), for quality stopped after third quarter, for six monthly after one year.
Payment to Bank		Third copy to Accounting Visit with Case Book for checking
Cheque drawn by Pensions Section		<ol style="list-style-type: none"> <li>1 Senior Accountants initials cheque stubs</li> <li>2 Principals Accountant initials PCB</li> <li>3 Authorised signatures for cheques with limits</li> <li>4 Accountants check against print-out to cheque.</li> </ol>
Preparing payment vouchers by Pensions Section		PV No entered in PCB
Documents to Accounting Unit	PRINT-OUT (COPY) PCB (ORIGINAL) PV (ORIGINAL) REGISTER FOR PCB	AV sign for PVs in Register

### 3 Pensions Systems (Cash Payments) and Cheques > D400

Procedures	Records	Documentation Controls
Sort by cash/cheque pay point	F 15A printout	Delivered to the Paymaster in tied bundles by hand
Make payment to pensioner	Printout F 15A	Specimen signatures ID card
Make payment to representative	Printout F 15A	Authority signed by pensioner ID card Three months maximum period

Control weaknesses:

- 1 Pensions Section do not indicate on Form 15A that they have checked form.
- 2 After checking, Forms 15A are not held in secure cabinet with restricted access.
- 3 No record of unsubmitted forms.
- 4 No 'life-check; at pensioners paid by bank.

## Chapter 3 Accountability

### 3.1 The Need for Accountability

Despite three decades of development aid most African countries have not improved significantly since independence.<sup>18</sup> In sub-Saharan Africa the instability of government institutions and the questionable sustainability of reform efforts remain impediments to the public sector's ability to function effectively and provide accountable and transparent government.<sup>19</sup>

The recognition that good governance is a condition for sustainable economic development marks a primary shift in development thinking. This shift is, to a large extent, influencing strategies for pursuing accountability reforms and improving institutional capacity.

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<sup>18</sup> James Morton. *The Poverty of Nations: The Aid Dilemma at the Heart of Africa* (London: I.B. Tauris Publishers, 1994).

<sup>19</sup> The reasons for this include: (1) *the legacy of colonial systems* which have failed to gain the loyalty of public servants and society as a whole. This has resulted in the development of two coexisting civil service systems: one system based on formal rules and the other on actual practices. (2) *lack of ownership of the reform process* in major part because donor agendas and not national priorities drive reforms. (3) *disconnection between the state and civil society* driven by the fact that in developing countries, unlike in the industrialised world, very little information is available on how government allocates and uses resources or carries out stated functions. Distrust of government institutions grows in the absence of an informed civil society actively demanding accountability from public officials and civil servants. (4) *difficulty in implementing change* because the commitment and appropriate infrastructure do not exist to support change. Lack of accountability, poor motivation among public servants, the wide divergence between formal and actual procedures and the prevalence of corruption all contribute to the resistance to change. (5) *the deterioration of financial management systems* which is attributed to lax standards in many governments including: the late closing of accounts (if they were ever completed), poor internal control, the absence of management accounting, incomplete and inaccurate records and unauditable accounts. (6) *the collapse of record systems* which is endemic in developing countries (see chapter 4, section 4.4). (7) *poor communications and technical infrastructures* which is caused by insufficient local infrastructures (eg intermittent power supplies), the siphoning off of qualified computer personnel into the private sector, inadequate analysis of user requirements and unrealistic systems development and implementation goals. Mamadou Dia. *Africa's Management in the 1990s and Beyond: Reconciling Indigenous and Transplanted Institutions*. Directions in Development Series. (Washington, DC: The World Bank, 1996): 1-3; Morton. (1994); Oxford Policy Management. *Sector Investment Programmes in Africa: Issues and Experience*, Final Report (revised version of a paper presented at the Seminar on Sector Investment Programmes, SPA Donors' Meeting, Paris, 16 December 1996) -- the study was commissioned from Oxford Policy Management by UK ODA (January 1997): 25-32; 'Civil Society' in Jeremy Pope ed., *The National Integrity Systems: TI Source Book* (Berlin, Germany: Transparency International (TI), 1996): 35-38; Subhash Bhatnagar. 'Information Technology -- Enabled Public Sector Reforms: Myth or Reality?' (Ahmedabad, India: Indian Institute of Management, 1997 - unpublished); The World Bank. *Governance: The World Bank's Experience*. Development in Practice Series (Washington, DC: The World Bank, 1994): 30; H.P. Holzer and J.S. Chandler. 'A systems Approach to Accounting in Developing Countries.' *Management International Review* 21:IV. 23-32.

Accountability is the obligation of anyone handling resources or public office to report on the intended use of the resources of the designated office.<sup>20</sup> Yet, in most developing countries, ‘representative institutions that could criticise, exert public control, and demand accountability from public officials never developed.’<sup>21</sup> Moreover, the ethos of holding a public office is not well established because under the colonial system colonial officials made all major decisions. As a result, the institution of holding ‘public office’ was, and in some cases still is, essentially an alien concept.<sup>22</sup>

## 3.2 Strategies for Supporting Accountability

Over the years there have been a variety of approaches to support greater accountability in sub-Saharan Africa. The following strands of thinking are currently prominent in development policy: the governance paradigm, decentralisation, anti-corruption strategies, and the regulation model.

### The governance paradigm

The Economic Development Institute (EDI) of the World Bank and Transparency International (TI) are leaders in the development of new paradigms for accountability, integrity and governance. The ‘Principles for EDI’s Governance Work’<sup>23</sup> include:

- increasing accountability through increased transparency
- focusing on service delivery to the public
- raising awareness and expectations of the public that:
  - ◊ citizens have a right to be treated as a customer
  - ◊ citizens are entitled to expect clean government
  - ◊ civil society has responsibilities as well as rights
- defining and methodically strengthening the ‘pillars’ of a country’s integrity system.

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<sup>20</sup> Fred Schenkelaars. ‘Realigning and focusing UNDP/PACT and other stakeholders in accountability roles and relationships (from accounting to accountability -- a new perspective).’ (New York: UNDP PACT, unpublished).

<sup>21</sup> Agustine Ruzindana. ‘The Importance of Leadership in Fighting Corruption in Uganda.’ In Kimberly Ann Elliot, ed. *Corruption and the Global Economy* (Washington, DC: Institute for International Economics, June 1997).

<sup>22</sup> Robin Theobald. *Corruption, Development and Underdevelopment* (Durham, NC: Duke University Press, 1990): 3.

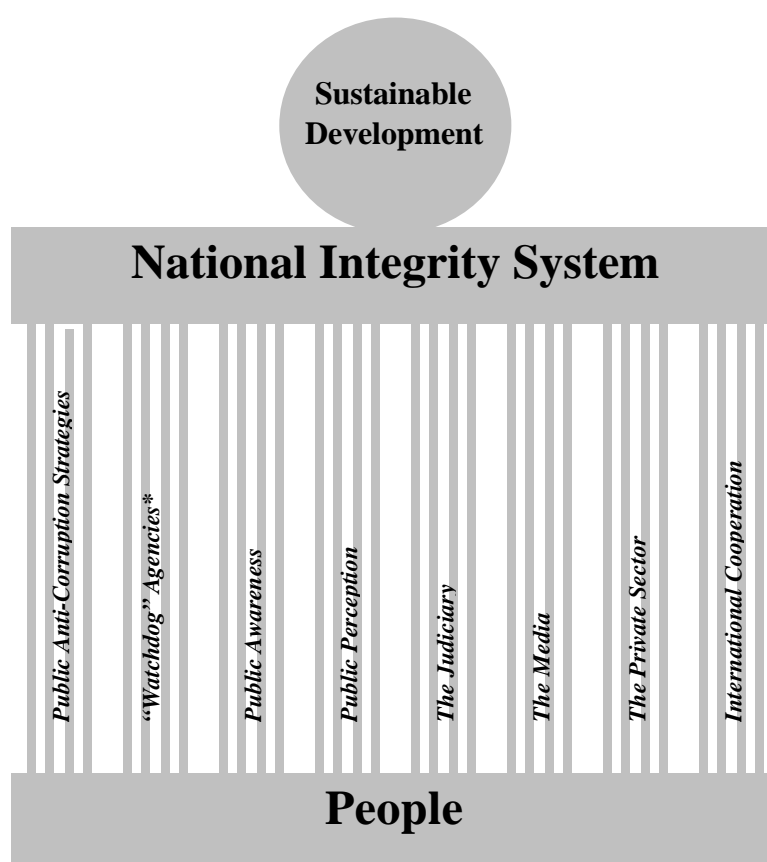
<sup>23</sup> Sahr J. Kpundeh and Petter Langseth, eds. *Uganda Workshop for Parliamentarians: Good Governance for Sustainable Development*. Final Workshop Proceedings, 13-14 March 1997, Kampala, Uganda (organised by the Speaker of the House of Parliament of Uganda, in collaboration with Transparency International, Transparency International-Uganda, and funded by DANIDA and the EDI of the World Bank): 20-21.



Their goal is to establish a national integrity system to enhance aspects of accountability by making corruption a ‘high risk’ and ‘low return’ venture. Good financial management and access to accurate and complete financial records are crucial factors contributing to increasing the risk of exposing corruption. They provide the evidence to hold officials accountable and, where necessary, prosecute wrong doers.

TI and EDI express the establishment of a national integrity system as ‘Pillars of Integrity.’ (See diagram 1). While strategies may vary from country to country, policies to promote accountability and deter corruption typically involve one or more of the pillars shown in the diagram.

Diagram 1: The Pillars of Integrity



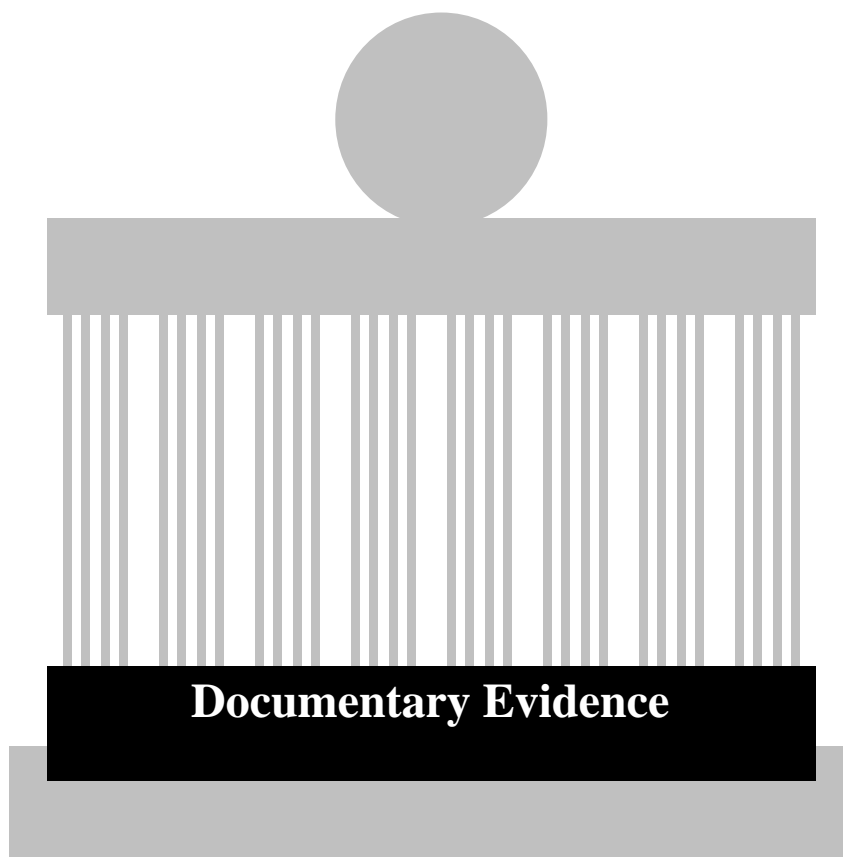
\*Anti-corruption agencies, Ombudsman, Auditor General

These pillars are dependent upon one another, if one weakens, the others must take more weight. If more than one weakens, the national integrity system tilts and sustainable development drops.<sup>24</sup>

<sup>24</sup> Petter Langseth, Rick Stapenhurst, and Jeremy Pope. *The Role of a National Integrity System in Fighting Corruption*. EDI Working Papers (Washington, DC: The World Bank, 1997): 9-11.

What is missing from this diagram is the records element. The diagram ought to include an additional tier in the foundation to symbolise the requirement for documentary evidence (ie records). In order for citizens (People) to ultimately benefit from a national integrity system, records systems must exist. These records are used by the various champions of accountability (the pillars) such as the Public Accounts Committee and the press. As a result, the ‘People’ must have access to information based on documentary evidence. The ‘Pillars of Integrity’ must draw legitimacy from the information available from documentary evidence. (See diagram 2).

Diagram 2: National Integrity System Founded on Evidence



\*Anti-corruption agencies, Ombudsman, Auditor General

## Decentralisation

The decentralisation of central government functions to local authorities is increasingly recognised as a key factor in supporting good governance at all levels. However, the information systems currently in place have been structured to support central government.<sup>25</sup> As yet, little thought has been given to the task of decentralising centrally held, but often

<sup>25</sup> Malcolm Holmes. *The Public Expenditure Handbook* (Washington, DC: The World Bank, April 1998): 55. Shirin Madon. ‘Introducing administrative reform through the application of computer-based information systems: a case study in India.’ *Public Administration and Development* 13 (1993): 37-8. Piers Cain and Anne Thurston. *Personnel Records: A Strategic Resource for Public Sector Management in Developing Countries (with Case Studies from Uganda, Ghana, and Zimbabwe)*. Current Good Practices and New Developments in Public Sector Management Series (London: Commonwealth Secretariat, 1998): 12-14.

disorganised financial, policy, personnel and other records needed to support financial management and control.

### **Anti-corruption strategies**

*With the end of the cold war, donor countries have placed less emphasis on political considerations in allocating foreign aid among developing countries and have paid more attention to cases in which aid funds have been misused and have not reached the poor.<sup>26</sup>*

Corruption has become a major component of the debate on aid effectiveness. This is being driven by public concern that corrupt elites in developing countries divert aid resources. In some developing, as well as industrialised countries, the exposure of large-scale corruption has toppled political leaders and directed attention to systemic corruption, suggesting a shift in public tolerance. Programmes for tax reform, upgrading the capacity of internal audit and strengthening the supreme audit institution, along with other civil service reform measures are being developed and tested to strengthen institutions and improve financial controls. The objective is to limit incentives for civil servants to participate in corrupt and fraudulent behaviour and reinforce linkages with the governance paradigm.<sup>27</sup>

These reform measures must be underpinned by strategies for promoting well-managed records systems as a resource for anti-corruption efforts. The ability to access organised records and assemble them together can reveal inconsistencies that can pinpoint fraud and lead investigators to the source of corruption. The methods for controlling records throughout their life cycle and the responsibility for this activity are also key issues. Monopolies over the availability of public records and data provide opportunities to extort bribes (eg selling information or removing the records themselves from the system). As a result there is a need for strong management to control records and limit opportunities for tampering, loss, or destruction of the documentary evidence of official actions.

### **The regulation model**

Recent research by Hood and others at the London School of Economics has shown that the effectiveness of government internal regulation also plays a significant role in the success of public sector accountability.<sup>28</sup> Even when public servants have appropriate technical skills, they may not have incentives to make improved financial management systems work. Strengthening internal regulators may provide the necessary incentives.

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<sup>26</sup> Paulo Mauro. 'Corruption: Causes, Consequences, and Agenda for Further Research.' *Finance & Development* (March 1998): 11.

<sup>27</sup> The World Bank, *Governance*: 15-16; Stephen P. Riley. 'The Political Economy of Anti-Corruption Strategies in Africa'. Unpublished.

<sup>28</sup> Intra-public sector regulation is the way in which "public organisations are subject to influence from other public agencies operating at arms-length from the direct line of command... (and comprising: ) one bureaucracy aiming to shape the activities of another; organisational separation between the 'regulating' bureaucracy and the 'regulatee'; some official 'mandate' for the 'regulator' organisation to scrutinise the behaviour of the 'regulatee' and some authoritative basis for changing it." Christopher Hood, James Oliver, George Jones, Colin Scott and Tony Travis. 'Regulation Inside Government: Where New Public Management Meets the Audit Exposed.' *Public Money and Management* 18:2 (June 1998): 61-68.

The operational responsibilities of government require a legitimate system of delegation from the legislature to government. This system of delegation continues within the government from the cabinet or the president down to the ministries and then from the ministries to the departments and agencies. However, delegation brings with it inherent problems with way agencies operate and an array of internal regulations have been designed to mitigate them. The function of internal regulators is to preserve the legitimacy of systems. They ‘set standards for the agents’ performance, capture necessary information from them, analyse it and report it to the principals in a form that is useful for the principals’ evaluation of agents’ performance.’<sup>29</sup>

The development of financial regulation is one of the initial growth areas in the development of public sector regulators.<sup>30</sup> By the early 1900s, most OECD countries had a series of distinct regulatory bodies with separate responsibilities for proposing and managing regulation of expenditure. Budgeting, expenditure control, revenue raising, cash flows and accounting and compliance auditing are all underpinned by regulations and require evidence of compliance. Any form of regulation, particularly financial regulations, depends upon records as evidence of their adherence.

Internal regulators fall into four cases of rules in the public sector:<sup>31</sup>

	Formally Enforced	Informally Enforced
Externally Enforced Rules	<b>Regulations</b> – these are externally enforceable according to codified principles	<b>Informal Rules</b> – these are externally applied by peer pressure and are not codified
Value-Based (Self-Enforced) Rules	<b>Formal Values</b> – these are formally adopted by the institution as the way we do things here but we are trusting you to do them	<b>Informal Values</b> – these are how we do things here in practice – but are never written and may be counter to the formal rules

Externally applied rules generally constrain agencies or individuals to *achieve* a specified level of performance or conduct. Others can *protect* the agency or its staff from undue pressure by determining how political authorities can act toward the agency or its staff. Most rule systems have both achievement and protection elements. The following table illustrates the types and purposes of rules governing financial management and their typical regulators:

<sup>29</sup> World Bank, PREM Network. *National Institutional Reviews - Toolkit: Regulatory Enforceability Within the Public Sector*. (unpublished, 1998)

<sup>30</sup> The other area is regulation of recruitment to the newly defined civil service.

<sup>31</sup> Table reproduced from, World Bank. *National Institutional Reviews - Toolkit*: 5.

Type of Rule	Purpose of the Rule	Typical Regulators
Budget Preparation Rules	Enforcing consultation and data collection during budget preparation	Finance ministry or budget offices Ministry of public service Departments and funding authorities in the case of budgets for lower tier public bodies Boards in the case of trading bodies
Expenditure Control Rules	Enforcing aggregate and item by item limits to spending	Finance ministry or budget offices Departments and funding authorities in the case of budgets for lower tier public bodies Boards in the case of trading bodies

The concept of internal regulations represents an important paradigm shift in development thinking on public sector reform. Formal rules exist in sub-Saharan Africa public services. However, the more formal ways of working have gradually become eroded as informal and often ad hoc work methods have prevailed. Informal work methods by their very nature cannot be controlled by regulation because they are not recorded and captured in record keeping systems. Thus the legitimacy of systems is undermined.

The very existence of these informal systems is a sign that regulations are not working. In addition, the measurement of compliance to any kind of regulation, including financial regulations, will depend upon access to records. Chaotic or collapsed record systems may provide another indication that regulations are not working.

### 3.3 Role of Financial Management

Improving financial management has much to contribute to these strategies for supporting accountability. The failure to attain accountability is generally linked to generic weaknesses in public accounting, expenditure control, cash management, auditing,<sup>32</sup> and the management of financial records. A sound financial management infrastructure is dependent upon:

- implementing effective budgeting, accounting, and information systems
- empowering professional associations of accountants, auditors and records managers
- adopting and applying internationally acceptable accounting standards
- establishing an independent and competent external audit
- developing a strong legal framework for supporting modern accounting, auditing and records management practices<sup>33</sup>

<sup>32</sup> Robert Picciotto. 'Putting Institutional Economics to Work: From Participation to Governance.' In Christopher Clague, ed. *Institutions and Economic Development: Growth and Governance in Less-Developed and Post-Socialist Countries*. (Baltimore: The Johns Hopkins University Press, 1997).

<sup>33</sup> The World Bank. *Governance*: 14; UNDP PACT (1998): 27.

- strengthening internal regulators.

Yet it is important to caution that, while improving financial management is a critical factor, if pursued too narrowly there is a risk that donors may confuse desirable improvements in accounting systems with other broader, and equally desirable, accountability objectives.

### 3.4 Records and Financial Accountability

Information, particularly in the form of records, is essential for supporting accountability both in the broadest sense and also in terms of financial accountability. With the drive toward modernising administration there is a corresponding need to ensure accountability through a greater magnitude of internal and external controls.<sup>34</sup> Information on what public servants knew, when they knew about it, what action they took, and the subsequent outcome is critical to establishing accountability.

Public services ought to be based on established rules to ensure that policy and procedures are followed and that citizens are consistently treated with fairness. However, within the public sector in many developing countries, especially in sub-Saharan Africa, the massive decline and in some cases total collapse of record keeping systems make it virtually impossible to determine responsibility for actions taken and to hold individuals accountable.<sup>35</sup> Furthermore, this trend is now allied to the persistence of corruption and fraud.

Timely financial reporting should demonstrate a government's or responsible unit's accountability for the finances and resources entrusted to it.<sup>36</sup> In a properly run government, financial reporting summarises the information upon which decisions are made. They provide the basic information for accountability by:

- indicating whether resources were obtained and used in accordance with the legally adopted budget
- indicating whether resources were obtained and used in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities
- providing information about the sources, allocation and uses of financial resources
- providing information about how the government or unit financed its activities and met its cash requirements
- providing information that is useful in evaluating the government's or unit's ability to finance its activities and to meet its liabilities and commitments

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<sup>34</sup> Gerald E Caiden. 'The Problem of Ensuring the Public Accountability of Public Officials.' In Joseph G Jabbara and O P Dwivedi, eds. *Public Service Accountability: A Comparative Perspective* (West Hartford, Connecticut: Kumarian Press, Inc., 1988): 35.

<sup>35</sup> The reason why record systems have collapsed is discussed in Chapter 6; Section 6.3.

<sup>36</sup> A fuller discussion of financial reporting is in Chapter 6; Section 6.1.

- providing information about the financial condition of the government or unit and changes in it
- providing aggregate information useful in evaluating the government's or unit's performance in terms of its service costs, efficiency and accomplishments.<sup>37</sup>

The ability to remove ambiguity and firmly establish who did what, when, why and how is a powerful means of constraining individuals from engaging in corruption and enforcing accountability. Records underpin accountability - they are unbiased in recording responsibility and therefore liability.

### **The categories of records required to strengthen financial accountability**

The types of records required to support the accountability of financial management systems are much broader than simply accounting receipts of financial transactions. A typical public sector financial management system ought to require the following categories of records (either in paper or computerised form):

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<sup>37</sup> Anthony M Hegarty. *A Review of Existing Government Accounting Standards and Practices in the East and Southern African Region for the East and Southern African Association of Accountants General (ESAAG)*: Final Report. (Botswana, December 1996).

<b>Record Category:</b>	<b>Example:</b>
<i>Legal documents</i> whose production in court might at some time be required to establish a claim or settle a dispute, including:	title documents conferring or recording ownership of any property including title deeds, bonds, stock or share certificates trust deeds relating to the administration of any fund, account or property agreements relating to contracts, loans, advances, subventions or any other financial matter other documents of special importance for which custodial arrangements outside the ordinary filing or records system is deemed necessary
<i>Accounts</i> , including:	accounting records in the form of books, ledgers, ledger sheets, ledger cards, computer print out or electronic computer files source documents for the accounting record in the form of vouchers, schedules, returns, bank or any other statements
<i>Correspondence files</i> relating to financial and accounting work, including:	budget files revenue and expenditure management records policy and planning files accounts files, including both general files and case papers staff personal files case papers unrelated to a specific accounting record reports and returns not used as vouchers handing/taking over statements financial statements from other institutions unpublished reports and statements
<i>Working papers</i> created as a by-product of the accounting process but which do not form part of the official records system, including:	copies of forms not used as vouchers (eg office copies of requisitions, cheque order forms, cheque stubs etc) records or registers used in controlling the flow of documents during accounting processes such as messenger's receipt books, registers of returns circulars, notices and instructions received other documents such as personal working papers, drafts, note books and diaries
<i>Records required to establish the existence and control the location and disposal of records</i> , including:	details of records transferred to departmental depositories schedules of records destroyed registers showing use of records after transfer to the departmental depository schedules of records transferred to public archives (eg National Archives) registry and record centre procedure manuals records of form's development and design
<i>Publications</i> , including:	publications for general circulation by sale or distribution to the public publications for limited circulation within the public service, whose content is of official interest only publications for restricted circulation to specified groups of public servants only (eg circulars, internal rpts, exposure drafts)



## Enforcing records management rules

There is a direct relationship between internal regulation and rules for recording government decisions and actions. Records provide evidence of compliance to regulations and records management rules (in conjunction with other rules such as Financial Instructions) provide the guarantees that the evidence is reliable (as illustrated in the table below). Yet in the study by Hood and others (refer to section 3.2 ‘The regulation model’) the need for records management and a records management regulator is not recognised.

<b>Type of Rule</b>	<b>Purpose of the Rule</b>	<b>Typical Regulators</b>
Records Management Rules	Controlling the integrity and quality of records created by an organisation	National archives and records service Ministry of public service Supreme audit bodies General accounting offices

The enforcement of records management rules is essential to ensure that the records required to support financial management and controls are readily accessible and maintained in a secure environment. This requires a regulator for records management rules – ie the national archives and records service.

In sub-Saharan Africa, the effectiveness of the national archives and records services in fulfilling their role as regulator requires further evaluation. The case study carried out in The Gambia highlights this problem. It reveals that many officials fail to recognise the connection between good records management and the statutory obligation to ensure that financial and accounting records are adequately kept (refer to section 2.2 ‘The legal framework and financial record keeping compliance’). Moreover, the National Records Service, although active in other areas, has only recently become involved in the management of financial records. The prevalence of informal procedures, the lack of professional records management support and the general abandonment of records management responsibilities have led to the system becoming highly bureaucratic, paper intensive and inefficient.

Development theory does not, as yet, recognise the need for a records management regulator. This gap in development thinking may help to explain weaknesses in existing programmes to improve financial management in sub-Saharan Africa. Development thinking needs to add supporting records management and the records management regulator to the public sector reform agenda.

## Chapter 4 Corruption

### 4.1 Corruption: The Problem

*[In most African countries] the state has inadvertently encouraged fiscal irresponsibility by inconsistently prosecuting those suspected of fraud and failing to enforce anti-corruption laws. More importantly, given the state's inability to meet the basic needs of people in an increasingly difficult and hostile economy and society, people have come to rely on illegal, unorthodox and corrupt mechanisms to survive.<sup>38</sup>*

Corruption in the public sector has only recently become an acceptable topic for open discussion among donor and lending agencies. Consensus among economists on the role corruption plays in economic instability is also relatively new. The World Bank publicly defined its role in combating corruption in September 1997.<sup>39</sup> The Bank's rationale for confronting corruption derives from the negative effect it has on economic development, as opposed to its perception as being immoral, wrong, or even illegal.<sup>40</sup>

Public sector corruption is endemic in developing countries. How rampant, sophisticated and widespread it is depends upon the character of the state. However, it would be a mistake to say that corruption is cultural; more accurately, it is behavioural. This is not because the people in the developing world are more corrupt than anywhere else. Instead it is simply because the need to earn an income is strong and the conditions within the public sector present many opportunities to engage in corrupt behaviour to earn money. Poverty is not the cause of corruption *per se*. Nonetheless, poverty and corruption are linked in a vicious circle where corruption diverts resources from alleviating poverty and fear of becoming poor is a strong motivating factor for engaging in corruption.

The results of corruption are perhaps most devastating in sub-Saharan Africa because, unlike in North America, Europe, Asia or elsewhere, Africa does not have the capacity to absorb financial losses incurred as a result of major frauds. In Africa, stolen wealth is generally not reinvested within the countries, rather the moneys taken are transferred and invested in personal accounts in the West.<sup>41</sup> This further depletes the state's ability to manage its economy, effect the most basic functions and direct resources toward alleviating poverty.

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<sup>38</sup> Kpundeh (1995): 48.

<sup>39</sup> James D Wolfensohn, Annual Meetings Address, Hong Kong SAR, China, September 23, 1997; Poverty Reduction and economic Management (PREM) Network. *Helping Countries Combat Corruption: The Role of the World Bank* (Washington, DC: The World Bank, September 1997): 40-41; Petter Langseth, 'Building Integrity to Fight Corruption: Learning by Doing.' Paper prepared for *Institutional Reform in Ukraine: Implications for Emerging Markets*. International Conference, Yale University, 24-25 April 1998. It should be noted that the Bank did publish an earlier study discussing corruption (Gould and Amaro-Reyes, 1983, Rose-Ackerman, 1997)

<sup>40</sup> Langseth (24-25 April 1998): 1.

<sup>41</sup> Kpundeh (1995): 50.

## 4.2 Building a Consensus on Corruption

Consensus is building on a number of issues concerning the nature and causes of corruption and the conditions that, if they exist, may increase the vulnerability to corruption.

### The nature of corruption

Public sector corruption is commonly interpreted as ‘the abuse of public office for private gain.’<sup>42</sup> Most often it occurs where there is a monopolistic situation (M) involving a wide area of discretion (D) and low to no capacity to enforce accountability (A) for actions taken. This relationship is expressed as:  $C = M + D - A$ .<sup>43</sup> Within this scenario, it is widely accepted that corruption:

- is characterised by activities of a financial or commercial nature resulting in enormous profits or benefits
- is often only detected on paper or more recently in electronic systems and is easily hidden through the loss, theft, destruction and concealment of records
- allows the proceeds to be concealed and/or disposed of without detection and sometimes beyond the jurisdiction where the crime was initiated.<sup>44</sup>

### Causes of corruption

Corruption is prevalent for a number of reasons including:

- weak accountability
- monopolistic discretion over the distribution of and access to public services and supplies
- large monopoly and economic rents<sup>45</sup>
- low and declining civil service salaries
- poorly defined, ever-changing and badly disseminated rules and regulations

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<sup>42</sup> PREM Network (1997); It should be noted that ‘there are important differences between “corruption” as defined in the official laws of various nations, “corruption” as it affects the public, and “corruption” as defined by public opinion...’ Sahr John Kpundeh. *Politics and Corruption in Africa: A Case Study of Sierra Leone*. (Landham, MD: University Press of America, 1995): 42.

<sup>43</sup> Robert Klitgaard. *Controlling Corruption* (Berkeley, CA: University of California Press, 1988): 75.

<sup>44</sup> UNDP PACT: 88.

<sup>45</sup> ‘Rent’ is an economic concept that refers to the profits gained through monopolies that enable charges in excess of all relevant costs. ‘Rent seeking’ then involves the effort to gain control over or access to opportunities for earning rents.’ Jacqueline Coolidge and Susan Rose-Ackerman. *High-Level Rent-Seeking and Corruption in African Regimes: Theory and Cases*, World Bank. Private Sector Development Department and Foreign Investment Advisory Service Policy Research Working Paper: 1780. (Washington, DC: The World Bank, 1997): 2.

### 4.3 Anti-Corruption Strategies

International anti-corruption initiatives to identify, contain and curtail corruption began to emerge in the mid-1990s. Prior to this, some measures had already been taken in Africa based upon national and local action including the establishment of anti-corruption agencies, public inquiries, inspector-general systems, legal and quasi-legal trials, complaints procedures and public awareness campaigns. This required a commitment of those in power to act effectively to curb corruption. Yet in the absence of tenacious and sincere support for change and the enforcement of penalties befitting the crime, reform efforts have failed to achieve the maximum desired effect.

The World Bank argues that an effective anti-corruption strategy should encourage the reduction of rents by means of greater economic liberalisation and deregulation. Channelling and reducing discretion through public sector reform and institutional strengthening provides another means. Finally, increasing accountability by building up institutions such as accountancy units in government and by encouraging growth of a more vibrant, questioning civil society are other critical methods for reducing corruption.<sup>46</sup> Strategies initiated to reduce opportunities for monopolies, rent seeking and discretion by simplifying rules and replacing administrative with market mechanisms include:

- trade regime reforms
- tax reform
- legal and regulatory reforms
- economic liberalisation
- privatisation.
- examples of institutional strengthening to improve controls and reduce incentives include:
  - civil service reform
  - strengthening public procurement
  - modernising the public sector (including upgrading the capacity of internal audit and strengthening the supreme audit institution).

Finally, in addition to reforms being driven by donor and lending institutions, ‘populist’ initiatives by NGOs and public interest groups include:

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<sup>46</sup> Stephen P. Riley. ‘The Political Economy ...’: 12.

- attempts to improve public morality through education through ‘moral rearmament’<sup>47</sup>
- citizen’s charters.<sup>48</sup>

### Questioning the effectiveness of anti-corruption strategies

Despite strong advocacy for and attempts to implement these solutions, the effectiveness of some of these strategies remains to be seen; others are not proving successful. Usually, the key problem with implementing successful anti-corruption strategies, particularly in sub-Saharan Africa, has been the lack of political will and ownership of reforms. The drive to control corruption in African governments is frequently undermined because politically weak governments have ineffectively pursued diverse and unsystematic strategies.<sup>49</sup> Moreover, in some situations, attempts have merely been political manoeuvres intended to placate a dissatisfied public and the international donor and lending communities.<sup>50</sup> Strong anti-corruption rhetoric is a stalwart method for deflecting attention from more serious economic and governance difficulties.<sup>51</sup>

Furthermore, while some strategies to curb corruption, instil accountability and strengthen government and the economy have proven to be effective in other parts of the world, they do not always translate well in Africa. Nor are they always sustainable over long periods of time even within the regional environment.

For example, the ‘East Asian Miracle’ illustrated that the development and growth of micro-enterprises and medium to small enterprises were crucial to economic growth and development in East Asia.<sup>52</sup> However, following on the initial successes, East Asian economies are now suffering from the tensions between very rapid growth and significant institutional and structural constraints.<sup>53</sup> Elsewhere, if adequate institutions do not exist to strengthen and support corporate governance before, during and after the move toward

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<sup>47</sup> This includes: the OECD Recommendation on Measures to Combat Bribery in International Business Transactions and pressure on public officials to declare their incomes publicly. Pope (1996); ‘OECD Launches Anticorruption Treaty.’ *Accountability Anticorruption* (September 1997): 3.; ‘International Treaty to Criminalise Bribery.’ *Accountability Anticorruption* (April 1998): 1.

<sup>48</sup> ‘The broad aim... is to raise the standards of public services to make them more responsible to consumers’ needs and wishes. The Charter applies to all public services, at both national and local levels, and to the privatised utility companies. An integral part of the programme is for each public service to publish its own charter based on a set of key Citizen’s Charter principles: standards, information and openness, choice and consultation, courtesy and helpfulness, putting things right and ‘value for money.’ Mohan Kaul. ‘The New Public Administration: Management Innovations in Government.’ *Administration and Development* 17:1 (February 1997): 16.

<sup>49</sup> Stephen P. Riley. ‘The Political Economy...’: 27.

<sup>50</sup> Meagher (1996): 51.

<sup>51</sup> Alan Doig. ‘Good Government and Sustainable Anti-Corruption Strategies: A Role for Independent Anti-Corruption Agencies?’ *Public Administration and Development* 15 (1995): 157.

<sup>52</sup> Dia. (1996): 8-9.

<sup>53</sup> Michael Walton. ‘The Maturation of the East Asian Miracle.’ *Finance & Development* (September 1997): 7; Manuel F. Montes. ‘The Asian Financial Crisis: The Role of Accountability and Transparency in Sustainable Development.’ Paper presented at the *3rd Annual PACT Global Workshop on Financial Accountability & Transparency*. Bangkok, Thailand (2-3 July 1998).

privatisation, in addition to other means of encouraging development of the private sector, this ‘will simply mean trading the problem of public sector corruption for inefficiencies elsewhere.’<sup>54</sup> The ability to affect a similar ‘miracle’ in Africa would depend upon political stability and a strong government model, in addition to macro-economic stability and the development of human and infrastructure capacity. Moreover, good legal systems, regulatory capacity, transparency and predictability all need to be functioning as integral components of the country’s government infrastructure.

The New Zealand Reforms Model<sup>55</sup> has also received accolades, but is probably not feasible or sustainable at this time in developing countries. It essentially embodies government by contract (ie it is intended to establish or strengthen ‘contract’ relationships between the government as facilitators, the ministers as consumers and the departments as suppliers).<sup>56</sup> This hard-edged contractualism is what differentiates it from other reforms tested elsewhere.

Even if this model achieves sustainable results in New Zealand, its success in sub-Saharan Africa is unlikely. Developing countries generally have an informal economy and an underdeveloped rule of law. It is impractical to entrust public servants with complete discretion over the expenditure of resources under current conditions. Public sector administrations in developing countries must manage inputs before they can control outputs and begin to move to a more performance-based orientation.<sup>57</sup> Moreover, a records management infrastructure is needed to manage the evidence required to monitor performance and enforce contracts.

If anti-corruption strategies are not designed with a solid understanding of the nature of the problems within a particular country then they will not be sustainable. Reforms ought to begin by identifying anti-corruption champions and developing short-term efforts. They must feed into broader political actions with incentives and then shift the strategy to institutionalising these actions to provide lasting support (eg draft and implement legislation) if they are to be sustainable.<sup>58</sup>

### **Assessing anti-corruption strategies**

The key issues in assessing anti-corruption strategies are cost, impact, effectiveness and sustainability. Political and financial strengths must also be considered. For strategies to ultimately be successful they must be carried out in a structured and sequenced approach. In addition, documentary evidence must be captured and maintained to support the investigations into and prosecution of corrupt activities.

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<sup>54</sup> Andrew W Goudie and David Stasavage. *Corruption: The Issues*. Technical Papers: 122. (Paris, OECD Development Centre, January 1997): 16.

<sup>55</sup> The New Zealand Reform Model includes: accrual-based accounting and appropriations; budgeting for outputs rather than inputs; de-coupling service-delivery functions from the provisions of policy advice; replacing permanent department heads with chief executives appointed for a fixed term; discretion for managers to spend their operating budgets as they deem fit; individual employment contracts for most senior (and many middle managers); a charge on the use of capital by government departments; annual purchase agreements between ministers and their departments; annual reports; audited financial and performance statements.

<sup>56</sup> Allen Schick. *Why Most Developing Countries Should Not Try New Zealand Reforms*. PREM Seminar Series (10 March 1998).

<sup>57</sup> Donald F Kettl. ‘The Global Revolution in Public Management: Driving Themes, Missing Links.’ *Policy Analysis and Management* 16:3 (Summer 1997).

<sup>58</sup> Telephone interview with Sahr J Kpundeh (Independent Consultant): 8 July 1998.

Democracy requires a system of checks and balances. Where possible, anti-corruption strategies ought to make use of democratic systems to increase accountability, transparency and openness. When democratic systems fail, it is the resulting 'crisis in governance that is directly responsible for the disorganisation of any anti-corruption public policy solutions.'<sup>59</sup> Therefore, for corruption to be contained, governments need to strengthen the systems that manage financial and other state resources and enable governments to account effectively to the people.

The role of internal regulators is critical to upholding accountability. If financial management regulators are not effective the risk of corruption is likely to increase. Strengthening internal regulators, including the records management function, lessens the element of discretion in the equation  $C = M + D - A$ .

## **4.4 Corruption, Fraud, Records Management and Records**

### **The role of records in exposing corruption and fraud**

Corruption and fraud are closely related. Some forms of corruption do not involve fraud. For example, a bribe offered to a judge to influence his judgement in a case. Bribery to influence a decision may leave no record. However, as the case study in The Gambia demonstrates, fraud can be carried out by corrupting civil servants and can involve large sums of money.

Corruption provides the enabling environment for fraud. An oversimplified way of looking at the relationship between the two would be to consider corruption the conspiratorial aspect and fraud the method of perpetrating the theft. Fraud is a deceptive act carried out for personal gain. It almost always involves the tampering with or falsifying of records. As a result, records almost always provide the evidence of most types of fraud. Records can reflect the mis-classification, mis-description and under-valuation of goods and services.

The primary value of a records management system is to act as a control system that reinforces other control systems such as internal and external audit. The opportunity to tamper with or remove financial records is greatly reduced by controlling their movement and physical security. When applied correctly, these control systems jointly serve as a deterrent to fraud.

The records themselves can serve to detect fraud and recover loss. Although the sums recovered may be relatively small, an effective recovery mechanism can in itself act as a deterrent.

Through early detection, records can aid in the reduction of financial losses attributed to repetitive (ie drip-feed) fraud. In many cases, perpetrators collude with an organisational insider who is in a position to authorise the transaction. Therefore, since corruption creates the environment that permits opportunities to commit fraud, then, once fraud is detected, records can provide a trail for investigators to track the root of corruption.

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<sup>59</sup> Kpundeh. (1995): 48.

However, for records to be useful in this capacity, they must be accessible. It is important to realise that only top officials in government see those records containing the most incriminating evidence. Very few people are likely to know of the existence of these records, let alone their content.

For example, in Sierra Leone, a former Minister of Transport signed a contract with a German company on behalf of the government. This contract enabled him to profit enormously. The contract included provisions that allowed him to receive up to 50% of any engineering fee paid to the German company for procurements. In addition, he received US\$100,000 per year for the duration of the project. This official also included a clause in the contract that guaranteed that, in the event of his death, his next of kin would continue to receive similar payments for the duration of the contract.<sup>60</sup> This minister kept the record of this contract because he would obviously need it to prove his claim to the money, yet it would be foolish on his part to make that record public.

High level officials in governments where corruption is commonplace frequently become complacent and keep incriminating records locked-up in their offices. If there is a sudden change in government, an astonishing amount of paperwork is discovered which exposes government officials' rampant plundering of government funds. Records are tremendously vulnerable at this level of government where senior officials have the power to access and remove evidence. Nonetheless, although the sums recovered may be relatively small, compared to the profits of high level corruption, the risk of public exposure and sanction through prosecution may deter some high level corruption.

### *The importance of standards in record keeping*

Documentary evidence, like a verbal testimony in court, is only useful if it can be guaranteed as credible, authentic and complete. For this to be true of records, they must be managed. More importantly, they must be managed according to standards - with regard to record keeping practice as well as conforming to specific systems and document formats. When government practices reflect known rules and adhere to acceptable standard codes of behaviour, the tendency is for public servants to behave rationally with equity and fairness. It is when the rules are unknown or ambiguous that the environment opens up to corruption. The same principle is applicable to records systems. If the systems are rule-based in design and consistently follow regular routines, they can provide a disincentive to individuals tempted to tamper with the evidence they manage.

Another reason for employing standards is that records can be retrieved from well managed, standardised systems more quickly and easily. This is important for enabling certain kinds of investigations to occur. For example, investigations into fraudulent activities are less likely to be obstructed or abandoned if documents can be retrieved in a matter of minutes as opposed to hours, days, weeks or longer.

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<sup>60</sup> Kpundeh. (1995): 74.



Adhering to standard systems and document formats enables more effective identification of any disparities in records. Access to like records enables comparisons that can draw attention to inconsistencies. For example, there may be reason to suspect inappropriate behaviour if the same transaction is recorded differently over and over again. Yet unless investigators are able to view the totality of the record, it is unlikely that they will be able to identify discrepancies and form a complete picture of the situation and circumstances. For example, as illustrated by the Gambian case study, customs documents may record the value of goods in a shipment to be low, but the insurance taken out on them is unusually high. If the shipping and insurance records are available and can be compared to similar shipments that have cleared customs then the history of the fraud can be targeted, investigated and prosecuted. More importantly, other instances of this type of fraud can be stopped as the warning signals are now known and the system can be amended to prevent future occurrences.

### *Using 'hallmarks' to expose fraud*

Perpetrators of fraud often leave identifiable 'hallmarks' in different transactions that can be revealed by comparing like kinds of transactions.<sup>61</sup> These may include the descriptions of types of goods or services, payment addresses, spelling characteristics and even printing mistakes. Such hallmarks can be easily discovered if the records of similar transactions are available to be collated and compared. Once identified, these hallmarks are frequently repeated in a number of different crimes. Brought together they can reveal the history and extent of fraud and corruption within and across organisations and identify 'warning signals' to those in a position to terminate the transaction early on. Moreover, the ability to reveal how a fraudulent transaction has passed through a system offers opportunities to increase controls to prevent future occurrences.

### *Breeder documents*

The misuse of 'breeder' documents is another means of carrying out fraud.<sup>62</sup> The term is derived from benefits agencies and refers to those records that by virtue of their nature automatically generate other records. Breeder documents enable easy access to related systems for the creation and manipulation of their progeny. For example, personnel records automatically give rise to payroll and benefit records. If a fraudulent personnel record is generated and a subsequent personnel identification number issued, the individual(s) responsible for creating this record theoretically can now access all payroll or other records of relevance to that original personnel record using the identification number. As a result, pay cheques can be issued, authority permissions can be granted, benefits can be gained, etc. Therefore, in the quest to contain and control corruption and fraud, it is critical that potential types of breeder documents are identified and the appropriate controls placed on their creation and maintenance.

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<sup>61</sup> Interview with Mrs S Lin Kuo (Assistant Director, International Chamber of Commerce, Commercial Crime Bureau), London, 23 June 1998.

<sup>62</sup> Interview with Professor Alan Doig (John Moores University, Liverpool), Liverpool, 3 April 1998.

In the absence of strong records management controls, documents can be easily disorganised, concealed, lost, stolen, destroyed or otherwise tampered with. The creation and implementation of standards for records systems and document formats is crucial for identifying fraudulent documents and detecting gaps in record sequences. The loss or inaccessibility of documentary evidence results in increased opportunities for corruption and fraud to flourish. It is now widely recognised that improvements in the management of government finance are essential if accountability is to be enhanced and corruption and fraud reduced. Yet, unless the records used in the conduct of financial management activities are managed effectively, this goal cannot be achieved.

### **The effect of low-level corruption in departmental registries**

Maintaining effective and efficient records systems is a management issue. If records are not being managed, then neither are the people entrusted with their care. Monopolies over the access to official and public records held in registries are proving to be a source of low level corruption. Most registry staff in developing countries receive very low wages. As a result, the value of information to public servants and citizens alike provide opportunities to extort small bribes to either obtain or conceal documents. Although, in some cases, records are not physically removed from systems, the information is still sold to interested parties. For example, information about government contract bids may be sold to a particular contractor to ensure their ability to outbid competition. Obtaining copies of personnel files required by individuals to obtain their pensions might also require payment of a bribe (ie 'speed money'). In addition, any compromising documents may be removed for a 'fee.'

The value of information is determined by:

- profit-earning potential
- the lead or opportunity it may offer the 'buyer' (eg government contractor)
- cost to reconstruct
- statutory, contractual, public image, or other liabilities if lost, disclosed or modified.<sup>63</sup>

Coupled with opportunity the value of information provides an incentive for creating idiosyncratic systems for maintaining chaotic records. This type of corruption creates a cyclical effect in that the records systems often become so confused that it would be unproductive to replace registry workers who have become the only gateway to the information. This secures their position within the organisation and enables them to securely continue to demand bribes for access to records.

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<sup>63</sup> Michael J. Comer. *Corporate Fraud*. Third Edition. (Brookfield, VT: Gower, 1998): 655.

## 4.5 The Role Records in Anti-corruption Strategies

To date, virtually no attention has been given to the management of those records that should underpin financial controls and thus provide a safeguard against fraud.<sup>64</sup> When corruption occurs, records should provide the evidence needed for the successful prosecution of wrong doers. Yet there is no accountability framework for the control of this vital resource. Moreover, there are no measurable performance indicators to determine objectively whether records are being maintained and managed effectively. As a result, financial records are often unreliable, incomplete and difficult to use. Not only does this create opportunities for fraud, but it leads to loss of revenue and impedes economic and fiscal planning.

Good records management has a deterrent effect which is a preventative, cost-effective alternative to prosecution. The existence of records systems provides an instrument for deterring malfeasance and exposing corruption and fraud if it occurs. The financial management process requires that security and confidentiality measures be imposed on most financial records. The records management function will provide the necessary controls on access to those records. Registry systems track the movement of current records throughout the organisation. They generate audit trails that can also reflect any intentional or accidental unauthorised actions carried out on records (eg tampering, theft or loss). Authentic, reliable records provide an unambiguous link between an authorisation, a particular assigned person and a date. They can serve as evidence to identify abuse, misuse and non-compliance with financial instructions and other laws and regulations. Consequently, records management provides a preventative, credible restraint for corruption and fraud.

Record keeping professionals need to learn more about the nature and characteristics of corruption. They need opportunities to work with organisations investigating methods to curb corrupt and fraudulent activities. Together they can develop, improve and strengthen systems to provide the evidence needed to expose corruption and ensure accountability. A strategy for keeping practical, productive records systems must therefore underpin anti-corruption strategies. Strategic record keeping for accountability would involve:

- training records keepers to identify and control breeder documents and recognise situations where opportunities exist for fraud and corruption
- developing core competencies in maintaining records and engendering professional ethics among records keepers
- standardising systems and document formats
- encouraging a climate conducive to keeping and using records properly
- developing awareness raising workshops and training for anti-corruption bureaux, auditors, etc in how records can be manipulated and misused.

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<sup>64</sup> One exception has been the UK DFID ESCOR funded project that examined personnel records. Piers Cain and Anne Thurston. *Personnel Records: A Strategic Resource for Public Sector Management in Developing Countries (with Case Studies from Uganda, Ghana, and Zimbabwe)*. Current Good Practices and New Developments in Public Sector Management Series (London: Commonwealth Secretariat, 1998).

## Chapter 5 Public Sector Financial Management

### 5.1 The Need to Strengthen Financial Management

*Good financial management systems are powerful instruments for preventing, discovering, or facilitating the punishment of fraud and corruption. They allocate clear responsibility for managing resources, reveal improper action and unauthorised expenditures, facilitate audit by creating audit 'trails' and protect honest staff.<sup>65</sup>*

The public sector accounts for over half of the gross national product in many countries.<sup>66</sup> Cutbacks in public expenditures, requests for improved performance measures and pressure to standardise accounting practices are increasing demands on public financial management resources and practices. As a result, strengthening financial management has become a key component to making the public sector more efficient and accountable. Good financial systems are a vital requirement for transparency.<sup>67</sup>

However, in sub-Saharan Africa, financial management systems are continuing to deteriorate with the result that financial accountability is degenerating. This is due to lax standards in many governments including: the late closing of accounts (if they were ever completed), poor internal control, the absence of management accounting, incomplete and inaccurate records and unaudible accounts.<sup>68</sup> Evidence of this includes instances where corruption and thefts of government property have gone unchecked.

While most developing countries have the basics of an accounting system and some modicum of a records system to support it, all too often they are simply not used effectively. As a result, managers may attempt to devise methods to make up for inefficiencies in centralised accounting including:

- developing stand-alone debt management systems

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<sup>65</sup> PREM Network (1997): 40-41.

<sup>66</sup> 'In Ghana, for instance, the public sector spends a larger proportion of the national income than many Western nations.' David J Gould and Jose A Amaro-Reyes. *The Effects of Corruption on Administrative Performance: Illustrations from Developing Countries*. World Bank Staff Working Papers No. 580, Management and Development Series No. 7 (Washington, DC: The World Bank, 1983): 16. UNDP Management Development and Governance Division, Programme for Accountability and Transparency (PACT). *Country Assessment in Accountability and Transparency (or: Mission Guidelines for Financial Accountability and Transparency)*, (New York: UNDP, April 1998): 9. [revised version]

<sup>67</sup> World Bank, Central and Operational Accounting Division. *Financial Accounting, Reporting and Auditing Handbook* First Edition (Washington, DC: The World Bank, January 1995): 1.

<sup>68</sup> H P Holzer and J S Chandler, 'A Systems Approach to Accounting in Developing Countries,' *Management International Review* 21:IV: 23-32. Other financial management deficiencies and constraints include: inability of systems to identify the potential cost of incomplete and expanded projects, often resulting in an underestimation of project costs; failure of accounting systems to identify large potential future liabilities (eg pensions) and to provide meaningful financial information to managers in a usable format; lack of technical capacity in the government computer bureau, or other relevant department, to supervise the implementation of computerisation projects; failure to clearly identify non-financial targets for programmes and projects and to monitor these against expenditure; inability to identify priority issues in budgets presented to the legislature; and failure to adequately identify recurrent cost implications of donor funded programmes. UNDP PACT (1998): 68-69.

- establishing special arrangements to handle the accounting for development project
- using ad hoc data
- setting up their own parallel systems that rely on banking data for the timely assessment of the budget deficit.

Overall, this weakens the development of basic financial management systems and damages important audit trails.<sup>69</sup>

## 5.2 Efforts to Improve Financial Management

Over the past forty years public sector financial management has been in a state of continuous change. Major changes have occurred in budgetary institutions, operational systems and techniques and in the technical capacities of public officials. For the most part, these changes have reflected largely the broader themes that led to various improvements in public sector management as a whole.

In the early 1960s, financial management reforms focused on improving systems. During the seventies, this focus shifted towards obtaining better, more qualified staff. Now the emphasis is on a combination of better systems and better people.<sup>70</sup> Five stylised approaches to institutional development illustrate these transitions:

- institution building
- organisation development
- organisation development/well-performing organisation
- creating entrepreneurial organisations (ie ‘reinventing government’)
- developing core competence.

The development of these approaches can best be expressed in terms of seven changing paradigms (as illustrated in the following table ‘Changing Paradigms in Public Expenditure Management’).<sup>71</sup>

Most governments have gone through all of these stages, either in full or in part. However, little progress was made in terms of actual implementation. On the whole these approaches fell victim to what was thought of as an impractical scope. Nonetheless, they have had a strong impact on the development of public expenditure management.<sup>72</sup>

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<sup>69</sup> Ali Hashim and Bill Allan. ‘Core Functional Requirements for Fiscal Management Systems.’ *IMF Working Paper* (Washington, DC: International Monetary Fund, 1994): 1.

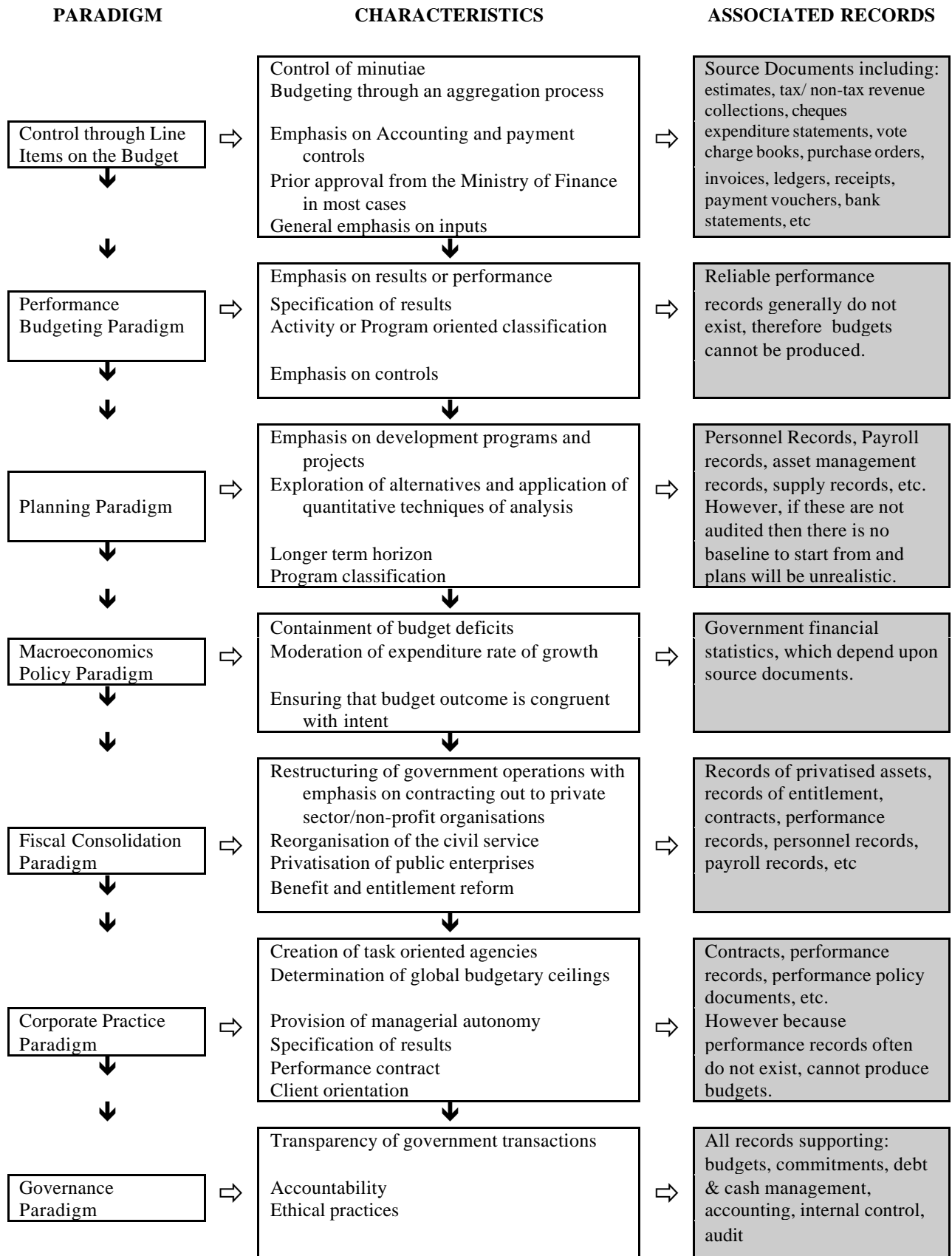
<sup>70</sup> Premchand, 4

<sup>71</sup> adapted from Premchand, 8

<sup>72</sup> Premchand, 7.

It is not sufficient to keep changing paradigms without dealing with the basic fundamentals underpinning them, and record keeping is one of these fundamentals. The success of each of these different paradigms depends upon access to information and reliable information is ultimately derived from accurate and complete records. The relationship between these paradigms and the records needed to support them is illustrated in the table that follows. Given these relationships, it is worth considering whether the unavailability of records was a contributing factor to each paradigm's failure. This is an issue for future research.

## Hanging Paradigms in Public Expenditure Management



More recently, the introduction of integrated financial management strategies, with particular emphasis on strengthening centralised budgeting systems are featuring strongly in a number of World Bank lending operations. These financial reforms are closely linked to donors' work on accountability.<sup>73</sup> The ability to fulfil financial responsibilities and enhance the capability to implement projects successfully is dependent upon the government's financial management capacity. The Special Programme of Assistance to Africa (SPA) and the Loan Administration Change Initiative (LACI) are illustrations of programme initiatives to strengthen financial management accountability.

### **Special Programme of Assistance to Africa (SPA)**

Despite their obvious benefits, in some respects donor initiatives may skew financial accountability. Aid from different multilateral and bilateral donor agencies may carry with it different reporting requirements. Often separate financial systems are established to administer the funding for each individual donor project. This decreases the ability for the official record to comprehensively reflect total government revenue and expenditure.

In response to this, the donor community formed a partnership in 1988 under the chairmanship of the World Bank to co-ordinate external support for programmes of reform undertaken by low-income debt-distressed countries in Africa. The aim of the partnership is to investigate and co-ordinate new aid instruments to support sector investment programmes and budget support. However, there is a need to establish records management programmes as an integral component of financial management reforms.

### **Loan Administration Change Initiative (LACI)**

A new initiative being piloted by the World Bank places greater emphasis on building capacity to strengthen financial management. The Loans Department is developing a new approach to disbursement, the Loan Administration Change Initiative (LACI). LACI emphasises the importance of aid recipient's financial management and accounting systems to manage and monitor Bank projects effectively. Potentially, LACI will move aid away from directly funding discrete projects to disbursing loans in quarterly payments against supporting documentation and other information derived from borrower's financial management systems. Potentially this will strengthen the linkage between financial information and project progress and set a precedent for drawing attention to the importance for maintaining more accurate and timely financial record keeping systems.<sup>74</sup>

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<sup>73</sup> World Bank. *Governance* (1994).

<sup>74</sup> PREM Network (1997): 33.



### 5.3 The Importance of Underlying Control Systems

There is a history of changing approaches to public sector financial management and we can expect new paradigms to continue to develop. Improving financial management is primarily a technical matter, yet the success of any reforms ultimately depends on the demand for and provision of accurate, relevant and timely financial information.<sup>75</sup> Therefore, the benefits of strengthening financial management should be greater ‘if more attention [is] paid to some of the more practical problems encountered in the day to day financial operations and related maintenance of [control] systems.’<sup>76</sup>

Without accurate records of actual expenditure, the preparation of budgets is rendered almost meaningless. Poor records systems affect the entire accounting function, with the result that reporting and auditing may become virtually impossible. For example, in The Gambia government accounts have not been audited for many years. This can partly be explained by excessive delays in accessing records for audit, attributable to the virtual collapse of systems for keeping and managing financial records. In these circumstances corruption and fraud are very difficult to detect. Debt management also suffers where records of borrowing are fragmented among different ministries or are incomplete. Virtually all approaches to improved financial management rely upon more efficient use of information. These cannot succeed where the building block of this information, financial records, are badly managed.

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<sup>75</sup> Mike Stevens and Shiro Gnanaselvam. ‘The World Bank and Governance.’ *The IDS Bulletin* 26:2 (April 1995): 98.

<sup>76</sup> A Premchand. ‘Umbrella themes obscure real problems: an appraisal of recent efforts to improve financial management.’ paper presented at the *Washington International Financial Management Forum*, 3 December 1997: 3.

## Chapter 6 The Role of Control Systems

### 6.1 Accounting and Auditing

Particularly within the past two decades, the boundaries of accounting and auditing have expanded to ‘accommodate the increasing public and international concern for the social consequences of the policies and performance of organisations and public officers’.<sup>77</sup> This new aspect asserts that one of the crucial functions of accounting and auditing is protecting accountability.

The general accounting office and supreme and local audit bodies are internal regulators. Accounting and auditing rules define the accounting and audit standards to be followed. As important internal regulators they impose controls that provide the incentives needed to improve public sector financial management and secure financial accountability.

#### The importance of control

Accounting reflects all transactions involving the receipt, transfer and disbursement of government funds and property. Control is the dominant, if not primary, reason for developing accounting systems. Effective systems must be comprised of a set of internal controls that manage the cycle of recording, analysing, classifying, summarising, communicating and interpreting financial information both in aggregate and in detail to support public sector accounting.<sup>78</sup> These controls regulate the quality of information passing through the system. They are based on verifiable procedures that control whether transactions are originated, checked, authorised and recorded according to the accounting manual instructions and financial regulations.

The *internal* auditing function evaluates and assesses compliance with financial regulations and the accounting manual, tests the operational controls of the system and checks the credibility of transactions. It ensures that the collection of public funds and their appropriation to government objectives has been carried out in strict accordance with statute. *External* auditing imposes control through an independent review and appraisal of the financial system. Auditing adds another layer of authenticity to the outputs of the financial management process. In some respects, audit functions as the last line of defence for assuring financial integrity and validating the credibility of financial records and data held in accounting systems.

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<sup>77</sup> J B Ghartey. *Crisis Accountability and Development in the Third World: The Case of Africa*. (Aldershot, UK: Avebury, 1987): 33-36.

<sup>78</sup> Peter N. Dean. ‘Government Accounting in Developing Countries.’ *Policy Studies and Developing Nations* 3 (1996): 265-83.

## Financial reporting as a product of effective controls

Financial reporting has a number of broad objectives including: stewardship and compliance, the state of finances, performance and economic impact. Departmental and government-wide reporting is needed to present a complete picture of financial activities.<sup>79</sup> Reports should contain information on the results of government activities, the costs and benefits of those activities and how the results of activities help achieve established government goals. Legislators and others use both to hold governments fiscally accountable. However, if the systems from which reports derive information are without integrity, they will only serve to further confuse the state of financial management and cripple financial accountability.

Financial information, in the form of published accounts, is a key instrument for transparency in decision making and the budgetary process. Accounting uses information from records to classify, summarise and interpret accounting statements to interested parties for their information or action. Audit, on the other hand, reviews, monitors, evaluates and adds authenticity to the accounting report and other recorded financial information. An effective internal and independent external audit function is an essential element for turning important data in records into meaningful information. If records are lost or disorganised, accounting systems will lack integrity and auditing becomes impossible.

Not only is it important for the information systems to have integrity, but it is also critical that the reports are reliable, understandable and relevant over time. The conditions needed to support these characteristics are: materiality, timeliness, consistency and comparability. *Reliable* financial statements faithfully represent what they are intended to represent. They are accurate within reason, devoid of bias, complete and verifiable. *Understandable* financial reports present information clearly and simply. They avoid excessive detail and overly complex reporting formats; yet they also avoid over simplification or significant omissions. *Relevant* government financial reports should help users understand and forecast how the government finances its activities and the effects of those activities. These reports should help users determine whether the government did what it said it would do and the cost of its activities.<sup>80</sup>

## 6.2 Layers of Control: Auditing, Accounting and Records Management

Financial accountability is approached through three functions: auditing accounting and records management. However, most donor and lending agencies regularly exclude records management from the criteria for a sound financial management infrastructure. One exception is the United National Development Programme's Programme for Accountability and Transparency (UNDP PACT) which has affirmed that records management provides the foundation of the financial accountability process.

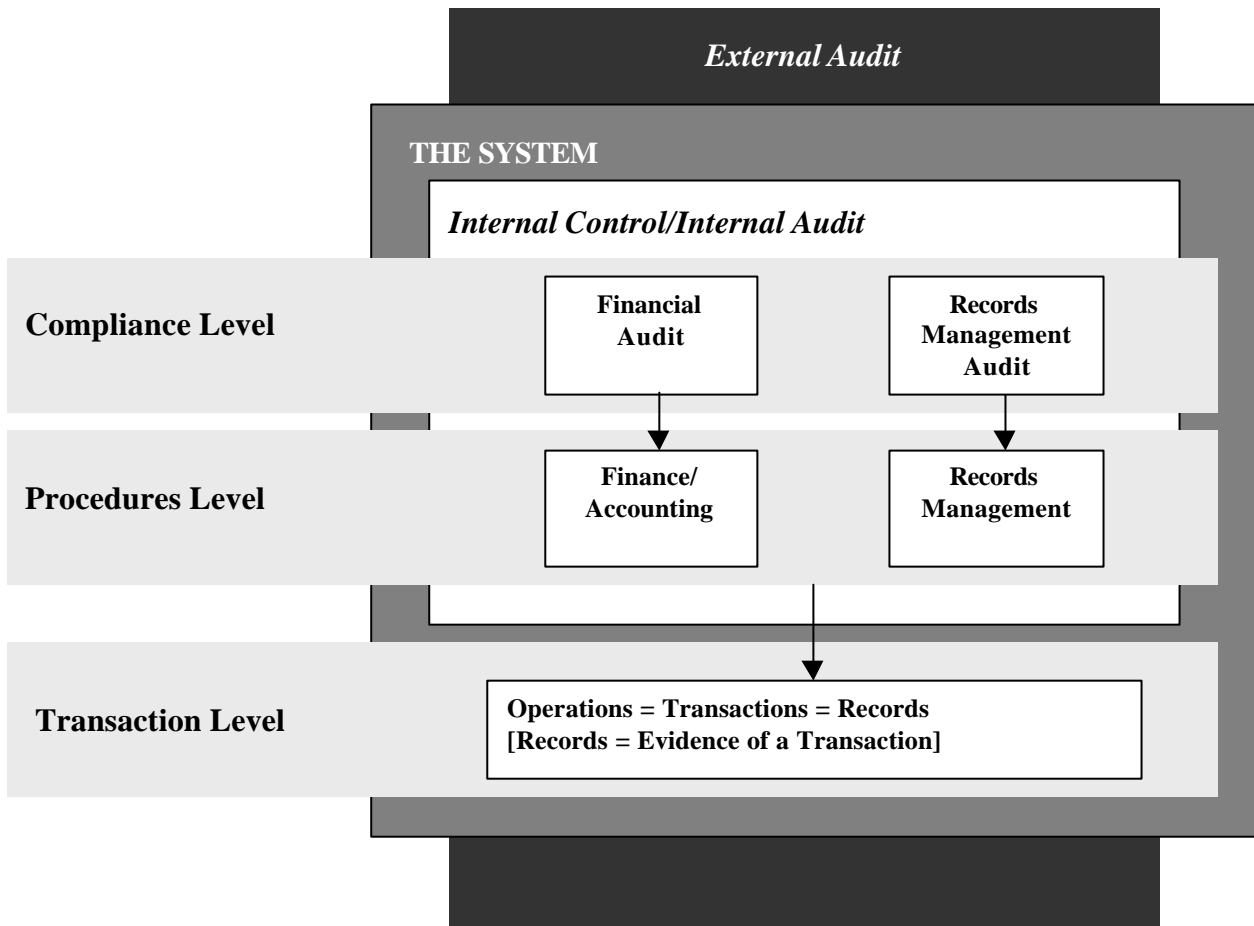
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<sup>79</sup> Financial reporting includes financial statements, financial information presented in budgets, fiscal plans and estimates of expenditures. Financial statements may include balance sheets, income statements, cash flow statements, notes and summary information, as well as lists of assets and liabilities, and revenues and expenditures.

<sup>80</sup> International Organisation of Supreme Audit Institutions (INTOSAI), Committee on Accounting Standards (CAS). Accounting Standards Framework Implementation Guide Departmental and Government-wide Financial Reporting. (Exposure Draft: 31 December 1997): 7-8.

It is financial record keeping that provides the basis or foundation for accounting and introduces controls that protect essential audit trails. Together, records management, accounting and auditing provide the layers of control that are essential to ensuring transparency, probity and integrity in financial management systems as illustrated in the figure below.

### Financial Control Systems



In practice the records management layer is often missing in government financial control systems, and this is a significant factor in some weaknesses. Without the evidence base systems will continue to deteriorate. It is record keeping that gives form and substance to financial systems and provides the means by which financial decisions and transactions may be verified and reported. This is illustrated in the following table.

<b>Function</b>		<b>Financial System</b>	<b>Resulting Records</b>
Planning	ascertaining the policy objectives and needs for financial resources and the broad strategy for revenue and expenditure	budget	budget papers/files, estimates, draft budgets, reports on tax and non-tax revenue collections, fiscal plans, public sector work programme documents, external economic reports, expenditure reviews, debt service projection records
Assignment	allocating funding to specific areas and items of expenditure	commitment	vote charge books, purchase orders, invoices, special warrants, budget warrants, expenditure statements, monthly and quarterly requests
Financing	raising loans and acquisition of funding other than revenue	debt management	loan agreements, ledgers, repayment schedules, fiscal reports, disbursement schedules, debt service projection reports, external and domestic debt records
Collection and Use	collecting of revenue and expenditure of funding	cash management	cash books, receipts, cheques, payment vouchers, bank statements, status and forecasts of cash requirement reports
Recording	documenting financial transactions, including receipts and payments	accounting	vote charge books, receipts, payment vouchers, warrants, local purchase orders, cash books, bank statements
Safeguarding	ensuring the proper conduct of financial activities in accordance with established standards and procedures	internal control	inspection reports, audit reports, audit queries, reports on follow-up action, operating procedure manuals, civil service staff conduct rules and procedures, performance policy documents
Analysis and Reporting	providing financial and statistical information from analysis of financial transactions	accounting	general and subsidiary ledgers, reports, statements, balance sheets, accounts receivable ledgers, accounts payable ledgers, fixed-assets ledgers, central bank cash inflow reports, cost accounting reports, expenditure authorisations, inventory accounts
Control and Feedback	monitoring, evaluating, verifying and reporting on the processes, outcomes and value of financial management functions and activities to support future policy development and planning	audit	inspection reports, fiscal reports, audit queries, reports on follow-up actions

Accountants and auditors appreciate that records are needed for accountability. However, what they and other senior public officials often do not acknowledge is the need for records *management*.

More often than not, record keeping is seen as a purely clerical function requiring low intellectual ability.<sup>81</sup> This would be true if only the rudimentary filing aspects were considered. However, record keeping in a modern bureaucracy is a management function – it is not limited to simply keeping individual documents in a filing system.<sup>82</sup>

It is important to understand that records management encompasses managing control over the entire life cycle of a record from creation to final disposition. This involves obtaining both physical and intellectual control over records created throughout an organisation including: identifying, capturing, maintaining, preserving, accessing and disposing of records when their value to the organisation ceases, or transferring them to an archive facility if they are determined to have long-term administrative or historical value.

Furthermore, as governments use an increasing range of computerised systems, record keeping is becoming technically more complex.<sup>83</sup> Although the fundamental principles for keeping records in an electronic environment are more or less the same as in a paper environment, the skills required to manage them may be different.<sup>84</sup> Moreover, the importance of maintaining the link between paper and electronic records systems is critical. The technology should not be allowed to undermine existing record keeping systems. This requires an intellectual ability that far transcends the skills commonly required of a traditional file clerk. Nor is this within the general remit of most information technology (IT) departments. Programmers and IT support staff are primarily concerned with current systems and preparing for the next generation of systems. Records professionals must develop and implement strategies to deal with the broader scope of legacy systems, as well as current systems and future implementations to ensure that the records of transactions and decisions is maintained over time.<sup>85</sup>

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<sup>81</sup> John McDonald. 'The Role and Position of Records Management in Government.' Keynote Address for *The Transition to Electronic Records as a Strategic Resource*. Organised by the International Records Management Trust (IRMT) and the National Archives of Malaysia in co-operation with the Malaysian Administrative and Management Planning Unit (MAMPU), Kuala Lumpur, Malaysia (22-24 June 1998): 5

<sup>82</sup> The elements that comprise a complete records management programme are outlined in Appendix A.

<sup>83</sup> A great deal of research is being conducted into the requirements needed to maintain records in an electronic environment. Much of this research is derived from two projects: *The Functional Requirements for Evidence in Recordkeeping* completed at the University of Pittsburgh in 1996, School of Information Sciences [<http://www.sis.pitt.edu/~nhprc>] and *The Preservation of the Integrity of Electronic Records* conducted at the University of British Columbia, Vancouver [<http://www.slais.ubc.ca/users/duranti/>].

<sup>84</sup> '...for the first time, [records managers and archivists] are not producing, managing, and saving physical things or artefacts, but rather trying to understand and preserve logical and virtual patterns that give electronic information its structure, content, and context, and thus its meaning as a 'record' or as evidence of acts and transactions.' Terry Cook, "Electronic Records, Paper Minds: The Revolution in Information Management and Archives in the Post-Custodial and Post-Modernist Era," *Archives and Manuscripts* 22 (November 1994): 302.

<sup>85</sup> The Advisory Committee for the Co-ordination of Information Systems (ACCIS). *Management of Electronic Records: Issues and Guidelines* (New York: United Nations, 1990), 73.; Kimberly Barata, "The Impact of Information Technology Standards on Recordkeeping Systems Development: Implications for Records Professionals." *Computer Standards and Interfaces* 1022 (forthcoming): 4.

The long-term preservation of and access to the evidence base is crucial to underpinning the accountability cycle. If organisations are to take full advantage of the rapidly changing technological environment, qualified professional records personnel are required to manage programmes that integrate paper and electronic systems and maintain their integrity in conjunction to one another over time.

### 6.3 The Role of Records Management as a Control System

*The hallmark of transparency is information that is available on demand through regularised and known information channels. This assumes the government's establishment of a formal process to inform both its staff and the public. An inadequate information framework is one of the factors that undermines accountability... Thus, improved access to information, as well as better-quality information, is crucial for holding public officials responsible for their actions.<sup>86</sup>*

#### The problem of collapsed record systems in sub-Saharan Africa

The poor state of records in many developing countries, especially in sub-Saharan Africa, and the lack of provisions for records management are the result of a progressive deterioration in the culture of record keeping over several decades.<sup>87</sup> Structured record keeping systems were common in countries where there were European-dominated colonial regimes. Centralised civil services were typically small, and competent recruits often began their careers as registry clerks. In this environment records were well kept because formal rules were known and observed and the quality of registry staff was relatively high. Senior civil servants had an understanding of the importance of information management, having worked in the registries themselves early on in their careers.

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<sup>86</sup> Dia: 77.

<sup>87</sup> The International Records Management Trust (IRMT) has demonstrated that the collapse of record keeping systems is a world-wide problem in developing countries. Its work has build upon a survey carried out by its Executive Director, Dr Anne Thurston, between 1984 and 1988, with funding from the Leverhulme Trust. She examined record keeping practices in thirty-two countries in Africa, Asia and the Caribbean and discovered that in most cases there was a lack of infrastructure for managing current and semi-current records. The Keeper of Public Records in the United Kingdom raised the findings with the former UK Overseas Development Administration (UK ODA) and as a result pilot projects on restructuring record keeping systems were developed in The Gambia and Ghana. The need for legislative reform has also been confirmed and elaborated in IRMT's work with the UK Department for International Development (DFID) (formerly UK ODA). DFID has sponsored reforms to establish a legislative framework to deal with current and semi-current records. In Ghana and The Gambia, IRMT have facilitated the establishment of records and archives legislation to unify records and archives services. In Uganda and Tanzania, new legislation has been drafted, but not as yet enacted. The situation elsewhere is reflected in, the International Council on Archives (ICA) published repository of legislative frameworks: 'Archival Legislation 1981-1994' is in ICA *Archivum* vols XL (Albania-Kenya) and XLI (Latvia - Zimbabwe) 1995.

Following independence, this situation deteriorated progressively as part of the general decline in public administration where informal practices supplanted formal rules and where efficient public administration became secondary importance to providing employment. While the civil service expanded steadily, bringing with it a corresponding increase in the flow of paper, the more formal ways of working gradually collapsed; informal and often ad hoc work methods prevailed. Typically an institutional culture grew up that made little use of records for reference purposes. There was scant incentive to maintain effective record keeping systems or to allocate adequate resources for records storage and staff. Indeed the failure to create and maintain records systems was sometimes motivated by the desire to conceal financial and other irregularities.

Eventually, the registries stopped acting as the point of entry for able recruits. Instead, staff who were ineffective or disruptive were relegated there as a sort of bureaucratic ‘Siberia.’ This led to a decline in attention to the structure and management of current records and respect for record keeping in general. File classification and indexing systems designed to meet the record keeping requirements of the colonial period became unwieldy and ultimately unmanageable. Paradoxically, in many countries, despite the low usage of records, there was an extreme reluctance to destroy records, even after they ceased to have any value to the institution. In the absence of rules and guidelines for what should be kept and for how long, staff at all levels were frightened to authorise destruction. Over time, the registries became congested with semi-current and non-current records and ultimately records systems collapsed under their own weight.<sup>88</sup>

Even as record keeping has declined in developing countries, there have been important advances in Europe, North America and Australia over the last several decades. For the most part these advances have made little impact on the countries that require them most. Professional literature has been almost impossible to acquire due to the lack of foreign exchange and poor communications. Even when it could be acquired, it was almost impossible to apply in the deteriorating conditions. As a result, records management has seldom been accorded the status of a professional specialisation.

Records management emerged as a recognised professional specialism in the United States after 1945 to ensure that government could maintain control of the growing volume of paper caused by the expansion of the public sector. This provided the basis for coping with the explosion of paper work resulting from the widespread adoption of photocopying and later word processing. In the United Kingdom (UK) the powers to carry out the records management function were introduced by legislation in 1958,<sup>89</sup> too late to be included in the ‘package’ of pre-independence institution building in former British territories. As a result, very few of the national archives in anglophone developing countries perform this function. Nor have appropriate records management regulations been introduced in developing countries with other administrative traditions, again, because this function had not been articulated.

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<sup>88</sup> Dr. Anne Thurston and Piers Cain. ‘Speaking A New Language: Advocating Records Management in the Developing World.’ *Records Management Bulletin* 73:13.

<sup>89</sup> Grigg Report, ‘Report of the Committee on Departmental Records’ Cmd 9163 HMSO 1954.



## Use of records

Records can be defined as recorded information (regardless of form or medium) created, received and maintained by any institution or individual in the pursuance of its legal obligations or in the transactions of its business.<sup>90</sup> Quite simply, records provide the evidence of transactions.<sup>91</sup> It is a principle of good financial management that every economic event or contractual relationship that leads to a financial exchange is a transaction. A transaction need not be a physical activity. Any event that has financial implications calls for the creation of a record.

Records are primarily used to provide evidence that an event or transaction occurred. However, records are also used as references to support decision making and to document compliance when analysing risk. In order to ensure that authentic and reliable records are available to users, they must be complete, authorised and accurate. They must also be compliant with local laws and regulations governing record keeping. Typical legislation and regulations affecting record keeping in the public sector may include:

- public records legislation
- finance and audit legislation
- freedom of information legislation
- data protection legislation
- privacy legislation
- statute of limitations
- financial instructions
- accounting manual
- auditing manual.

In addition, the system(s) in which they are maintained must be secure and implemented consistently. Finally records may be created in any physical form or medium (eg paper records, computerised records). A country's laws and regulations will determine the format in which a record is captured, maintained and accepted as evidence. These should include the creation, filing, storage, production and disposal of prescribed forms and records.

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<sup>90</sup> Walne, Peter. *Dictionary of Archival Terminology = Dictionnaire de Terminologie Archivistique*. ICA Handbooks Series Vol. 7 2<sup>nd</sup> rev. edition (Munich, Germany: ICA, 1998); Moreover, 'Records are there because a business rule was established that required them to be there.' John McDonald. 'Accountability in Government in an Electronic Age.' Paper given for *The Transition to Electronic Records as a Strategic Resource*. Organised by the International Records Management Trust (IRMT) and the National Archives of Malaysia in co-operation with the Malaysian Administrative and Management Planning Unit (MAMPU), Kuala Lumpur, Malaysia (22-24 June 1998): 3

<sup>91</sup> David A Bearman and Richard H Lytle. 'The Power of the Principle of Provenance.' *Archivaria* 21 (Winter 1985-86).

## 6.4 Anti-Corruption Strategies

International anti-corruption initiatives to identify, contain and curtail corruption began to emerge in the mid-1990s. Prior to this, some measures had already been taken in Africa based upon national and local action including the establishment of anti-corruption agencies, public inquiries, inspector-general systems, legal and quasi-legal trials, complaints procedures and public awareness campaigns. This required a commitment of those in power to act effectively to curb corruption. Yet in the absence of tenacious and sincere support for change and the enforcement of penalties befitting the crime, reform efforts have failed to achieve the maximum desired effect.

The World Bank argues that an effective anti-corruption strategy should encourage the reduction of rents by means of greater economic liberalisation and deregulation. Channelling and reducing discretion through public sector reform and institutional strengthening provides another means. Finally, increasing accountability by building up institutions such as accountancy units in government and by encouraging growth of a more vibrant, questioning civil society are other critical methods for reducing corruption.<sup>92</sup> Strategies initiated to reduce opportunities for monopolies, rent seeking and discretion by simplifying rules and replacing administrative with market mechanisms include:

- trade regime reforms
- tax reform
- legal and regulatory reforms
- economic liberalisation
- privatisation.
- Examples of institutional strengthening to improve controls and reduce incentives include:
  - civil service reform
  - strengthening public procurement
  - modernising the public sector (including upgrading the capacity of internal audit and strengthening the supreme audit institution).

Finally, in addition to reforms being driven by donor and lending institutions, ‘populist’ initiatives by NGOs and public interest groups include:

- attempts to improve public morality through education through ‘moral rearmament’<sup>93</sup>

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<sup>92</sup> Stephen P. Riley. ‘The Political Economy ...’: 12.

<sup>93</sup> This includes: the OECD Recommendation on Measures to Combat Bribery in International Business Transactions and pressure on public officials to declare their incomes publicly. Pope (1996); ‘OECD Launches Anticorruption Treaty.’ *Accountability Anticorruption* (September 1997): 3.; ‘International Treaty to Criminalise Bribery.’ *Accountability Anticorruption* (April 1998): 1.

- citizen's charters.<sup>94</sup>

## Questioning the effectiveness of anti-corruption strategies

Despite strong advocacy for and attempts to implement these solutions, the effectiveness of some of these strategies remains to be seen; others are not proving successful. Usually, the key problem with implementing successful anti-corruption strategies, particularly in sub-Saharan Africa, has been the lack of political will and ownership of reforms. The drive to control corruption in African governments is frequently undermined because politically weak governments have ineffectively pursued diverse and unsystematic strategies.<sup>95</sup> Moreover, in some situations, attempts have merely been political manoeuvres intended to placate a dissatisfied public and the international donor and lending communities.<sup>96</sup> Strong anti-corruption rhetoric is a stalwart method for deflecting attention from more serious economic and governance difficulties.<sup>97</sup>

Furthermore, while some strategies to curb corruption, instil accountability and strengthen government and the economy have proven to be effective in other parts of the world, they do not always translate well in Africa. Nor are they always sustainable over long periods of time even within the regional environment.

For example, the 'East Asian Miracle' illustrated that the development and growth of micro-enterprises and medium to small enterprises were crucial to economic growth and development in East Asia.<sup>98</sup> However, following on the initial successes, East Asian economies are now suffering from the tensions between very rapid growth and significant institutional and structural constraints.<sup>99</sup> Elsewhere, if adequate institutions do not exist to strengthen and support corporate governance before, during and after the move toward privatisation, in addition to other means of encouraging development of the private sector, this 'will simply mean trading the problem of public sector corruption for inefficiencies elsewhere.'<sup>100</sup> The ability to affect a similar 'miracle' in Africa would depend upon political stability and a strong government model, in addition to macro-economic stability and the development of human and infrastructure capacity. Moreover, good legal systems, regulatory capacity, transparency and predictability all need to be functioning as integral components of the country's government infrastructure.

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<sup>94</sup> 'The broad aim... is to raise the standards of public services to make them more responsible to consumers' needs and wishes. The Charter applies to all public services, at both national and local levels, and to the privatised utility companies. An integral part of the programme is for each public service to publish its own charter based on a set of key Citizen's Charter principles: standards, information and openness, choice and consultation, courtesy and helpfulness, putting things right and 'value for money.' Mohan Kaul. 'The New Public Administration: Management Innovations in Government.' *Administration and Development* 17:1 (February 1997): 16.

<sup>95</sup> Stephen P. Riley. 'The Political Economy ...': 27.

<sup>96</sup> Meagher (1996): 51.

<sup>97</sup> Alan Doig. 'Good Government and Sustainable Anti-Corruption Strategies: A Role for Independent Anti-Corruption Agencies?' *Public Administration and Development* 15 (1995): 157.

<sup>98</sup> Dia. (1996): 8-9.

<sup>99</sup> Michael Walton. 'The Maturation of the East Asian Miracle.' *Finance & Development* (September 1997): 7; Manuel F. Montes. 'The Asian Financial Crisis: The Role of Accountability and Transparency in Sustainable Development.' Paper presented at the *3rd Annual PACT Global Workshop on Financial Accountability & Transparency*. Bangkok, Thailand (2-3 July 1998).

<sup>100</sup> Andrew W Goudie and David Stasavage. *Corruption: The Issues*. Technical Papers: 122. (Paris, OECD Development Centre, January 1997): 16.

The New Zealand Reforms Model<sup>101</sup> has also received accolades, but is probably not feasible or sustainable at this time in developing countries. It essentially embodies government by contract (ie it is intended to establish or strengthen 'contract' relationships between the government as facilitators, the ministers as consumers and the departments as suppliers).<sup>102</sup> This hard-edged contractualism is what differentiates it from other reforms tested elsewhere.

Even if this model achieves sustainable results in New Zealand, its success in sub-Saharan Africa is unlikely. Developing countries generally have an informal economy and an underdeveloped rule of law. It is impractical to entrust public servants with complete discretion over the expenditure of resources under current conditions. Public sector administrations in developing countries must manage inputs before they can control outputs and begin to move to a more performance-based orientation.<sup>103</sup> Moreover, a records management infrastructure is needed to manage the evidence required to monitor performance and enforce contracts.

If anti-corruption strategies are not designed with a solid understanding of the nature of the problems within a particular country then they will not be sustainable. Reforms ought to begin by identifying anti-corruption champions and developing short-term efforts. They must feed into broader political actions with incentives and then shift the strategy to institutionalising these actions to provide lasting support (eg draft and implement legislation) if they are to be sustainable.<sup>104</sup>

### **Assessing anti-corruption strategies**

The key issues in assessing anti-corruption strategies are cost, impact, effectiveness and sustainability. Political and financial strengths must also be considered. For strategies to ultimately be successful they must be carried out in a structured and sequenced approach. In addition, documentary evidence must be captured and maintained to support the investigations into and prosecution of corrupt activities.

Democracy requires a system of checks and balances. Where possible, anti-corruption strategies ought to make use of democratic systems to increase accountability, transparency and openness. When democratic systems fail, it is the resulting 'crisis in governance that is directly responsible for the disorganisation of any anti-corruption public policy solutions.'<sup>105</sup> Therefore, for corruption to be contained, governments need to strengthen the systems that manage financial and other state resources and enable governments to account effectively to the people.

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<sup>101</sup> The New Zealand Reform Model includes: accrual-based accounting and appropriations; budgeting for outputs rather than inputs; de-coupling service-delivery functions from the provisions of policy advice; replacing permanent department heads with chief executives appointed for a fixed term; discretion for managers to spend their operating budgets as they deem fit; individual employment contracts for most senior (and many middle managers); a charge on the use of capital by government departments; annual purchase agreements between ministers and their departments; annual reports; audited financial and performance statements.

<sup>102</sup> Allen Schick. *Why Most Developing Countries Should Not Try New Zealand Reforms*. PREM Seminar Series (10 March 1998).

<sup>103</sup> Donald F Kettl. 'The Global Revolution in Public Management: Driving Themes, Missing Links.' *Policy Analysis and Management* 16:3 (Summer 1997).

<sup>104</sup> Telephone interview with Sahr J Kpundeh (Independent Consultant): 8 July 1998.

<sup>105</sup> Kpundeh. (1995): 48.

The role of internal regulators is critical to upholding accountability. If financial management regulators are not effective the risk of corruption is likely to increase. Strengthening internal regulators, including the records management function, lessens the element of discretion in the equation  $C = M + D - A$ .

## **6.5 Corruption, Fraud, Records Management and Records**

### **The role of records in exposing corruption and fraud**

Corruption and fraud are closely related. Some forms of corruption do not involve fraud. For example, a bribe offered to a judge to influence his judgement in a case. Bribery to influence a decision may leave no record. However, as the case study in The Gambia demonstrates, fraud can be carried out by corrupting civil servants and can involve large sums of money.

Corruption provides the enabling environment for fraud. An oversimplified way of looking at the relationship between the two would be to consider corruption the conspiratorial aspect and fraud the method of perpetrating the theft. Fraud is a deceptive act carried out for personal gain. It almost always involves the tampering with or falsifying of records. As a result, records almost always provide the evidence of most types of fraud. Records can reflect the mis-classification, mis-description and under-valuation of goods and services.

The primary value of a records management system is to act as a control system that reinforces other control systems such as internal and external audit. The opportunity to tamper with or remove financial records is greatly reduced by controlling their movement and physical security. When applied correctly, these control systems jointly serve as a deterrent to fraud.

The records themselves can serve to detect fraud and recover loss. Although the sums recovered may be relatively small, an effective recovery mechanism can in itself act as a deterrent.

Through early detection, records can aid in the reduction of financial losses attributed to repetitive (ie drip-feed) fraud. In many cases, perpetrators collude with an organisational insider who is in a position to authorise the transaction. Therefore, since corruption creates the environment that permits opportunities to commit fraud, then, once fraud is detected, records can provide a trail for investigators to track the root of corruption.

However, for records to be useful in this capacity, they must be accessible. It is important to realise that only top officials in government see those records containing the most incriminating evidence. Very few people are likely to know of the existence of these records, let alone their content.

For example, in Sierra Leone, a former Minister of Transport signed a contract with a German company on behalf of the government. This contract enabled him to profit enormously. The contract included provisions that allowed him to receive up to 50% of any engineering fee paid to the German company for procurements. In addition, he received US\$100,000 per year for the duration of the project. This official also included a clause in the contract that guaranteed that, in the event of his death, his next of kin would continue to

receive similar payments for the duration of the contract.<sup>106</sup> This minister kept the record of this contract because he would obviously need it to prove his claim to the money, yet it would be foolish on his part to make that record public.

High level officials in governments where corruption is commonplace frequently become complacent and keep incriminating records locked-up in their offices. If there is a sudden change in government, an astonishing amount of paperwork is discovered which exposes government officials' rampant plundering of government funds. Records are tremendously vulnerable at this level of government where senior officials have the power to access and remove evidence. Nonetheless, although the sums recovered may be relatively small, compared to the profits of high level corruption, the risk of public exposure and sanction through prosecution may deter some high level corruption.

### *The importance of standards in record keeping*

Documentary evidence, like a verbal testimony in court, is only useful if it can be guaranteed as credible, authentic and complete. For this to be true of records, they must be managed. More importantly, they must be managed according to standards - with regard to record keeping practice as well as conforming to specific systems and document formats. When government practices reflect known rules and adhere to acceptable standard codes of behaviour, the tendency is for public servants to behave rationally with equity and fairness. It is when the rules are unknown or ambiguous that the environment opens up to corruption. The same principle is applicable to records systems. If the systems are rule-based in design and consistently follow regular routines, they can provide a disincentive to individuals tempted to tamper with the evidence they manage.

Another reason for employing standards is that records can be retrieved from well managed, standardised systems more quickly and easily. This is important for enabling certain kinds of investigations to occur. For example, investigations into fraudulent activities are less likely to be obstructed or abandoned if documents can be retrieved in a matter of minutes as opposed to hours, days, weeks or longer.

Adhering to standard systems and document formats enables more effective identification of any disparities in records. Access to like records enables comparisons that can draw attention to inconsistencies. For example, there may be reason to suspect inappropriate behaviour if the same transaction is recorded differently over and over again. Yet unless investigators are able to view the totality of the record, it is unlikely that they will be able to identify discrepancies and form a complete picture of the situation and circumstances. For example, as illustrated by the Gambian case study, customs documents may record the value of goods in a shipment to be low, but the insurance taken out on them is unusually high. If the shipping and insurance records are available and can be compared to similar shipments that have cleared customs then the history of the fraud can be targeted, investigated and prosecuted. More importantly, other instances of this type of fraud can be stopped as the warning signals are now known and the system can be amended to prevent future occurrences.

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<sup>106</sup> Kpundeh. (1995): 74.

### *Using 'hallmarks' to expose fraud*

Perpetrators of fraud often leave identifiable 'hallmarks' in different transactions that can be revealed by comparing like kinds of transactions.<sup>107</sup> These may include the descriptions of types of goods or services, payment addresses, spelling characteristics and even printing mistakes. Such hallmarks can be easily discovered if the records of similar transactions are available to be collated and compared. Once identified, these hallmarks are frequently repeated in a number of different crimes. Brought together they can reveal the history and extent of fraud and corruption within and across organisations and identify 'warning signals' to those in a position to terminate the transaction early on. Moreover, the ability to reveal how a fraudulent transaction has passed through a system offers opportunities to increase controls to prevent future occurrences.

### *Breeder documents*

The misuse of 'breeder' documents is another means of carrying out fraud.<sup>108</sup> The term is derived from benefits agencies and refers to those records that by virtue of their nature automatically generate other records. Breeder documents enable easy access to related systems for the creation and manipulation of their progeny. For example, personnel records automatically give rise to payroll and benefit records. If a fraudulent personnel record is generated and a subsequent personnel identification number issued, the individual(s) responsible for creating this record theoretically can now access all payroll or other records of relevance to that original personnel record using the identification number. As a result, pay cheques can be issued, authority permissions can be granted, benefits can be gained, etc. Therefore, in the quest to contain and control corruption and fraud, it is critical that potential types of breeder documents are identified and the appropriate controls placed on their creation and maintenance.

In the absence of strong records management controls, documents can be easily disorganised, concealed, lost, stolen, destroyed or otherwise tampered with. The creation and implementation of standards for records systems and document formats is crucial for identifying fraudulent documents and detecting gaps in record sequences. The loss or inaccessibility of documentary evidence results in increased opportunities for corruption and fraud to flourish. It is now widely recognised that improvements in the management of government finance are essential if accountability is to be enhanced and corruption and fraud reduced. Yet, unless the records used in the conduct of financial management activities are managed effectively, this goal cannot be achieved.

### **The effect of low-level corruption in departmental registries**

Maintaining effective and efficient records systems is a management issue. If records are not being managed, then neither are the people entrusted with their care. Monopolies over the access to official and public records held in registries are proving to be a source of low level corruption. Most registry staff in developing countries receive very low wages. As a result,

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<sup>107</sup> Interview with Mrs S Lin Kuo (Assistant Director, International Chamber of Commerce, Commercial Crime Bureau), London, 23 June 1998.

<sup>108</sup> Interview with Professor Alan Doig (John Moores University, Liverpool), Liverpool, 3 April 1998.

the value of information to public servants and citizens alike provide opportunities to extort small bribes to either obtain or conceal documents. Although, in some cases, records are not physically removed from systems, the information is still sold to interested parties. For example, information about government contract bids may be sold to a particular contractor to ensure their ability to outbid competition. Obtaining copies of personnel files required by individuals to obtain their pensions might also require payment of a bribe (ie 'speed money'). In addition, any compromising documents may be removed for a 'fee.'

The value of information is determined by:

- profit-earning potential
- the lead or opportunity it may offer the 'buyer' (eg government contractor)
- cost to reconstruct
- statutory, contractual, public image, or other liabilities if lost, disclosed or modified.<sup>109</sup>

Coupled with opportunity the value of information provides an incentive for creating idiosyncratic systems for maintaining chaotic records. This type of corruption creates a cyclical effect in that the records systems often become so confused that it would be unproductive to replace registry workers who have become the only gateway to the information. This secures their position within the organisation and enables them to securely continue to demand bribes for access to records.

## 6.6 The Role Records in Anti-corruption Strategies

To date, virtually no attention has been given to the management of those records that should underpin financial controls and thus provide a safeguard against fraud.<sup>110</sup> When corruption occurs, records should provide the evidence needed for the successful prosecution of wrong doers. Yet there is no accountability framework for the control of this vital resource. Moreover, there are no measurable performance indicators to determine objectively whether records are being maintained and managed effectively. As a result, financial records are often unreliable, incomplete and difficult to use. Not only does this create opportunities for fraud, but it leads to loss of revenue and impedes economic and fiscal planning.

Good records management has a deterrent effect which is a preventative, cost-effective alternative to prosecution. The existence of records systems provides an instrument for deterring malfeasance and exposing corruption and fraud if it occurs. The financial management process requires that security and confidentiality measures be imposed on most financial records. The records management function will provide the necessary controls on access to those records. Registry systems track the movement of current records throughout

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<sup>109</sup> Michael J. Comer. *Corporate Fraud*. Third Edition. (Brookfield, VT: Gower, 1998): 655.

<sup>110</sup> One exception has been the UK DFID ESCOR funded project that examined personnel records. Piers Cain and Anne Thurston. *Personnel Records: A Strategic Resource for Public Sector Management in Developing Countries (with Case Studies from Uganda, Ghana, and Zimbabwe)*. Current Good Practices and New Developments in Public Sector Management Series (London: Commonwealth Secretariat, 1998).



the organisation. They generate audit trails that can also reflect any intentional or accidental unauthorised actions carried out on records (eg tampering, theft or loss). Authentic, reliable records provide an unambiguous link between an authorisation, a particular assigned person and a date. They can serve as evidence to identify abuse, misuse and non-compliance with financial instructions and other laws and regulations. Consequently, records management provides a preventative, credible restraint for corruption and fraud.

Record keeping professionals need to learn more about the nature and characteristics of corruption. They need opportunities to work with organisations investigating methods to curb corrupt and fraudulent activities. Together they can develop, improve and strengthen systems to provide the evidence needed to expose corruption and ensure accountability. A strategy for keeping practical, productive records systems must therefore underpin anti-corruption strategies. Strategic record keeping for accountability would involve:

- training records keepers to identify and control breeder documents and recognise situations where opportunities exist for fraud and corruption
- developing core competencies in maintaining records and engendering professional ethics among records keepers
- standardising systems and document formats
- encouraging a climate conducive to keeping and using records properly
- developing awareness raising workshops and training for anti-corruption bureaux, auditors, etc in how records can be manipulated and misused.

# Chapter 7      **Accountability Initiatives to Strengthen Financial Management**

## **7.1      Framework for Financial Accountability**

Anti-corruption strategies need to be matched with more positive accountability initiatives. Strategic planning is needed to build uniform, standardised *integrity* systems. If the record keeping and financial information systems that underpin financial management have integrity, then the systems that they support will have increased integrity. There is a need for preventative accountability initiatives rather than simply investigative measures.

According to the World Bank, the development of a financial accountability framework would consist of:

- implementing an effective and integrated financial management information system
- developing a professional base of accountants and auditors
- adopting and applying internationally acceptable accounting standards
- empowering an independent and competent external audit
- developing a strong legal framework for supporting modern accounting practices.<sup>111</sup>

### **Integrating financial management information systems**

To increase the integrity of systems and reduce duplication of effort, there is a need to develop commonly shared (ie integrated) financial information systems. Such systems would need to be integrated vertically to take into account the hierarchy of functions involved in the planning, budgeting and financial management cycle. Yet, at the same time also integrate laterally to enable information to flow easily through the accounting, budgeting, cash management and audit functions.<sup>112</sup> The records management function ought to also be incorporated into the base operations of the financial management system in order to control the integrity, authenticity and overall managed flow of financial information.

The failure to integrate financial management functions into one system and then underpin that system with records management controls leaves opportunities open for multiple information systems to manage projects separately with little consideration given to critical interrelationships. More often than not, parallel systems have overlapping and sometimes conflicting functions. This leads to:

- fragmented and unreliable data
- difficulty in reconciling duplications of data

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<sup>111</sup> The World Bank. *Governance*: 14; UNDP PACT (1998): 27.

<sup>112</sup> Holmes (1998):55.

- failure to fully and publicly report financial and operational results
- failure to use reliable and verifiable results in planning and budgeting
- undue emphasis on one of the parallel systems, which then tends to dominate, duplicate and overshadow the others.<sup>113</sup>

### **Development of a professional base**

Accounting, auditing and records management are specialisations. As a result, in order for staff to carry out their responsibilities effectively, they should possess certain basic core competencies.<sup>114</sup> Management personnel should have a professional, ideally post-graduate, education or comparable professional qualification. Moreover strong professional associations are needed to provide support both nationally and internationally.

### **Development, dissemination and use of accounting standards**

The national and international accountancy and audit professions are working to standardise accounting practices and examine whether public sector practices should be harmonised with those in the private sector.<sup>115</sup> Moreover, these standards are a prerequisite to financial accountability because they ensure the reliability, consistency and transparency of financial information. Accounting standards represent a pulling together of best practices to place increased importance on achieving long term impacts.<sup>116</sup> The objectives of these standards are to:

- assist in the exercise of judgement
- reduce the number of acceptable practices
- improve the information content of published financial statements

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<sup>113</sup> Holmes (1998): 63-64.

<sup>114</sup> The International Records Management Trust is currently developing a modularised distance education training course entitled the *Management of Public Sector Records* to increase competencies in the area of records management. Other initiatives are being taken in the areas of accounting and audit through the relevant professional bodies and educational institutions.

<sup>115</sup> This includes: International Federation of Accountants (IFAC), International Organisation of Supreme Audit Institutions (INTOSAI), Chartered Institute of Public Finance and Accountancy (CIPFA), Canadian Institute of Chartered Accountants (CICA), etc

<sup>116</sup> Evolving and established standards and best practices include: The Canadian Institute of Chartered Accountants (CICA), *Criteria of Control Board. Guidance on Assessing Control – The CoCo Principles*. Draft for Comment (June 1997); Chartered Accountants of Canada. *CICA Task Force on Standard Setting*. Interim Report (31 May 1997); UK National Audit Office. *The Management and Control of Paperless Systems*. Draft-Version (June 1997); Committee on Accounting Standards, International Organisation of Supreme Audit Institutions (INTOSAI). *Accounting Standard Framework Implementation Guide: Departmental and Government-Wide Financial Reporting*. Exposure Draft (31 December 1997); UK HM Treasury. *A Code for Fiscal Stability* (November 1997); Internal Control Standards Committee, International Organisation of Supreme Audit Institutions (INTOSAI). *Guidelines for Internal Control Standards*. (June 1992); Public Sector Committee, International Federation of Accountants (IFAC). *Guideline for Governmental Financial Reporting*. Exposure Draft. (1998).

- improve their comparability.<sup>117</sup>

The broad technical requirements for accounting are relatively similar for all countries. As a result, core systems can be specified to meet these requirements.<sup>118</sup>

Accounting standards presuppose that records exist, are in good condition and are accessible. By implication standards require that records should be organised and retrievable, but they do not specify how. Given the strong relationship between records management and financial management, there is clearly a need to incorporate a records component or separate standard to compliment these efforts.<sup>119</sup> This includes encouraging the standardisation of data and document formats for records systems.

However, at present standards may be difficult to implement in developing countries because of the weak financial management environment. In addition, they must take into account that while the broad technical requirements for financial management may have similarities, different accounting traditions may specify different record keeping requirements (eg francophone record keeping requirements are more in depth than anglophone). International standards often seek the lowest common denominator in order to achieve universal implementation. Accounting and auditing standards bodies ought to aim to raise the level of thinking on these issues as opposed to settling for standards that are too broad and unspecified to have a meaningful, long-term impact.

### **Empowering an independent and competent external audit**

An independent supreme audit institution with the power to expose situations where timely and complete financial information has not been provided is critical for ensuring financial accountability.<sup>120</sup>

At present, there are virtually no sanctions against keeping poor records and where they do exist, they are seldom applied (eg as a penalty, an auditor can refuse to certify accounts, however there are no institutional mechanisms in place to apply sanctions).<sup>121</sup> It is difficult to prove that bad record keeping has criminal intent. Public servants may claim that the existing, albeit poor, state of record keeping is not intentional. Instead it is just a reflection of how it has always been done. This results in the creation of an unquestioning, uncontrolled environment that provides opportunities to either not keep or to conceal records that may expose fraud and corruption.

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<sup>117</sup> UNDP (1998): 28.

<sup>118</sup> Holmes (1998): 57.

<sup>119</sup> A records management standard has been developed in Australia, and it may ultimately provide the basis for a global standard. There is also considerable work underway on records management issues in North America, Europe and Australia where corporate memories of organisations are increasingly held electronically. However, this work is highly theoretical and difficult to apply. Professionals and government officials in developing countries do not have access to this information in a form that is useful to them.

<sup>120</sup> Martin Evans and Shelley Thornton. 'What is the Proper Scope of Public Audit?' in CIPFA. *Adding Value? Audit and Accountability in the Public Services*. (December 1996).

<sup>121</sup> Research is needed into the number of civil servants that have been prosecuted or disciplined or even reprimanded for not keeping records in the last year. Moreover, there needs to be more investigation into how often audit reports have cited their inability to form a full opinion because of poor record keeping.

Yet it is not the external auditor's official role to investigate intent or actions. Instead it is within their remit to report that they are 'unable to give an opinion' when records are not available, are untidy or are out of date.<sup>122</sup> If auditors' suspicions are raised, they can then notify the appropriate authorities and may, in some cases, assist investigations. However, standards and best practices for financial record keeping must be in place in order to evaluate the adequacy of record keeping systems and the auditor's role ought to be strengthened to enable them to comment on the provision of records. Without any objective way to evaluate the adequacy of record keeping systems (eg best practice guidelines and standards) it is impossible to critique current systems and encourage improvements.

## **Strengthening legal and regulatory frameworks**

Organisations are required by law to create and maintain records for the purposes of financial accountability. These stipulations may be set out as statutes or case law and may be supplemented by more detailed regulations. This applies to both the public and private sectors, but the legal requirements for the public sector are usually more stringent, reflecting the greater need to ensure public accountability.

However, these various forms of guidance do not specify how records should be kept. This has created a major gap in developing countries where there is limited capacity among record keepers in understanding how legislation effects the creation and use of records. What is needed is training and education to enable records managers and archivists to shift from purely implementation issues (eg establishing filing systems and registries according to regulations developed decades ago) to developing capacity in translating the changing legal and regulatory requirements for record keeping into practical systems. In addition, education is needed to understand how new technologies should influence record keeping systems design.

## **7.2 Lack of Evidence Undermines Accountability Initiatives**

Records management is missing from the World Bank's<sup>123</sup> financial accountability framework. Without records to provide the evidence that lends form and substance to financial management, accountability initiatives cannot succeed. Strengthening the regulatory role of the national archives and records service and improving records management systems should be included in the wider context of institutional and capacity building and policy reforms. The broader decline in public sector management capacity supplants formal rules with informal practices. When formal rules are abandoned, record keeping systems collapse. When record systems collapse:

- accountability is diminished
- budgeting, accounting and auditing functions are undermined
- external debt is recorded inaccurately or inconsistently

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<sup>122</sup> Interview with David Gray (Managing Consultant, CIPFA), London, 17 June 1998.

<sup>123</sup> It may be assumed that records management is not incorporated into other frameworks endorsed by other donor and lending institutions – with the exception of UNDP PACT.

- foreign direct investment is deterred
- investment in physical infrastructure is wasted (eg undermined computerisation initiatives)
- corruption and fraud is concealed
- institutional memory and the capacity for making informed strategic decisions are undermined.

Furthermore, inadequacies in information systems can be identified in all levels of financial management including:

- macro level: inability to assess the fiscal situation
- strategic level: unavailability of costing information on policies and programmes
- operational level: unavailability of financial reports on time and in a form that facilitates effective expenditure control of management of agencies, programmes or projects.<sup>124</sup>

Often records issues are overshadowed by more immediate development priorities. Yet the availability of unambiguous information could help to diagnose which areas within government financial management that are most in need of reform. In the past, donor agencies have consistently:

- ignored the importance of record keeping while expanding government commitments
- undermined record keeping capacity by insisting on the development of parallel systems for their own projects
- focused on short term delivery of donor funded projects.<sup>125</sup>

Other reasons for the decline in the culture for record keeping include: gaps in the legal framework, lack of standard classification coding structures, poorly specified reporting requirements and the general growth of bureaucracy. Public servants responsible for creating and keeping records often do not see the point for records management nor do they see the benefits of keeping records. In some cases, individuals deliberately do not want records kept because they wish to conceal participation in fraud and corruption.

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<sup>124</sup> Holmes (1998): 55-56.

<sup>125</sup> Foreign aid initiatives to strengthen capacity in developing countries frequently fail because of the "rush of donors to go in and try and work around lack of capacity by substituting for what capacity exists or attracting that little bit of capacity that exists to their own cause rather than the general one." The result is that the donors are "systematically destroying the capacity that does exist." from a transcript of an address to a conference of the African-American Institute on 'Capacity Building: The Missing Link in African Development' in Reston, Virginia, 20 May 1993 by Edward Jaycox. (World Bank, processed). in Clive S Gray and Deborah A Hoover. (1995): 219.

In an electronic environment, the situation is even more perilous. As the number of computerised systems increases, the tendency is for users to regard the records they create as personal as opposed to belonging to their employer. As a result computerised records tend to be omitted from record keeping systems. Although methods for controlling records in an electronic environment within government are being developed elsewhere,<sup>126</sup> solutions are not being tested or practised in Africa. As a result, information created electronically is often considered within the domain of information technology departments.

### 7.3 Evidence and Technological Solutions

*Information technology has no innate impact on accountability and, whilst it may support some accountability information systems, it is not typically essential. Where present, computers may skew or undermine accountability as much as support it. Information technology may not be essential to accountability, but the same is not true of information and information systems. Information flows enable accountability and are essential to it.*<sup>127</sup>

Computerisation is now an inevitable and desirable step in economic development. Most donors believe that information technology is the solution to controlling and decentralising financial systems (ie that it will solve most information management problems). Any country that does not establish computerised information structures risks an insurmountable development gap. It is expected that computerisation will provide an opportunity for economically disadvantaged countries to 'leapfrog' onto a higher level of economic development for a comparatively low level of investment. Yet the overall economic gains of implementing information technology in organisations in the industrialised world have been marginal.<sup>128</sup>

Information technology has significantly changed the way in which organisations in industrialised countries work and is attributed with facilitating the 'reinvention of government.'<sup>129</sup> Computerisation has enabled organisations to de-layer, cut production and logistics costs and improve customer service. In addition, there is no question that computerisation is a key issue when considering the integration of financial management

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<sup>126</sup> For example, the development of standard file naming conventions and standard directory structures, as well as metadata development.

<sup>127</sup> Heeks, Richard. *Information Systems in the Public Sector*. Working Paper Series, Paper No.1. (Manchester: Institute for Development Policy and Management, University of Manchester, 1998): 21.

<sup>128</sup> '...much of the 10 billion pounds invested by UK companies on IT each year is giving no real pay back.' Jason Hobby. *Computer Weekly* (October 1991) in Bhatnagar (unpublished): 3; According to the US Comptroller General '...federal agencies have not kept pace with evolving management practices and skills necessary to (1) precisely define critical information needs, and (2) select, apply, and control changing information technologies. The result in many cases has been wasted resources, a frustrated public unable to get quality service, and a government ill-prepared to measure and manage its affairs in an acceptable business-like manner. Despite spending more than \$200 billion on information management and systems in the last 12 years, the government has too little evidence of meaningful returns.' US General Accounting Office. 'Improving Mission Performance Through Strategic Information Management and Technology.' (March 1994) in Bhatnagar (unpublished).

<sup>129</sup> However it should be noted that 'African governments are often reluctant to open up information markets, which can upset power structures.' Emmanuel Ngwainmbi. 'Technology and Information Flow in Africa.' *EDI Forum* 2:1 (Summer 1997): 8.

processes.<sup>130</sup> If successfully applied, computerising financial management information systems can:

- enable significant gains in efficiency, particularly when processing large volumes of transactions
- ensure that prescribed controls and procedures are adhered to
- support decision making
- improve service delivery
- encourage the re-engineering of work processes and reporting arrangements
- empower staff.

However, these advantages cannot be achieved if basic functional processes are not strengthened.

Primarily development organisations from highly computerised countries, such as the World Bank and US AID, are promoting a technological solution in support of wider financial management reforms.<sup>131</sup> Many consultants are comfortable with recommending computerised solutions. There is an illusion that computerisation provides an easy solution. Within public sector reforms it is believed that information technology will enable a culture of open information.<sup>132</sup> It is also thought that implementing key developments in technology (eg electronic document management, groupware, Internet and intranet access) will allow for more innovative administrative techniques to enhance such functions as policy development and financial management and ultimately empower citizens to participate more fully in government. It is not uncommon for the use of information technology to be seen as a progressive measure for enhancing accountability.

The implications for accountability are of major significance. Governments around the world are already discovering that weaknesses in the management of their existing paper and electronic records are adversely affecting their ability to ensure accountability. When governments are considering implementing IT projects they need to consider whether the records created by those systems are required for accountability purposes. They need to ensure that they have the capacity to maintain these records and access them as evidence for as many years as they are required. If there is any doubt about the capacity of the system to achieve this, then the potential risk of corruption, fraud or loss of institutional memory should be assessed and explicitly discussed in project documentation.

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<sup>130</sup> UNDP PACT (1998): 73.

<sup>131</sup> For example: Ministerio de Economía y Obras y Servicios Públicos, Secretaría de Hacienda. 'National Public Sector Financial Administration and Control Systems Act' Nr. 24.156. *Reform of Government Financial Administration in Argentina*. (1992).

<sup>132</sup> Bhatnagar (unpublished): 2.



This raises an important related issue. In a paper-based working world there are a variety of checks and balances on the authenticity of official documentation. One of the most fundamental is the ability of senior managers to keep watch over the records their departments create and to verify the record of their decisions and actions. In an electronic work environment, records are intangible and transient. They do not have a physical form that represents the record. An audit trail may be altered or deleted without the official being aware. Often only a technology specialist will be in a position to make a judgement. A solution is needed that exploits the advantage of increased accessibility to information without sacrificing accountability.

### **Problems in implementing technological solutions in sub-Saharan Africa**

*Ultimately [organisations] will have to understand their own needs and create new products and services indigenously to meet these needs rather than look for ready-made solutions elsewhere. This is largely because solutions to problems which are important for [African government] do not necessarily exist elsewhere.<sup>133</sup>*

For computerisation to be beneficial it has to be carefully targeted. Undoubtedly computerisation can bring significant productivity gains where there is a need to manipulate or aggregate data. For example computerised accounting systems for central government or databases of statistical information have been introduced successfully in most countries. However there is a risk that computerisation may be adopted inappropriately, without due regard for local capacity, and without concern for legal requirements for evidence.

Where computerised systems exist in sub-Saharan Africa they often do not adequately fit business requirements. It is even more unrealistic to assume that existing systems can be adapted to manage the more stringent requirements of electronic record keeping systems. In addition, sub-Saharan Africa suffers from serious capacity related problems. The financial management systems available are largely customised versions of standard accountancy packages designed for use in 'First World' conditions. In many developing countries, especially in much of Africa, there are significant difficulties in ensuring the provision of trained staff, adequate and continuous electricity supplies, communications and sustainable technical support, particularly outside major cities.<sup>134</sup>

Commercial financial management software packages are unlikely to provide an entirely satisfactory technical solution under prevailing conditions. Very often, only marginal efforts are made to adapt systems developed in North America, Europe and elsewhere to the needs of local and national sub-Saharan African government institutions. Customising software is even more difficult when most organisations in this region do not fully understand their own information needs and limitations. However, because the market is relatively small, as

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<sup>133</sup> Natalia Volkow and Chrisanthi Avgerou. 'The Role of Information Technology in Developing Countries in the Process of Globalisation.' In Mayuri Odedra Straub, Rogers W'O Okot Uma and Gunther Cyranek. *Implications of Developing Countries* (London: Commonwealth Secretariat, 1995): 52-65 in Bhatnagar (unpublished).

<sup>134</sup> 'Currently Africa has one of the lowest levels of information technology. According to a recent survey conducted by this author, fewer than 30 percent of businesses, 5 percent of civil servants and 0.5 percent of citizens even own a telephone. ...in many countries, as much as 80 percent of the population is rural and poor... with an average literacy rate of about 35 percent.' Ngwainmbi. (Summer 1997): 8.

compared with industrialised countries, their needs are neither studied nor addressed by the leading software developers in their attempts to win this, albeit small, market.<sup>135</sup> The need for integrated paper and electronic solutions is vital in this region. Many developing country governments are likely to continue to require financial management systems with a large proportion of paper-based supporting documentation well into the next century.

Little attention has been given to the records required to support financial management systems in these specialised conditions. In particular, there is a need to learn more about the optimal strategies for linking the paper-based parts of financial systems, which may be mainly located in the regions and districts, and the computerised parts, located mainly in the capitals. A more fundamental problem is how the information is organised at the point of creation to reflect functions and business requirements and how it is managed to ensure that it is readily accessible and meets legal audit requirements.

Introducing technological solutions under present conditions in developing countries will only increase the vulnerability of official and public records. Not only do they face huge obstacles in affording and obtaining access to the new technologies, but if the paper-based systems are collapsed it is futile to layer an electronic system over top without seriously compromising existing and future record keeping capabilities even further. In short, automating a chaotic situation is likely to create yet more chaos. In writing of the experience of computerising paper-based systems in Australia and New Zealand in the early 1990s, one records manager observed:

*The problems with 'paperwork' did not disappear, as advertised. They became worse, exponentially worse, as high-speed microprocessors and printers spewed forth even more paper and microfiche than ever. Manual systems that were even mildly dysfunctional became catastrophically so when they were computerised.*<sup>136</sup>

African governments, unlike some industrialised or transitional countries, are not in a position to take advantage of technological developments and move rapidly from a currently disabled manual system to an automated one. To do so, they would need an adequate regulatory framework and the institutional capacity to first handle and then fully benefit from this type of solution. The existing legal and regulatory framework must first be reviewed and amended as needed (eg is electronic information admissible as evidence), and the responsible government agencies must be analysed and corrective measures identified prior to implementation. Long-range planning for systems support and upgrades is also needed to sustain efforts. This must include imposing structure on current paper-based record systems and inculcating methods for integrating and managing these records with newer computerised ones.

Finally, common methods for operating computerised record keeping systems, if they are even known, are not being practised fully or consistently in developing countries. Electronic records are entirely dependent upon technology both for their creation and their storage. As a result, they must be managed over time in a computerised environment. Given the rapid obsolescence of computer hardware and software and the degradation of storage media, the

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<sup>135</sup> 'Much of the software supplied to districts were not well designed. [They] ...were developed without adequate consultation with the users and were not tested adequately. The effort required to convert a proto-type into "shrink wrapped" packages was grossly underestimated.' Bhatnagar (unpublished): 7.

<sup>136</sup> Ann Pederson. (June 1998).

mechanisms for controlling electronic records over time require a higher level of sophistication than is needed to manage paper records. For example, the National Archives of Canada recommend using digital audio tape for storing electronic records. However estimates are that the tape is only stable for five years because of the instability of the materials which it is made.<sup>137</sup> Optical disks are much more stable, but the software used to access and retrieve the data stored on disks is liable to become obsolete because it is proprietary software and therefore is not guaranteed to be compatible with other systems. Data can become meaningless or misleading if the context in which it was created and used changes. Most databases used in developing countries lack the ability to glean sufficient contextual information or 'metadata' to prevent this from occurring.

Although governments in industrialised countries have invested heavily in research programmes to address these issues, no comprehensive technical solution has been found yet. Basic strategies are emerging that include refreshing storage media and migrating data. However, these strategies require the development of highly specialised techniques that are out of the economic reach and expertise of most developing countries.

Despite advances made in the research into preserving electronic records, the Australian Law Reform Commission has revealed that record keeping remains in a perilous state in many departments in the Commonwealth of Australia. It has shown that there are no guarantees that older paper records are kept or electronic records are preserved. The commission president, Mr Alan Rose, stated that 'our review found mediocre and fragmented record keeping is so widespread within the Federal administration that its failures are now accepted with a degree of fatalism.'<sup>138</sup> The rapid development of electronically generated records is of particular concern to the commission. This is primarily because 'the record-keeping system to which it [a record] belongs is often no more than a server [a computer containing a large database for accessing by other computers] filled with an unstructured mass of records which are difficult to locate and subject to intermittent purges.'<sup>139</sup>

It is impossible to consider the management of electronic records if existing systems are inappropriate. Systems must first be developed based on an analysis of organisational goals and objectives prior to addressing the larger electronic records problem. Moreover, solutions must be sought to translate emerging strategies for handling electronic records into practical and implementable terms if they are to be put into practice in developing countries.

### **The preconditions for computerisation in sub-Saharan Africa**

Despite the realities in African government, information technology will continue to flow into institutions and therefore cannot and should not be ignored. The question then is not whether to computerise, but when and how.

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<sup>137</sup> *Report of the Working Group on Conservation Standards and Technologies*. (Ottawa: National Archives of Canada, 1993).

<sup>138</sup> Bernard Lagan, Justice Writer. 'Recordkeeping's bad record.' *Sydney Morning Herald* (3 July 1998): 5.

<sup>139</sup> Lagan (July 1998): 5.

A purely computerised response to the problems encountered in public financial management is inappropriate.<sup>140</sup> This is primarily because the benefits of computerisation cannot be gained if the basic business processes and operational arrangements are not strengthened first.<sup>141</sup> Sustainable computerisation projects require the following preconditions be met:

- well organised, accurate and easily accessible source data
- compensation of information technology staff commensurate to market conditions
- reliable power supply
- realistic back-up and storage procedures
- appropriate environmental conditions and physical security
- appropriate management structures
- appropriate legislation
- realistic targets and project design.

The existing legal, regulatory and institutional framework must be reviewed and amended as needed (eg to ensure that electronic information is admissible as evidence). The government agencies, which are responsible for computerised systems, must be analysed and corrective measures identified prior to implementation. This should involve not only the user departments and the government computer bureau, but also the national archives, which have statutory responsibility for the long-term preservation of government records. Despite this responsibility, most national archives in developing countries do not have the capacity to manage electronic records. This issue needs to be addressed as a matter of urgency.

Any government institution operating computerised systems that generate records with on-going value as evidence must draw up plans for systems support and upgrades over the long term to ensure that electronic records systems are sustainable and that adequate provision is made in the recurrent budget. This includes imposing management structures on paper-based input and output records and involves providing for the integration of paper and computer based systems. Evolving methodologies in developed countries can be adapted to developing country requirements, but this will require a sustained capacity building programme.

The requirements for ensuring the reliability, integrity and authenticity of electronic records in support of the requirements for good government and accountability are only beginning to be articulated and understood. Already there are chronic problems in accessing and reading records over time. Moreover, there are a growing number of instances of gaps in the evidence required for accountability. For example, in Australia in the 1990s:

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<sup>140</sup> Hywel M Davies, Ali Hashim, Eduardo Talero. *Information Systems Strategies for Public Financial Management*. World Bank Discussion Papers 193 (Washington, DC: The World Bank, 1993).

<sup>141</sup> Jeffrey A Hoffer, Joey F George, Joseph S Valacich. *Modern Systems Analysis and Design*. (Reading, Massachusetts: The Benjamin/Cummings Publishing Company, Inc., 1996).

*Managers in all institutions experienced more and more pressure to do business 'smarter' and faster through electronic systems while at the same time complying with dynamic and increasingly complex business and regulatory environments. As corporate and government accountability scandals multiplied, the link between accountability and rigorous legal and financial record keeping became clear. Most, if not all, public or private accountability breaches could be traced to poor or non-existent record keeping regimes. Whilst new information technologies mooted many potential benefits, the actuality was that the new electronic documents on non-standard, unstable, easily manipulatable media did not comply with legally acceptable definitions of 'record' and 'evidence' and were subject to technological obsolescence.<sup>142</sup>*

Computers are one type of delivery system and paper is another. Which delivery system is selected for capturing, managing and using records should be determined by the legal and regulatory framework governing the institution and the institution's capacity to manage records in either format. If the organisation is incapable of properly managing its existing paper-based records it should not consider moving to an electronic environment until manual control is achieved and the infrastructure to support electronic records management is in place. Record keeping systems support accountability because they offer not just the ability to monitor and compare information, but they impose control over the records. Accountability is the primary consideration for deciding how best to manage records, who should manage them and when to move to other formats.

The issue of corruption also must be considered. Information technology creates new opportunities for emerging monopolies over the access to information. Because of the limited number of trained professionals, computer operators can demand small bribes to access, alter or delete computerised information. It is also not uncommon for ministries to have only one computer programmer developing and maintaining systems. This creates potential opportunities for collusion. Moreover, stolen money can be transferred very quickly out of the country, beyond the reach of the authorities. In a computerised environment there is less time to act if moneys have been misappropriated and then transferred electronically to be laundered outside of the country. The infrastructure (eg information and record keeping system controls) and training to detect computer fraud is simply not in place in most developing countries.

Furthermore, if record keeping controls are not established to manage computerised records and information, records created will simply circulate widely and freely with no ability to monitor their distribution. Without controls, the system cannot guarantee the quality (ie integrity) of the information or limit opportunities for abuse and misuse. Given the rapidity with which information is disseminated electronically, it is imperative to ensure that the records from which information is drawn are accurate, authorised and complete. Otherwise, misinformation about government actions can proliferate.

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<sup>142</sup> Ann Pederson. 'Migrating Legacy Systems into the Electronic Environment.' Paper presented at the *Conference on the Transition to Electronic Records as a Strategic Resource.* Organised by the International Records Management Trust (IRMT) and the National Archives of Malaysia in co-operation with the Malaysian Administrative and Management Planning Unit (MAMPU), Kuala Lumpur, Malaysia 22-24 June 1998

## Chapter 8 Conclusion

### 8.1 The Way Forward: Records Solutions

Records management is a specialised management function. Policies, procedures, standards and best practices ought to be developed and implemented for managing records as strategic accountability assets. Until this function is recognised by public officials and senior civil servants as a management issue, it will not be possible to enforce compliance with record keeping requirements and establish the necessary culture for creating, maintaining and using records.

Governments need authorised, accurate and complete records for:

- achieving accountability through transparency
- informing civil society
- focusing on results-oriented service to the public
- developing the capacity of the ‘Pillars of Integrity’ to fight corruption.<sup>143</sup>

If financial management systems remain weak and the ability to hold public servants accountable for their decisions and actions is obstructed, corruption will flourish. Corruption contributes to underdevelopment. Well-managed records do contribute significantly to supporting accountability and deterring corruption. If available to underpin anti-corruption strategies and accountability frameworks, the controlled creation and management of records can offer a preventative, verifiable and cost-effect deterrent to corruption based on fraud.

A number of steps should be taken if records are really to support accountability and to deter corruption. These factors include:

- developing a culture for creating, maintaining and using records
- strengthening the role of records management and records managers within an institution
- identifying and strengthening records legislation
- defining and implementing records related standards
- developing financial management systems that incorporate a record keeping component
- developing tools to assess the vulnerability of records systems to corruption and fraud
- supporting the role of national archives as a records management regulator.

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<sup>143</sup> Langseth (April 1998).

Most importantly, for these measures to be sustainable there is a continual need for ongoing training and awareness raising about the role of record keeping within an organisation. Both the keepers and users of records require more understanding of the value of records to improving the economy and efficiency of the organisation and raising the level of accountability of its employees. As computerised systems continue to supplant manual ones, the requirement for specialised training in the design and handling of electronic systems becomes more urgent and essential. There is a clear need for training to raise employees up to current levels of understanding. However, once this has been achieved, there is a subsequent requirement for instruction in specialised practices (eg electronic records and legal issues) and the provision of continuing education in order to remain aware of current thinking.

### **Developing a culture for creating, maintaining and using records**

Without a firmly rooted *local* demand for public sector information, accountability initiatives and anti-corruption strategies are likely to fail because there will be no commitment by public servants to maintain the records and systems required for transparency. Measures to create an environment conducive to record keeping and to foster demand for information include:

- obtaining the support of public officials and senior civil servants for establishing and empowering records management programmes
- recognising records management as a specialisation instituted to control valuable accountability assets
- employing competent, qualified records professionals to manage programmes and liaise with other officials and departments
- providing the appropriate infrastructure to manage records over time, including the provision of records centres to decongest registries and store semi-current records
- advocating co-operation between information technology departments and records managers to design and implement programmes to manage electronic record systems that will benefit from both areas of expertise
- training government employees to both recognise when they are creating records and how to use records to enhance their work
- educating records staff to detect possible fraud both within the record system itself and in how records are created and used
- supporting adherence to professional ethics among records staff in the handling of and access to information and in improved customer service and productivity.

Records professionals should carry out research to identify the ‘demand-side’ of information. This involves investigating which records users need, how they will need to use them, how realistic it is to meet these needs and what strategies are required to ensure that requirements are met efficiently. It should also address the effects of poor record keeping at the regional level on the performance of local and central government. The timeliness and quality of

records retrieved should be compared to the costs incurred by operations when records are not available or are incomplete or disorganised.

### *Encouraging civil society to use public sector records*

*In many countries, voice is distributed as unequally as income. Greater information and transparency are vital for informed public debate and for increasing popular trust and confidence in the state – whether in discussing expenditure priorities, designing social assistance programs, or managing forests and other resources.*<sup>144</sup>

Civil society's information needs should also be studied. This means all of the various groups that comprise civil society (ie the media, activist groups, ordinary citizens, etc). Each of these groups has its own accountability issues. Access to the evidence of government decisions and actions is critical to developing an informed civil society equipped with the information individual citizens need to assert their civil rights, hold governments accountable and detect and deter corruption and fraud.

For example, in India, civil society representatives drew up a bill on 'citizen's rights to information.' The Kot Kirana village in the Pali district of Rajasthan state provided the first venue for a Jan Sunwayi (people's hearing). Illiterate peasants, landless labourers, artisans and rural women used this opportunity to exercise their fundamental right to government information. They raised questions on financial misappropriations (eg projects that were designated as 'complete' on paper but wherein reality there were no roofs on school buildings, dispensaries were without walls and community centres were missing doors and windows). A government representative obtained details from the evidence discovered in bills and vouchers. The people 'were amazed at the brazenness of the officials and their elected leaders. The response from the poor was electrifying. It even resulted in a state electricity board engineer returning the Rs. 15,000 he had extracted from a farmer.'<sup>145</sup>

Lack of information is a critical variable in underdevelopment. 'The countries worst off on indices of "quality of life" are [hypothesised to be] the worst off in terms of the quantity and quality of data [and] information processing skills.'<sup>146</sup> Instruction in the creation and use of records should become an integral component in civil service training schemes.

In addition, an assessment of records management effectiveness and capacity ought to be incorporated into Country Assistance Strategy tools (CAS) developed by the World Bank. These tools set out the relations between the bank and the borrower. They are a complex series of hierarchical rules, regulations and instructions that cover the span from policy to implementation. CAS tools provide detailed guidelines on everything from how a loan is structured to what documentation and reporting is required and how it should be formatted. This is one top-level way to influence the building, maintenance and use of appropriate and effective record keeping systems. Finally, citizen's advice bureaux, watchdog organisations

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<sup>144</sup> *World Development Report 1997: The State in a Changing World - SUMMARY.* (Washington, DC: The World Bank, 1997): 10.

<sup>145</sup> Subhash Kirpekar. "'Right to Information" Legislation – Bill in UF Court.' *Times of India.* (r July 1996) in Bhatnagar (unpublished).

<sup>146</sup> Klitgaard (1988): 207-208.



and other organisations representing the rights of civil society should be trained to recognise what information is or could be made available and how to obtain and use it responsibly.

### **Strengthening the role of records management and records managers**

Strengthening the role of records management as an internal control system should become a distinct component in institutional and technical capacity building. Records management reforms should be tightly integrated with information technology, as well as overall economic development plans. For this to become reality, records management must be judged as a specialisation requiring particular skills.

As a result, public servants working in the area of records management and archives should be employed on the basis of their qualifications in this area. Where possible, programmes ought to be managed under the direction of a qualified professional records manager or archivist (ie with either a professional degree or relevant experience).<sup>147</sup> Staff currently employed should be provided with opportunities for training and continuing education. This is particularly important when dealing with specialised areas of record keeping such as working with electronic records, financial records and legal records.<sup>148</sup>

Membership in professional records organisations should be encouraged and if possible subsidised. The International Council on Archives (ICA), the Association of Commonwealth Archivists and Records Managers (ACARM) and the Association of Records Managers and Administrators (ARMA International), as well as a number of national professional organisations throughout the world exist to provide support to professionals.<sup>149</sup> Their role is to distribute information on new developments and research findings, develop and endorse standards, produce publications and journals, provide regional training opportunities, support advocacy and outreach programmes, share experiences and provide networking opportunities through conferences and seminars.

Co-operation among relevant professions, such as between records managers and archivists, accountants, auditors, legislators, and information technologists, will enable common problems to be approached from different aspects. Seldom do other professions think to involve records professionals in planning and decisions. However there is a need to pool expertise if the problems of accountability, transparency and anti-corruption are to be solved.

### **Identifying and strengthening records legislation**

*The lack of an effective accountability framework, however, is exacerbated by the lack of effective laws and policies that address record keeping and, above all, the absence of an effective central or lead agency to provide leadership and to serve as an authority for matters related to record keeping.*<sup>150</sup>

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<sup>147</sup> Although desirable, it is unrealistic to expect most records staff to have professional degrees. However, the heads of programmes should demonstrate experience in records management and archives.

<sup>148</sup> The IRMT's *Management of Public Sector Records* project is developing modules to address specialised areas such as electronic, legal, financial and medical records.

<sup>149</sup> For example: the UK Society of Archivists (SoA), the Society of American Archivists (SAA), the Association of Canadian Archivists (ACA) and the Australian Society of Archivists (ASA).

<sup>150</sup> McDonald. (June 1998): 5.

Stronger records legislation is needed to ensure the equity and fairness of government operations and the protection of citizen's rights.<sup>151</sup> Modern legislation should incorporate the admissibility of records in any format (including electronic records) as evidence. The scope of legislation enacted should cover those issues listed in section 7.1 'Framework for Financial Accountability.'

Ideally Freedom of Information (FOI) laws should require governments to make available information surrounding decisions unless there are supervening public policy reasons for secrecy and national security.<sup>152</sup> Access to information is a threshold requirement for holding government accountable. However, in the developing world, governments are so heavily occupied with trying to achieve essential civil service reforms, and it is unlikely that FOI legislation can be pursued any time soon. South Africa is an important exception. It is currently in the process of implementing FOI legislation. The lessons learned from this precedent will need to be carefully evaluated for its applicability elsewhere in the region.

The following hierarchy of records reforms should be targeted that may ultimately end with the enactment of FOI:

- ensure that appropriate public records legislation exists that establishes records agencies with the responsibility and authority to develop and enforce organisation-wide records management and archives programmes
- support these programmes by making sure that the following policies, procedures and guidelines exist and are used in practice:
  - records schedules
  - records inventories
  - registry lists
  - disaster plan
  - appraisal criteria
  - national or international record keeping standards
  - descriptive standards documentation
  - guidelines for the development of finding aids

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<sup>151</sup> It is important to note that 'one of the worst failings, the inquiry [into Commonwealth Government record-keeping by the Australian Law Reform Commission] found, was that there were no laws to provide a comprehensive framework for records management by Commonwealth [Australia] departments and agencies.' Lagan (July 1998): 5.

<sup>152</sup> To date, in the United Kingdom the strongest example of freedom of information has been outlined in: *Your Right to Know: The Government's Proposals for a Freedom of Information Act*, presented to Parliament by the Chancellor of the Duchy of Lancaster by Command of Her Majesty (London: The Stationary Office, December 1997).

- examine related legislation (eg data protection, privacy, finance and audit legislation) and policies and procedures (eg financial instructions, accounting manual, auditing manual) to evaluate whether they adequately account for the provision and maintenance of records. If not, investigate procedures for bringing them into compliance with record keeping requirements
- educate public servants to use records properly and then study their information requirements so that records programmes can better serve government's needs within the framework set out by relevant legislation and regulations
- investigate the feasibility of enacting a FOI law and what that law may need to include. This requires examining the capacity of government to provide accurate, timely information in a form that is meaningful to users. Also, the types of information needed by the various groups that comprise civil society should be studied. However, an adequate information infrastructure has to be established to support government's information needs before it can be extended to the public.

## **Defining and implementing records related standards**

### *Standards for records management programmes*

A records management standard has been developed in Australia (AS 4390), and this is being used as the basis for a global standard currently being developed by the International Standards Organisation (ISO).<sup>153</sup> Even at this stage it represents a substantial endorsement for the need to define the responsibilities governing the capture, maintenance, access and disposal of records that satisfy record keeping requirements in both paper and electronic environments.

Considerable work is underway on records management issues in North America, Europe and Australia where corporate memories of organisations are increasingly held electronically. However, this work is highly theoretical and difficult to apply. Professionals and government officials in developing countries do not have access to this information in a form that is useful to them. Efforts must be made to work with individual developing countries and entire regions to design and implement meaningful standards and best practices that are applicable to their needs and circumstances.

### *Standards for paper-based document formats*

There is a need for standardised formats for structuring records and providing context should be implemented. Standardised forms ought to be developed and consistently used for organising, collecting and disseminating information (eg purchase orders, payment vouchers, financial reports, etc). Forms enable the gathering of complete information, enhance the flow

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<sup>153</sup> The British Standards Institute (BSI) and the International Standards Organisation (ISO) are currently reviewing this standards for adoption ISO. Committee IT/21, Records Management. *Australian Standard@ AS4390.1 -- 1996* (Homebush, NSW: Standards Australia, 5 February 1996). Consists of AS4390 -- Records Management; 4390.1 -- General; 4390.2 -- Responsibilities; 4390.3 -- Strategies; 4390.4 -- Control; 4390.5 -- Appraisal and Disposal; and 4390.6 -- Storage.

of work through an office, increase efficiency and reduce costs. The introduction of standard file plans for financial records in departmental record offices would improve control of documentation held in file format. The development of a key word list for file records provides a basis for standardised file titles.<sup>154</sup>

Standardised formats provide additional control over the content of information gathered and generally require an authorisation in the form of a signature.<sup>155</sup> When information is gathered in a standardised format, discrepancies are much easier to detect. But more importantly, forms are numbered sequentially for control purposes. This offers the immediate ability to identify when forms are missing and should prompt an examination into their whereabouts. The uniformity that standardised formats provide is a valuable strategic method for detecting and deterring fraud.

### *Standards for electronic record systems*

In electronic systems, standards must be selected to format data. These should be determined by a range of factors: cost-effectiveness, immediacy, usability, importance, practicality, breadth of applicability, popularity, conflict with existing standards, retrospective impact and compliance.<sup>156</sup> Until recently most information technology systems did not contain records -- they contained data, but not structure or context.<sup>157</sup> However, computerised systems are rapidly replacing paper record keeping systems. As a result, it is vital to ensure that the standards being applied to electronic records systems today are adequate to ensure the long-term preservation and use of the records contained in them.<sup>158</sup>

A primary objective of the computer industry is to rapidly introduce products into the marketplace in an attempt to displace competitors. This has resulted in situations where '...the increasing complexity of most computer systems along with the mushrooming of different systems are creating such incoherence that, in comparison, the Tower of Babel would seem monolingual.'<sup>159</sup>

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<sup>154</sup> Overseas Records Management Trust (now the International Records Management Trust). *Report on Records Management* (Financial and Accounting and Personnel Records. Visit by Don Brech (21 October – 16 December 1994) under assignment from the UK Overseas Development Administration to the Government of The Gambia, Personnel Management Office.

<sup>155</sup> It should be noted that although, in theory, a signature represents the appropriate authorisation, in practice this is not always accurate. For example, one of the discrepancies revealed in the investigations conducted in The Gambia was that lower level civil servants were being instructed to sign for goods that were not received in lieu of the person who should have the responsibility for signing for goods or services. See, The Republic of The Gambia. Commission of Inquiry Decree No. 11 as amended Cap. 30:01, *Report of the Justice Alghali Commission of Inquiry into the Financial Activities of Government Department and Their Line Ministries for the period May 1987 to June 1995: Accountant General's Department*.

<sup>156</sup> "Report of the Working Group on Standards for Archival Description," *American Archivist* 52 (Fall 1989): 455; the breadth of standards required to operate an electronic system include standards for: unformatted text (ASCII, Unicode), structured text (HTML, SGML, etc), graphic text (PDF, etc), bitmapped images (TIFF, JPEG, GIF, etc), vector graphics (DXF, IGES, etc), field data (DSF, HDF, etc), multimedia data (MIDI, MPEG1, MPEG2, etc), document access and delivery (HTTP, FTP, RTP, etc), metadata (USMARC, LCSH, URL, etc).

<sup>157</sup> It should be reiterated at this point that unlike *information* systems, *record keeping* systems contain materials which are, among other things, highly redundant, time-bound, and which must be inviolate -- characteristics which information systems developers try to avoid, particularly with regard to redundancy.

<sup>158</sup> Victoria Irons Walch, "The Role of Standards in the Archival Management of Electronic Records," *American Archivist* 53 (Winter 1990): 31.

<sup>159</sup> Charles M Dollar and Thomas E Weir, Jr., "Archival Administration, Records Management, and Data

The potentially devastating effects of hardware and software incompatibility, coupled with rapid obsolescence, increase the need to rely on information technology standards to access records and data over time. System-specific technology dependence presents overwhelming obstacles impeding the migration of data through systems upgrades or changes. Without provision of a suitable migration path for data, vital information will be lost. Information technology standards offer the potential to begin to rectify this.

As a result, it is important that the designs of all computerisation projects are reviewed to identify where and how information technology standards can be used to enhance access to information over time. This will require research into the needs of the organisation and what business function(s) the system will support. Also, the types of records to be generated and preserved should be considered. Ultimately, it should be more cost effective to use standard hardware and software than proprietary systems. Proprietary systems do not guarantee compatibility over the long term.

### *Standards for registry systems and general operating procedures*

Standardising registry systems reduces opportunities to exploit monopolies over the access to information. The rotation of staff within or between registries should become a standard method of operation. Rotating staff further reduces the ability for an individual to establish a monopoly and extort bribes. Furthermore, a standardised registry function makes it possible to number and register all documents coming into and going out of an organisation in a log. This provides an invaluable audit trail for tracking fraud.

Developing standards for general operational procedures will help to ensure equity in service provision. Introducing standard operational procedures enhances security over access to records, makes it easier to assign responsibilities for various record keeping functions and increases control over the programme's efficiency and effectiveness. Furthermore, adhering to standard operational procedures often makes it possible to reduce the number of registry staff, which is one of the simplest efficiency gains that can be demonstrated. For example, in one country the number of records staff in the Ministry of Works was reduced from seven to one as a result of retrenchment. Yet the level of service was improved on a sustained basis introducing more efficient working methods and offering a staff training programme.<sup>160</sup>

### **Developing financial records systems that support business objectives**

Governments need reliable, authentic and meaningful records that support business objectives – not just business processes – and provide evidence to support those objectives. Furthermore, how the records will be used, by whom and when must also be taken into account. Yet under current conditions, record systems in developing countries have not kept pace with business objectives. They are unable to cope with the influx of paper that results

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Exchange Standards," in *A Sourcebook on Standards Information: Education, Access, and Development*, eds. Steven M Spivak and Keith A Winsell (Boston, MA: G K Hall & Co., 1991), 238.

<sup>160</sup> Piers Cain. 'Effects of the Failure to Manage Records and the Erosion of the Evidence Base.' Paper for *The Transition to Electronic Records as a Strategic Resource*. Organised by the International Records Management Trust (IRMT) and the National Archives of Malaysia in co-operation with the Malaysian Administrative and Management Planning Unit (MAMPU), Kuala Lumpur, Malaysia (22-24 June 1998).

from those processes and that should underpin objectives. Public officials must be made aware that the quantity of records is growing at an increasingly alarming rate. If new systems are not developed to effectively manage this influx of records then existing record systems will fall into further disarray or collapse, if they have not done so already. This will undermine ongoing reforms to support better budgeting, accounting and auditing.

The following conditions ought to be in place if financial record systems are to meet business objectives:

- all national level financial regulations, standards, rules and guidelines should be in an accepted working language
- budgeting and accounting categories at the national level should have a common classification
- operating unity and agency-produced financial data, centrally produced data and regionally produced data should be held in a central data base can be accessed by all systems
- there should be a uniform flow of information-based decisions throughout the management cycle
- there should be clear inter-linkage of data flow, accumulation and reporting throughout the agencies and the government
- the basic subsystems of financial management within an agency (budgeting, accounting, etc systems) should be fully compatible, consistent and co-ordinated
- basic subsystems of financial management at the national level should have a unified direction and control including full co-ordination and agreement on all changes
- non-financial data should be accumulated and processed for purposes of performance measurement and reporting consistent cost-measurement criteria.<sup>161</sup>

### **Developing tools to assess the vulnerability of records systems to corruption and fraud**

Information is valuable and it is not unusual for records staff to extort small bribes to sell, remove, destroy or otherwise conceal records. Many donor, lending and other organisations with a stake in reforming the public sector in developing countries are directing efforts to developing a risk management perspective on corruption. This is being done within a framework of introducing stronger financial management control systems.<sup>162</sup> The record systems that underpin financial management are critical areas in need of strengthening.

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<sup>161</sup> Holmes (1988).

<sup>162</sup> PREM Network (1997): 17.

As a result, tools should be developed to assess the vulnerability of financial record systems to fraud and corruption and provide alternative preventative measures that can be taken to secure systems. Complimentary tools should have the capacity to identify constraints and provide performance indicators to measure the effectiveness and sustainability of modifications over time.

Such tools should have the ability to identify and evaluate:

- what information different users need?
- what information systems are required to provide this information?
- how is the information made available?
- what safeguards are in place within the system?

Guidance notes to identify ‘breeder documents’ should be developed. Also, instructional materials to train records staff and members of anti-corruption bureaux to identify hallmarks and inconsistencies in record systems need to be designed.

### **Supporting the role of national archives as a records management regulator**

Support is needed to enable the national archives to fulfil its role as a records management regulator. This includes imposing disciplinary action for poor record keeping as identified through audit and providing incentives for better records management. This requires:

- institutionalising record keeping requirements and restrictions
- educating public servants about their role in creating, maintaining and using records
- gaining the support of high officials to ensure that record keeping requirements are enforced evenly throughout government both nationally and locally
- empowering auditors to penalise individuals who do not provide timely and complete records and notify relevant authorities
- where appropriate including an employee’s job description a statement on responsibilities for creating and managing records.

With regard to the final requirement, it is extremely rare that any individual’s work performance is appraised for effectiveness in documenting activities or that discipline is applied for keeping poor records.<sup>163</sup> This could be incorporated in the review of an employee’s performance. However, this is contingent upon the existence of a performance appraisal process, which is rare in the public sector in developing countries.

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<sup>163</sup> McDonald. (June 1998): 5.

## 8.2 The Importance of High Level Support for Records Management<sup>164</sup>

Good record keeping in itself will have no impact without the will to act on the information contained in records – political will is indispensable in any attempt to introduce reforms.

For a records management programme to be sustainable, consistently applied and enforced throughout an organisation, it is critical that senior officials and high-ranking civil servants endorse and continue support the programme. More importantly, without commitment from the leadership, it is extremely unlikely that the relevant legislation will be enacted to allow records to be destroyed when appropriate and to create agencies with the power to manage government records effectively.

High profile areas within government should be identified where improvements in record keeping and access to records will have an immediate and visible effect. Financial management is one such area. Manageable, easily implementable short-term reforms should be made to the record keeping systems that support accounting and auditing. These reforms should begin by analysing what records are created and used by these functions. The effectiveness of registries and accounts officers to track the movements and otherwise manage these financial records should then be carried out and appropriate modifications made to the system. This is no simple task, but it may have an immediate impact.

Despite the quick benefits of short-term realisable reforms, if they are not fed into medium and long-range plans supported by commitment from the leadership, the benefits will not be sustainable. Medium to long-range plans should include:

- assessing objectively the state of record keeping throughout an organisation including:
- the number, competency and motivation of staff
- the availability of appropriate space to house current, semi-current, and archival records
- the willingness of public servants to adhere to record keeping requirements
- the ways in which records are created and used
- the positioning of the programme within the organisational structure
- the appropriation of funding to sustain the programme
- the scope of the programme (ie does it encompass all of the elements required to run a fully-functioning records programmes as described in the Assessment Tool, paras 32-41)
- enacting appropriate records related legislation (including legislation that institutionalises and defines the role of a national archives and records service)

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<sup>164</sup>‘Political will is evident by the level of participation that is built into reform initiatives, incorporating a range of political actors and civil society.’ Sahr J Kpundeh. ‘Political Will: The Core of Anti-Corruption Reforms.’ Paper presented at the *3rd Annual PACT Global Workshop on Financial Accountability & Transparency*. Bangkok, Thailand (2-3 July 1998): 1.



- establishing a records centre to house and manage semi-current records (if it does not already exist)
- providing training and continuing education for record keeping staff
- providing awareness-raising seminars for public servants that address record keeping issues.

A phased approach is critical to bring about needed records reforms. These must begin with winning support for records management and then developing and implementing comprehensive programmes. Finally, institutionalising programmes by drafting and implementing supporting legislation will enable records management to effectively underpin financial management and play its vital role in upholding accountability.

### **8.3 Replacing False Assumptions with Practical Solutions**

The significance of records management as a development and accountability issue is clear. Yet despite the practicality of record keeping solutions (as outlined above), records and records management have remained a neglected area of public sector financial management reform. This is despite the fact that almost all public servants in developing countries and most public sector advisers have first hand experience of the problem of collapsed record keeping systems. There is a widespread belief that the problem is so prevalent, ingrained and thankless that little can be done to improve the situation. This and other false assumptions about the scope of the problem and its causes are in themselves obstacles to the effective implementation of sustainable solutions.

The success of records management as a key internal regulator and accountability mechanism is dependent upon exposing false assumptions and recognising the realities. Only when these assumptions are dealt with can the appropriate solution be introduced. This is illustrated in the following table:

<b>ASSUMPTION</b>	<b>REALITY</b>	<b>SOLUTION</b>
Administrators assume records exist.	Records do exist, but frequently they are disorganised, lost or otherwise irretrievable.	Institute a records management programme to control and manage records throughout their life cycle.
The management of records is not a professional function.	Given the size of government and the volume of paper and electronic information generated, there is a need for specialists to deal with controlling records.	Employ and empower qualified records managers and archivists to manage records consistently throughout their life cycle.
Keeping records is not a problem because people will automatically want records to be kept that document their actions and decisions.	Most public servants, if they are involved in corruption and fraud or fear for the security of their jobs, are unlikely to want to keep records. Furthermore, most African public servants are not attuned to the precision needed for record keeping.	Encourage a culture within the organisation that understands the importance of creating and using records to document responsibility and defend decisions and actions.
People know good record keeping systems when they see them.	If the requirements and best practices for record keeping are not well defined it is impossible to judge whether a record keeping system is functioning appropriately or not. 'Model' record keeping systems are virtually non-existent in the developing world and information on 'good' modern record keeping practices is unevenly distributed to record keepers in developing countries. Current modes of practice are often based on 'how it has always been done.'	Study the requirements for good record keeping and develop guidelines for best practice. Support the guidelines with training to ensure compliance.

ASSUMPTION	REALITY	SOLUTION
Public servants know what information they need.	Public servants may know to some extent what information they need, but may not know the scope of information that ought to be available to them. As a result, they are unlikely to be using or be aware of all of the information that could and should be available to support their work.	Develop awareness-raising workshops that enable departments to examine their information requirements and define what records are needed to satisfy their needs and how to access and use them properly.
People use records for decision making.	Many record systems in developing countries are chaotic or have collapsed. It is unlikely that the records required to support decisions made are readily available or are timely and meaningful. Moreover, few public servants understand how to use records effectively.	Institute records management programmes to gain control over record keeping systems. Follow this up by developing training regimes and guidance notes on how to create and use records to support decision making.
Computers do not create records and even if they do information technology staff are able to manage them.	Computers do create records and whether they are printed out or maintained in an electronic environment the need to manage their long term preservation and access has not been thought through by IT professionals. This falls within the remit of records professionals.	Develop records management programmes capable of controlling integrated paper and electronic record keeping systems. Employ a records professional articulate in the design issues and system maintenance required for preserving electronic records over time so they can collaborate with the department responsible for information technology. Enact legislation that recognises the admissibility of electronic information.
Eventually there will be no need for paper records because offices will be completely computerised.	The fully electronic office is not a reality in even industrialised countries. Besides, computers are the largest cause of the proliferation of paper work in an organisation.	Records management programmes should be designed to bring about the integration of paper-based and electronic systems.

ASSUMPTION	REALITY	SOLUTION
<p>A technological solution will solve the problems created by chaotic paper systems.</p>	<p>The current infrastructure and expertise to support electronic record systems does not exist to the level required to adequately maintain computerised records with integrity over time. If manual systems are chaotic, electronic systems will only compound the problem. Moreover, paper records as source materials and output documents will continue to exist even in a computerised environment.</p>	<p>Develop and implement solid manual records systems upon which a computerised system can be based and integrated into. This must be a staged process.</p>
<p>Paper-based and electronic systems will eventually become integrated somehow.</p>	<p>The few computerised systems that do exist are generally operating completely apart from existing manual systems. Unless there is an interface between manual and electronic systems, it is likely that both lack integrity.</p>	<p>Records management programmes should be designed to bring about the integration of paper-based and electronic systems.</p>
<p>Electronic record systems are predicated on the existence of back-up procedures, disaster plans and trained personnel.</p>	<p>Regularised back-up procedures are not always carried out, disaster plans (if they exist) are inadequate and storage facilities (particularly off-site locations) are grossly inadequate.</p>	<p>Develop comprehensive back-up procedures for computerised records and enforce compliance with them. Design and regularly test disaster plans for both paper and electronic records. Train staff to regularly carry out and up-date these procedures and plans.</p>

**The Records Management Capacity Assessment Tool**

# Records Management Capacity Assessment Tool

## Introduction

### Records and Accountability

- 1 Accountability has been defined as the obligation of anyone handling resources, public office or other position of trust to report on the intended use of the resources of the designated office. Stakeholders in the accountability process cannot effectively perform their accountability obligations nor be held properly accountable unless the evidence of their actions is made available through organised, secure, yet easily accessible means. To achieve this, reliable documentary evidence in the form of records must be consistently provided. Records are the indispensable foundation of the accountability process. Without reliable and authentic documentary evidence underpinning all essential accountability processes, government, civil society and the private sector cannot ensure transparency, guarantee accountability or allow for the exercising of good governance.

### Records and Their Use

- 2 Records can be defined as recorded information (regardless of form or medium) created, received and maintained by any institution or individual in the pursuance of its legal obligations or in the transactions of its business. Quite simply, records provide the evidence of transactions. It is a principle of good financial management that every economic event or contractual relationship that leads to a financial exchange is a transaction. A transaction need not be a physical activity. Any event that has financial implications calls for the creation of a record.
- 3 Records are primarily used to provide evidence that an event or transaction occurred. However, records are also used as references to support decision making and to document compliance when analysing risk. In order to ensure that authentic and reliable records are available to users, they must be complete, authorised and accurate. They must also be compliant with local laws and regulations governing record keeping. In addition, the system(s) in which they are maintained must be secure and implemented consistently. Finally records may be created in any physical form or medium (eg paper records, computerised records). A country's laws and regulations will determine the format in which a record is captured, maintained and accepted as evidence. These should include the creation, filing, storage, production and disposal of prescribed forms and records.
- 4 Records are often confused with other forms of information, in particular data. Data is comprised of raw unformatted information. It is easily manipulated, updated, edited, copied and reused. Data lacks context and structure and is therefore meaningless on its own. Records, on the other hand, have context and structure as well as content. They are time bound and cannot be altered in any way without creating a new record. For something to be a record implies that the information it

contains is permanently etched on a medium.<sup>165</sup> It is important to note, however, that records may be derived from data and data may be derived from records – they compliment one another (eg financial reporting uses data from records and structures and contextualises that data to create a new record -- they are records derived from records).

- 5 The categories of records required to support the accountability of the financial management system are much broader than simply those accounting records directly arising from financial transactions. A typical public sector financial management system will be expected to require the following categories of records for accountability purposes, which may be in paper or computerised form:

**Legal documents** whose production in court might at some time be required to establish a claim or settle a dispute, including:

- ! title documents conferring or recording ownership of any property including title deeds, bonds, stock or share certificates, etc
- ! trust deeds relating to the administration of any fund, account or property
- ! agreements relating to contracts, loans, advances, subventions or any other financial matter
- ! other documents of special importance for which custodial arrangements outside the ordinary filing or records system is deemed necessary

**Accounts**, including:

- ! accounting records in the form of books, ledgers, ledger sheets, ledger cards, computer print out or electronic computer files
- ! source documents for the accounting record in the form of vouchers, schedules, returns, bank or any other statements

**Correspondence files** relating to financial and accounting work, including:

- ! budget files
- ! revenue and expenditure management records
- ! policy and planning files
- ! accounts files, including both general files and case papers
- ! staff personal files
- ! case papers unrelated to a specific accounting record

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<sup>165</sup> Ira A. Penn, Gail Penn and Jim Coulson. *Records Management Handbook* Second Edition. (Hampshire, England: Gower Publishing Limited, 1994): 4.

- ! reports and returns not used as vouchers
- ! handing/taking over statements
- ! financial statements from other institutions
- ! unpublished reports and statements

**Working papers** created as a by-product of the accounting process but which do not form part of the official records system, including:

- ! copies of forms not used as vouchers (eg office copies of requisitions, cheque order forms, cheque stubs etc)
- ! records or registers used in controlling the flow of documents during accounting processes such as messenger's receipt books, registers of returns
- ! circulars, notices and instructions received
- ! other documents such as personal working papers, drafts, note books and diaries

**Records required to establish the existence and control the location and disposal of records**, including:

- ! details of records transferred to departmental depositories
- ! schedules of records destroyed
- ! registers showing use of records after transfer to the departmental depository
- ! schedules of records transferred to public archives (eg National Archives)
- ! registry and record centre procedure manuals
- ! records of form's development and design

**Publications** including:

- ! publications for general circulation by sale or distribution to the public
- ! publications for limited circulation within the public service, whose content is of official interest only
- ! publications for restricted circulation to specified groups of public servants only (eg circulars, internal reports, exposure drafts).

- 6 A financial management system for the private sector will require similar records for accountability, with the exception that there are fewer obligations to report to the public and no obligation to transfer records to public archives.



## **The Records Management Function**

- 7 Records management combines both a logical and practical approach to the creation, maintenance, use and destruction of records in either paper or computerised form. A sound, systematic records management programme will have the capacity to control both the quality and quantity of the records created by an organisation. It will also be able to securely and effectively maintain records in a way that best satisfies user needs. Finally, a well functioning records management programme will ensure that records are efficiently disposed of when they are no longer valuable to the organisation. When records become inactive, yet still have continuing value to the organisation, they should be transferred to an archive facility for long-term preservation.
- 8 The records life cycle has three phases: creation, maintenance and use and disposition. All records go through these phases, some faster or slower than others and some faster at some phases than others. Records creation most often occurs at the personal level at a person's workstation, but it also includes receipt of externally created records (eg correspondence, contracts). During the maintenance and use phase records are managed at the file folder and records series levels. Within the disposition phase there are elements such as storage and records centres, archives and ultimate disposal.
- 9 Effective records management provides the control function that underpins an organisation's ability to efficiently conduct business. It facilitates control over all records created and received by an organisation. Records retention schedules provide the methodology to control how records are maintained, used and disposed of. A systematic records management programme relies upon a well-formulated records schedule to provide the audit trails needed to document all transactions carried out within an organisation. Records management also relies upon other methods of control such as numbering systems (eg voucher numbers, file numbers in a registry system) to allow for the logical organisation and prompt retrieval of records. A fully functioning records management programme will provide the controls needed to track the movement of records from creation or receipt to their destruction or transfer to an archive.
- 10 Record management enables the effective implementation of financial management controls. Without timely and efficient access to records reflecting financial transactions, financial controls cannot be adequately audited to measure effectiveness and compliance and identify areas at risk. Much of the financial management process requires that security and confidentiality measures be imposed on the records. The records management function provides the necessary controls on access to records. In addition to reflecting authorised access to records, audit trails generated by a registry can also reflect any intentional or accidental unauthorised actions carried out on records (eg tampering, theft, or loss).

## Records Management as Support for Financial Management Controls

- 11 Financial management must ensure that a sufficient system of internal controls exists. However, these controls can break down when financial managers cannot locate materials required for reference, decision-making and risk assessment. Without a records management programme in place, records that provide the evidence of financial management activities may accumulate in offices and become disorganised or lost. Records management allows for the systematic, controlled and authorised storing and removal of records throughout an organisation. Authentic, reliable records provide an unambiguous link between an authorisation, a particular assigned person and a date. They can serve to identify abuse, misuse and non-compliance with financial instructions.
- 12 Effective internal financial management controls fall into **three** logical categories: **authorisation controls**, **recording controls** and **custody controls**. Records that are authorised, complete and accurate should be available to provide evidence that these controls are functioning properly and consistently. In turn these controls will contribute to ensuring that the records themselves retain their context and structure, as well as preserving their content.
- 13 **Authorisation controls** ensure that only those transactions that are truly necessary to the progress of the organisation are undertaken and that any unnecessary or fraudulent transactions are prohibited. Records can provide an audit trail of all transactions entered, whether authorised or not. Signatures and stamps on the records ensure that they emanate from an authorised context. Master copies of computer programmes and/or software, which control the operation of the accounting system (original entry and subsequent analysis and postings), provide a record for verifying whether the system has been tampered with. Finally, any unauthorised access to computer systems or manipulation of accounting records can be detected through record keeping audit trails.
- 14 **Recording controls** ensure that all authorised (and only authorised) transactions are incorporated into the accounting records. Well-developed, comprehensive forms should provide a structure that allows for better control over records as they are created (eg form numbers and codes) and supports efficient checking of content accuracy. Records should be captured and maintained to prove that every transaction that should have been entered was entered (eg gaps in numbering sequences, invalid control numbers or codes). In addition, records will reflect whether transactions entered into the system are done (analysed and posted) correctly. This also serves to verify that records are complete and accurate and that the systems that create and maintain them are implemented consistently.
- 15 **Custody controls** ensure that, once recorded, the assets represented by account balances cannot be misused in any way (eg by misappropriation, theft or neglect). Records that comply with the laws and regulations governing record keeping and that are maintained in a secure environment will reflect that organisational assets are neither misappropriated nor used in an uneconomical or inefficient fashion. This also provides evidence that the record keeping systems are systematically controlled, secure and compliant. Records held in systems will also provide evidence that management policies (as expressed in budgets, long-range forecasts etc) are complied

with, that any deviations from plans are noted and investigated and that appropriate responses are made on a timely basis. An effective records management programme will enable financial information to be communicated in the most effective way so that those entitled to it may maximise their use of it. Finally, records that are complete, authorised, accurate and maintained securely will guarantee that financial statements show a true and fair view.

### **The Role of Records Management in Strengthening Internal Control and Audit**

- 16 Records management is concerned with the flow of information throughout an organisation. Internal control and internal audit have responsibility for checking and examining that the systems through which transactions pass are operating efficiently and are implemented at all times. External audit entails an independent examination of the financial statements of an entity for the purpose of expressing an opinion thereon. Broadly speaking, the records requirements of external auditors are the same as those for internal auditors. Ideally, from the records management, internal control and audit perspectives, the movement of records within the financial management structure should be prompt, seamless and secure. Therefore, both records managers and those involved in the internal control and auditing processes should participate in reviewing the design of systems, monitoring their operation and recommending improvements. In addition, all three should have input into the examination of financial and operating information in terms of how it is identified, measured, classified and reported.
- 17 A records management programme should provide the framework for the physical and logical control of records and prevent unauthorised access, tampering, loss, or destruction (whether intentional or accidental). Internal control and audit are concerned with reviewing the economy, efficiency and effectiveness of operations. The physical framework that records management provides should add another layer of security and reassurance that operations are functioning to the level required.
- 18 An effective and implemented records management programme will provide the evidence-base to assist organisational compliance with legislation and regulations governing operation. It enables laws and regulations to have practical effect by supplying audit trails on the movement and use of records. The internal auditing and review processes serve also to review:
  - compliance with laws, regulations and other external requirements
  - internal policies and directives
  - other requirements including appropriate authorisation of transactions.
- 19 In addition, if authentic and reliable records are available and maintained securely, they can assist internal control and audit in special investigations into particular areas, for example suspected fraud.

## The Legal and Regulatory Frameworks

- 20 Organisations are required by law to create and maintain records for the purposes of financial accountability in the form of statutes or case law. Legislation may be supplemented by more detailed regulations. This applies to both the public and private sectors, but the legal requirements for the public sector are generally more stringent, reflecting the greater need to ensure public accountability.
- 21 Most countries have legislation that defines official or public records and establishes agencies (National Archives, National Records Service) responsible for overseeing implementation of its provisions. Typically it will require that records of permanent value be transferred to a place of deposit (usually a public archives) where records are made available for public inspection under certain conditions and safeguards. Legislation should authorise destruction of records after audit that are no longer required for administrative purposes. Destruction must be carried out in an authorised environment and a record of the destruction maintained.
- 22 The associated risks of ensuing litigation and regulation must be managed carefully. Although it will not guarantee the elimination of risk, gaining systematic control over records can significantly reduce exposure. An effective records management programme will compile relevant legislation (including case law) and regulations, including actual citations and record series specifically referred to in the text. In addition the programme must take into account Rules of Evidence, including those governing the admissibility of computerised or electronic information.
- 23 Typical legislation and regulations for the public sector may include such publications as:
- public records legislation
  - finance and audit legislation
  - freedom of information legislation
  - data protection legislation
  - privacy legislation
  - statute of limitations
  - financial instructions
  - accounting manual
  - auditing manual.
- 24 Typical legislation and regulations for the private sector may include such publications as:
- companies legislation

- data protection legislation
- privacy legislation
- investment legislation
- statute of limitations
- industry specific legislation (including banking legislation)
- financial instructions
- accounting manual
- auditing manual.

### **The Records Environment**

- 25 In addition to external legislation and regulations, records control systems will also cite policies, procedures, guidelines and best practices that are specific to the records management function. These publications may be generated internally by the department responsible for records management or may be the products of professional records associations or the National Archives.
- 26 Typical record keeping policies, procedures and guidelines may include such publications as:
- records schedules
  - records inventory
  - registry list
  - disaster plan
  - appraisal criteria
  - national or international standards
  - descriptive standards documentation
  - guidelines for the development of finding aids
  - professional ethics document.

## **Records Management -- Critical Areas**

### *Development and Capacity Building*

- 27 An administrative framework must be in place to ensure that a records management programme can function efficiently, effectively and consistently. This framework should consist of clear reporting lines and areas of responsibility, an adequate budget, on-going programme planning, core competencies for staff, defined programme elements and logical interdisciplinary linkages.
- 28 Records management is a specialisation. Large organisations such as central government should have a distinct career path or scheme of service for records staff. This will help to motivate and retain specialists by providing career opportunities and promote the development of a records management function with adequate technical and organisational skills. All records staff should have appropriate job descriptions.
- 29 An adequate budget must be provided to enable the records management programme to operate effectively. Budget items should take into consideration costs affiliated with space, materials, supplies, equipment, storage, labour, other direct costs and overhead costs.
- 30 Medium and long-range planning to enable programme growth must be carried out to ensure that the facilities and staff match the needs of the organisation and allow for growth over time. As organisations progress further into the information age, provisions for establishing, staffing and operating an effective computerised records programme must be factored into the planning process.
- 31 In order for staff to carry out their responsibilities effectively, they should possess certain basic core competencies. Management personnel should have a professional, ideally post-graduate, education in the area of records and archives management. Depending upon organisational needs, provision may have to be made to obtain staff with specialisations in such areas as in computerised records issues. Many governments offer internal training courses for para-professionals. Such courses offer instruction in filing procedures, indexing and classification.

### *Records Management Programme*

- 32 A comprehensive records management programme encompasses a multitude of disciplines. Therefore, the following programme elements should exist to ensure a complete programme:
  - records appraisal, retention and disposition scheduling
  - vital records
  - disaster planning and recovery
  - forms management

- management of active records systems (including directives and reports)
- records storage
- archives management.

### *Records Schedules*

- 33 Records are managed according to a records retention schedule. A records schedule lists the records created and received by an organisation along with the predetermined dates for their destruction or transfer to the archives for permanent preservation. Records scheduling ensures that records are properly maintained and preserved over time and enables the prompt, systematic and authorised destruction of records when they are no longer determined to have continuing value. In particular, this process produces a complete register of all records destroyed, the date of destruction and the law or regulation and individual authorising their destruction. The schedule is an agreement between the records service and the organisation. It is an authorised document that embodies operational needs, as well as legislative and regulatory requirements. An authorised records schedule reflects how the whole system is expressed legally and controlled intellectually.

### *Vital Records, Disaster and Recovery Plans*

- 34 A vital records programme should take into account the need for accountability. Vital records are essential to enabling an organisation to continue to function during or after an emergency (eg flood, fire, computer virus). In addition any records that are required to protect the organisation's rights and interests, as well as the public's (eg financial interests, public health maintenance) are to be considered vital.
- 35 The programme must ensure physical preservation of records needed to enable transparency and guarantee accountability. It should include a disaster and recovery plan that is designed to respond to any disaster that would prevent the organisation from functioning. A thorough disaster recovery plan should make provisions for prevention, preparation and recovery.

### *Forms Management*

- 36 Forms management controls the organisation, collection and transmission of information. Forms are tools that enhance the flow of information throughout the organisation. They can increase operational efficiency and effectiveness, which assists in providing organisational transparency. Essentially the use of well-designed forms should serve to guarantee that records are complete, authorised and accurate.
- 37 The efficient management of active records systems, including provisions for directives (ie policies and procedures) and reports, improves access to records that need to be constantly referenced as evidence of operations, support for decision-making and analysed to assess risk. Organisations cannot be held

accountable for their daily performance if the records providing the evidence of their actions are not readily and easily available.

### *Records Storage*

- 38 An effective records management programme requires that appropriate storage facilities are available for the physical custody of records (eg records centres, national archives, registries). These facilities must provide for the security of records, including the incorporation of fire and flood controls, in addition to keeping them secure from unauthorised access.
- 39 Records (either paper or on magnetic media) should be physically preserved in a clean, tidy and organised environment. Adequate shelving and storage containers must be available to cope with current as well as projected need. In addition environmental controls should be in place to regulate the temperature, humidity and lighting within the facility. Controlling the physical environment will reduce the risk of records being damaged by pests, mould, dust and ultra violet light, as well as mishandling.
- 40 Facilities should be inspected to assess their compliance with the appropriate policies and procedures governing the physical keeping of records. In organisations dealing with computerised records, provision for the back up and storage (including off-site storage facilities) of records maintained on magnetic media should be incorporated.
- 41 Archives management pertains to the identification of inactive records that have continuing value to an organisation and their subsequent transfer to an archive facility for permanent storage and preservation. The integrity of inactive, archival records must be preserved in such a way that their value to the organisation is not impaired. This enables them to remain an integral component of the evidence-base required to guarantee organisational accountability.

### *Interdisciplinary Linkages*

- 42 Effective records management can only be achieved by records managers working closely with other professions, such as information technology professionals, librarians, lawyers, auditors, accountants and senior management to develop interdisciplinary linkages. Therefore, records managers must establish, through effective service delivery, relationships with clients on the basis of integrity, reliability, objectivity and usefulness. Achieving this requires the highest possible degree of professionalism in the performance of duties.

### **Developing Countries**

- 43 In some developing countries, the operational effectiveness of financial management systems are frequently undermined by the following deficiencies/constraints:



- low awareness of the role of records management in supporting organisational efficiency and accountability
- absence of legislation to enable modern records management practice
- absence of core competencies
- overcrowded and unsuitable storage of paper and electronic records
- absence of purpose built record centres
- absence of a dedicated budget for records management
- poor security and confidentiality controls
- absence of vital records, disaster recovery and preparedness plans
- limited capacity to manage electronic records.

## **Questionnaire on Records Management**

### **Objectives**

To evaluate the relationship between records management and other functional areas.

To establish what legislative and regulatory requirements exist governing record keeping

To determine the likely responsiveness of records management to organisational, legal and regulatory changes.

To identify the key elements comprising the records management function.

To review and establish the competence, independence and effectiveness of the records management programme, assuming that one exists.

To identify inherent limitations of records management within the entity.

To ascertain the extent to which computer assisted financial management is being employed in practice and identify the implications for record keeping.

To evaluate staff in terms of the appropriateness of their qualifications.

To formulate conclusions and, if deemed appropriate, to make recommendations (including technical assistance requirements) based on your overall assessment of the records management function.

## Checklist -- Records Management

### Records Management as Support for Financial Management Controls

Does everyone understand what a public sector financial record is? Do users understand that their files and computer workspace do not belong to them, but are included in the scope of legislative and policy requirements applicable to official and public records?

What control systems are in place to manage financial records? (specify if they are manual or automated)

Do they adequately implement relevant:

- legislation?
- regulations?
- financial instructions?

Do budgeting and accounting categories at the national level have a common classification?

Do audit controls generated by the registry or records function document authorised access to records and track the movement of records throughout the organisation?

What controls are in place to document on paper that transactions are authorised?

Identify areas of weakness.

What controls are in place to record the authorisation of computerised financial transactions?

Comment on the completeness and nature of the audit trail report.

What records are used to record physical location and use of assets?

Are they:

- complete?
- authorised?
- up to date?
- maintained securely?

When were they last updated?

What procedures are in place for:

- security classification of records?
- declassification of records?

Is there a public sector reform programme that might impact on the financial management function?

If YES:

obtain copies of policy documents outlining the strategic objectives of the reform programme

has consideration been given to the information systems needed to support these changes, in particular financial management information systems?

if YES, are records management/archives personnel involved?

if YES, what is the nature of their involvement?

What problems do individuals encounter in obtaining financial information?

What reasons do they give for these problems? (are the problems any different in a computerised environment than they are in paper?)

What solutions do they recommend and how realistic are they?

What controls ought to be in place, but are not at this time? Provide short, medium and long-term strategies for strengthening records management controls.

What do you see at the priority in the next year? 2 years? 5 years?

### **The Role of Records Management in Strengthening Internal Control/Internal Audit**

What are the procedures for authorising and documenting changes to the source code for computerised accounting, payroll or other financial management systems?

Identify any areas of weakness.

What are the procedures for authorising and documenting changes to written manuals, written instructions and procedures for:

- manual accounting, payroll or other financial management systems?
- computerised accounting, payroll or other financial management systems?

If records are unavailable for audit or are in a chaotic state, do auditor's note this and, if so, how is it indicated?

Are any measures taken to investigate why the records are unusable?

If NO, what recommendations should be made or disciplinary measures imposed to address the unavailability or inaccessibility of records needed for audit?

Who is responsible for auditing/appraising the adequacy and need for public sector financial records? If this is not a current function, how could it become integrated into an annual appraisal scheme?

What improvements would you recommend? How long do you estimate they would take to implement?

### **The Legal and Regulatory Frameworks**

Is the legislative and regulatory framework for record keeping adequate to:

- establish a national body (bodies) for the management of public records (eg National Archives, National Records Service)?
- establish who has responsibilities for the management of financial records? Are these responsibilities clearly described? Are accountabilities clearly explained?
- provide adequate safeguards for the creation, preservation and scheduled destruction of all government financial records (including computerised or electronic records)?
- provide safeguards for individual and public rights?

What are the laws and regulations governing financial records? Please list them and outline their main provisions?

Does legislation specify the categories of financial records that must be created and maintained?

Does the legislation govern public records and archives at levels below the central government/federal government level?

If NO, are such public records and archives governed by other national legislation or its local equivalent? Please explain and obtain copies of relevant legislation.

Does the statutory definition of public records include provision for electronic or computer generated records?

Are computerised records admissible in a court of law?

If YES, under what conditions?

Does legislation specify the periods of time financial records must be maintained?

Is there statutory provision to allow financial records to be destroyed after they have ceased to be useful for auditing or other operational reasons? Please specify the normal lapse period before destruction.

Does the legislation (or other arrangements) provide for public access to public financial records and archives after a normal lapse of time?

If YES, what is this lapse and does the legislation provide for exceptions? If so, what are the provisions?

Are the legislation and regulations governing financial records fully operational?

If NO, what measures can be taken to realistically enforce compliance? What do you see as the priorities?

### **The Records Environment**

What written record keeping policies, procedures and guidelines exist for the management of financial records? Please provide details.

Are confidential records handled or filed differently?

Who decides which documents are confidential? Are there any formal rules?

Is there a procedure for declassifying confidential documents?

Who is allowed access to financial records?

Are there written rules determining access to financial files? If so, please obtain a copy.

Are there different levels of confidentiality assigned? If YES, what are the levels of security classification and are there written rules for determining the level of security classification assigned to a document?

What financial information is needed and how is it used?

How are government financial records captured?

How long does it take to retrieve information? Is there a mechanism in place to measure user satisfaction?

How can service be improved and how would you prioritise these changes?

## **Records Management -- Critical Areas**

### *Development & Capacity Building*

Who is responsible for managing the organisation's records? (Please include responsibility for computerised or electronic records) Is this person(s) clearly identified and recognised across the institution as the person responsible for managing public records? Are the roles and responsibilities of the senior 'designated official' clearly articulated and communicated throughout the organisation?

Is responsibility divided? If YES:

please elaborate and explain the reasons for this arrangement.

describe the arrangements for ensuring co-ordination between the different responsible officers.

Who does the person in charge of records management report to?

Does their delegation of responsibilities and the related reporting relationships in the organisation provide avenues for senior management to resolve conflicts or overlaps between functional areas responsible for record keeping?

Does the delegation of responsibilities and related reporting relationships within the institution permit the designated official to speak to all the relevant organisational areas responsible for government records? If some area do not have an organisational link or reporting relationship to the designated official, how does the designated official represent them within the institution and to central agencies?

Do managers, functional specialists and staff take into account the mission and strategic priorities of their institution in establishing responsibilities for the management of public financial records? Are they aware of and do they understand, their respective responsibilities for the management of government financial records?

On what basis are records staff considered to be professional? Indicate their qualifications

Are all the staff classified according to a pre-defined records management scheme of service? Provide an organisation chart and job descriptions for staff in the records function.

How many staff are specifically designated to the records programme? Provide the numbers according to their level of classification.

What are the core competencies/qualifications expected for each class of records staff post?

Is there provision for internal or external training for:

- professional records staff
- para-professional or clerical staff

If YES, please provide details.

How many records management staff require further training to perform their responsibilities at an acceptable level?

What type of training is required?

Is there a national professional association for records managers and/or archivists?



Are users at all levels aware of their own responsibilities regarding the management of government records? Do they have the knowledge, skills and tools to exercise their responsibilities? For example, is record keeping an element of the orientation for new employees? Do users have guidelines to government records and do they know how to retrieve information from records?

What role, if any, do records staff play in educating users?

If they play no role, what role should they play and how can this be achieved?

Do the managers of government financial records know the needs of users? How is this demonstrated? How can services be better structured to meet the needs of users for quick and easy access?

### *Records Management Programme*

Is there an active records management programme?

Where does the programme fit into the overall organisation? (provide an organisational chart if possible)

What are the main functions of the programme? Please elaborate.

To what extent are opportunities for sharing government records, services, etc identified among organisational areas responsible for government records? Are common requirements, services, user audiences, etc identified in order to avoid possible duplication and overlap?

Is there a separate budget for records management activities?

If YES, please provide details of the budget for records management for the last three years

If NO, what was spent on supplies, equipment, etc for the programme in the last financial year and under what heading? (Attempt to assess how adequate the budget is to meet ongoing activities).

Are statistics are collected by programme staff?

If YES, what type of statistics are collected, how often, who uses these statistics and how?

If NO, what type of statistics should be collected and how should they be used to strengthen programme performance?

## *Overview of the Records Inventory and Retention Schedules*

Provide details of the medium and long-term plan for your records management programme. Include details on projected computerised management systems.

If plans exist, are progress reports forwarded to the senior official responsible for the management of government financial records?

The categories of records required to support the accountability of the financial management system are much broader than simply those accounting records directly arising from financial transactions. A typical public sector financial management system will be expected to require the following categories of records for accountability purposes, which may be in paper or computerised form.

### **Publications** including:

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  - publications for limited circulation within the public service, whose content is of official interest only
  - publications for restricted circulation to specified groups of public servants only (eg circulars, internal reports, exposure drafts)
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### **Legal documents** whose production in court might at some time be required to establish a claim or settle a dispute, including:

- title documents conferring or recording ownership of any property including title deeds, bonds, stock or share certificates, etc
  - trust deeds relating to the administration of any fund, account or property
  - agreements relating to contracts, loans, advances, subventions or any other financial matter
  - other documents of special importance for which custodial arrangements outside the ordinary filing or records system is deemed necessary
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### **Accounts**, including:

- accounting records in the form of books, ledgers, ledger sheets, ledger cards, computer print out or electronic computer files

- source documents for the accounting record in the form of vouchers, schedules, returns, bank or any other statements
- 

**Correspondence files** relating to financial and accounting work, including:

- budget files
  - revenue and expenditure management records
  - policy and planning files
  - accounts files, including both general files and case papers
  - staff personal files
  - case papers unrelated to a specific accounting record
  - reports and returns not used as vouchers
  - handing/taking over statements
  - financial statements from other institutions
  - unpublished reports and statements
- 

**Working papers** created as a by-product of the accounting process but which do not form part of the official records system, including:

- copies of forms not used as vouchers (eg office copies of requisitions, cheque order forms, cheque stubs etc)
  - records or registers used in controlling the flow of documents during accounting processes such as messenger's receipt books, registers of returns
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**Records required to establish the existence and control the location and disposal of records**, including:

- details of records transferred to departmental depositories
- schedules of records destroyed

- registers showing use of records after transfer to the departmental depository
- schedules of records transferred to public archives (eg National Archives)
- registry and record centre procedure manuals
- records of form's development and design

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A financial management system for the private sector will require similar records for accountability, with the exception that there are fewer obligations to report to the public and no obligation to transfer records to public archives.

Which of the above records are available to support your financial management system?

Which of the above records are not?

Do the retention periods reflect the operational, fiscal and legal values that public sector financial records have?

Is there a complete inventory of all records (both paper and electronic) in your organisation?  
Is it kept up-to-date?

If YES, does the inventory contain information about:

- type of records
- record series
- titles
- dates
- volume (linear feet)
- media (paper/electronic)
- classification and indexing
- storage conditions
- physical condition of records
- number of closed files as a percentage of the whole
- volume of records stored inappropriately (eg on floors, on tops of filing cabinets, etc).

Which records are omitted from the inventory?

Is there a scheme of records retention scheduling employed in your organisation? Is it kept up-to-date?

If YES, please indicate whether the schedules govern the management of

- paper records including published financial reports, statements, computer printouts and operating manuals and guidelines
- electronic or computerised records, including any mainframe systems
- other (please specify).

If schedules include electronic records, are they kept track of on a basis consistent with other forms of media? Government records stored on different media may be located in different places, under the custody and control of different government records specialists. A common method of identifying and describing government records ought to be used.

Have the following costs been considered in the setting of retention periods?

- computer and non-computer storage costs for both active and inactive government records?
- costs connected with the retrieval and/or manipulation of government records?
- costs connected with the migration of government records to different technologies to ensure their continued availability?

Are there up-to-date, complete and appropriate record schedules for all financial records?

Who has consent for the disposition of all financial records?

Are all the retention schedules fully implemented? If not, what steps must be taken to ensure full compliance?

#### *Vital Records, Disaster and Recovery Plans*

Is there an active vital records programme in place?

What aspects of the programme deal with protecting records required for accountability?

Is there a written disaster and recovery plan for your organisation's computerised financial management systems and paper records?

Is the plan tested and rehearsed regularly?

If YES, when did the last rehearsal take place? Was a report written on the lessons learned from the rehearsal?

### *Forms Management*

What procedures exist to ensure that the forms used for financial management remain up-to-date and capture all the relevant information required?

When was the last time these forms were evaluated and revised? Were any recommendations made? Were these recommendations acted upon?

### *Records Storage*

Are the repositories for current, semi-current and archival *paper* financial records adequate?

Provide details and comment on the adequacy of the:

- space
- equipment
- cleanliness and tidiness
- quality of the physical arrangement of the records
- environment (humidity and temperature)
- physical security of the building and storage areas
- arrangements for controlling access to storage areas
- fire and flood controls.

Under what conditions are *computerised* financial records maintained?

Provide details and comment on the adequacy of the:

- physical security of the building and storage areas

- arrangements for controlling access to computer equipment and specific computer applications
- use of specific standards for hardware and software
- cleanliness and tidiness
- environment (humidity and temperature)
- fire and flood controls
- backup and off-site storage arrangements
- storage and maintenance of 'legacy data' computer records stored off-line (eg computer tapes)
- arrangements for the migration of 'legacy data' computer records when new systems and equipment are installed.

Are non-records staff allowed access to the storage areas?

Are non-records staff allowed into the records office/storage areas at lunch time?

Do staff regularly check material after it has been used/returned to determine if anything is missing?

Are there security staff on duty to prevent unauthorised access when the department is closed?

Is the way that government records are stored and protected appropriate to the institution's operational needs and legislative and policy requirements?

Is the level of protection commensurate with the level of risk and does it take into consideration user requirements for access and use?

Do storage and security measures prevent unauthorised access, retrieval, use, alteration, inadvertent loss or unauthorised destruction? If so, how? Do these measures unduly interfere with (ie restrict) how users access and use financial records?

Does the institution balance frequency and convenience of retrieval against storage costs regarding government records not frequently or urgently required? (eg are less active records moved from main office areas to specialised, lower-cost storage facilities?)

What recommendations do you make for improvement and how do you prioritise these?

### *Interdisciplinary Linkages*

What arrangements are in place to ensure co-ordination of the records function with:

- information technology professionals?
- librarians?
- lawyers?
- auditors?
- accountants?
- senior management?

If no arrangements are in place, how should co-operation be stimulated?

### **Conclusions and Recommendations**

Summarise the salient conclusions/recommendations arising from your overall assessment of the records management function, including any requirements for technical assistance.



**List of People Interviewed: The Gambia Case Study**

## **List of People Interviewed: The Gambia Case Study**

### **Accountant General's Department**

Mrs Margaret Keita, Accountant General

Mrs Matilda Mendy, Principal Accountant and Internal Auditor, Accountant General's Department (reporting to Ministry of Finance)

Mr Hassan Jeng, Principal Programmer and Systems Analyst

### **Central Bank, The Gambia**

Mr Momodou Sissoho, Principal Economist

### **The Gambia Institute of Chartered Accountants**

Mr Augustus Prom, President

### **Judiciary**

Mr Omar H Alghali, Chief Justice

Mrs Fatou Bensouda, Solicitor General and Legal Secretary

Mr Bright Akwetey, Principal State Counsel, The Justice Alghali Commission of Inquiry

Mr Sammuel Tetteh Letsu, Principal State Counsel, The Justice Alghali Commission of Inquiry

### **Ministry of Finance and Economic Affairs**

Mr Yusupha Kah, Permanent Secretary

### **National Records Service**

Mr Andrew Evborokhai, Director, National Records Service

### **Office of the Auditor General**

Mrs Fataumatta Jallow-Gaye, Auditor General

Mr Pa Sisay, Director of Audit

## **Personnel Management Office**

Mrs Thérèse Drammeh, Permanent Secretary

**List of People Interviewed: Main Study**

## **List of People Interviewed: Main Study**

### **The Alliance for Public Accountability**

Dr Michelle Brill Edwards, MD, Senior Officer formerly of the Health Protection Branch of Health Canada

### **Casals & Associates**

Mr James P Wesberry, Jr, Director, Accountability / Anti-Corruption Project

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

Mr David Gray, Managing Consultant

### **Independent Consultants**

Dr Sahr J Kpundeh

Mr Wayne McKeel, (formerly with US AID)

### **Institutional Reform and the Informal Sector (IRIS) at The University of Maryland at College Park**

Dr J Patrick Meagher, Associate Director

Dr Young Lee, Faculty Research Associate

### **International Chamber of Commerce (ICC), Commercial Crime Bureau**

Mrs Shiao-Lin Kuo, Assistant Director

### **International Monetary Fund (IMF), Fiscal Affairs Department**

Mr Bill Allen, Senior Economist

**John Moores University, Liverpool, Liverpool Business School:  
Commercial Development Unit**

Professor Alan Doig  
Ms Stephanie McIvor  
Mr John Moran

**Staffordshire University, Humanities and Social Science Department**

Professor Stephen Riley

**Transparency International (TI)**

Mr Jeremy Pope, Executive Director

**UK Department for International Development (DFID), African Division**

Mr Theo Thomas, Economist

**UK National Audit Office**

Sir John Bourn, Comptroller and Auditor General of the UK

**University of Manchester, Information Systems and Development: Institute  
for Development Policy and Management**

Dr Richard Heeks  
Dr David Mundy

**University of Wales, Cardiff, Social and Administrative Studies**

Professor Michael Levi

**US General Accounting Office and INTOSAI**

Mr Donald R Drach, Deputy Director, Office of Internal Audit Organisation Liaison

**World Bank, Economic Development Institute (EDI): Regulatory Reform and Private Enterprise**

Ms Maria Gonzalez de Asis, Consultant

**World Bank, Economics Technical and Institutional Policy Division**

Mr Gerard Boulch, Senior Public Sector Management Specialist

**World Bank, Operations Support: Eastern and Southern Africa**

Mr Tony Hegerty, Senior Financial Management Specialist

**World Bank, Poverty Reduction and Economic Management (PREM) Network: Public Sector Management Division**

Mr Mike Stevens, Principle Public Sector Management Specialist  
Mr Malcolm Holmes, Senior Public Sector Management Specialist

**World Bank, Poverty Reduction and Economic Management (PREM): Europe and Central Asia Sector Units**

Mr Peter Dean, Senior Public Finance Economist

**World Bank, Special Program for Assistance (SPA): African Technical Families, Macroeconomic Group 4**

Mr Charles Humphries, Sector Manager

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## **The following WWW sites were of use to the study:**

Accountability 21

<http://www.accountability21.com/>

Australian Archives, Managing Electronic Records

[http://www.aa.gov.au/AA\\_WWW/AA\\_Issues/ManagingER.html](http://www.aa.gov.au/AA_WWW/AA_Issues/ManagingER.html)

Australian Archives, Keeping Electronic Records

[http://www.aa.gov.au/AA\\_WWW/AA\\_Issues/KER/](http://www.aa.gov.au/AA_WWW/AA_Issues/KER/)

Australian Archives, Managing Electronic Messages as Records

[http://www.aa.gov.au/AA\\_WWW/AA\\_Issues/Emcontents.HTM](http://www.aa.gov.au/AA_WWW/AA_Issues/Emcontents.HTM)

The Brookings Institute

<http://www.brook.edu/>

Canadian Institute of Chartered Accountants

<http://www.cica.ca/new/index.htm>

Casals & Associates

<http://www.casals.com/>

Centre for Development Research, Copenhagen

<http://www.cdr.dk/>

Centre for Institutional Reform and the Informal Sector (IRIS)

<http://www.inform.umd.edu/IRIS/>

Commission for Global Governance

<http://www.cgg.ch/>

Corporate Memory in the Electronic Age: Statement of a Common Position on Electronic Recordkeeping

[http://www.aa.gov.au/AA\\_WWW/ProAssn/ASA/Corpmenw.htm](http://www.aa.gov.au/AA_WWW/ProAssn/ASA/Corpmenw.htm)

Council of Europe's Fight Against Corruption and Organised Crime

<http://www.coe.fr/corrupt/index.htm>

Development Economics Research Group (DERG)

<http://www.econ.ku.dk/derg/links.htm>

Economic Security Council: The Commission on Global Governance

<http://www.cgg.ch/econtex2.htm>

The European Commission's DLM Forum 'Best Practices Guidelines for the Management of Digital Records

<http://www2.echo.lu/dlm/en/home.html>

FinanceNet, International Consortium on Government Financial Management  
<http://www.financenet.gov/icgfm.htm>

Foreign Corrupt Practices Act  
[http://www.tradeport.org/ts.t\\_expert/rules/other/fcpa.html](http://www.tradeport.org/ts.t_expert/rules/other/fcpa.html)

Functional Requirements for Evidence in Recordkeeping  
<http://www.sis.pitt.edu/~nhprc/>

Global Information Commission  
<http://www.gii.org/>

Harvard Institute for International Development (HIID)  
<http://www.hiid.harvard.edu/>

Independent Commission Against Corruption  
<http://www.icac.org.hk/icac/>

Institute for Development Policy and Management, University of Manchester  
<http://www.man.ac.uk/idpm/>

Institute of Development Studies (IDS), Sussex, England  
<http://www.ids.ac.uk/ids/index.html>

Institute of Internal Auditors  
<http://www.theiaa.org>

Inter-American Convention Against Corruption  
<http://www.oas.org/EN/CURRENT/corrupt.htm>

Inter-American Development Bank (IADB)  
<http://www.iadb.org/exr/english/>

International Chamber of Commerce (ICC)  
<http://www.iccubo.org/>

International Development Research Centre (IDRC), Canada  
<http://www.idrc.ca/>

International Development Research Centre, The Acacia Initiative  
[http://www.idrc.ca/acacia/acacia\\_e.htm](http://www.idrc.ca/acacia/acacia_e.htm)

International Federation of Accountants  
<http://www.cdr.dk/>

International Institute for Sustainable Development  
<http://www.colostate.edu/Orgs/IISD/>

International Monetary Fund (IMF)  
<http://www.imf.org/>



International Organisation of Supreme Audit Institutions (INTOSAI)  
<http://www.intosai.magnet.at/intosai/>

International Political Science Association: Research Committee on Political Finance & Corruption  
<http://departments.colgate.edu/polisci/ipsal/>

The Nation Summit on Africa  
<http://www.africasummit.org/>

New Data Protection Law – Implementing the EU Data Protection Directive  
<http://www.open.gov.uk/dpr/impeudir.htm>

New South Wales, Australia, Documenting the Future – Policy and Strategies for Electronic Recordkeeping the New South Wales Public Sector  
<http://www.records.nsw.gov.au/erk/dtf/tofcont.html>

New South Wales, Australia, Desktop Management – Guidelines for Managing Electronic Documents and Directories  
<http://www.records.nsw.gov.au/erk/ed,/httoc.htm>

New South Wales, Australia, Recordkeeping Regime Whole of Government Framework  
<http://www.records.nsw.gov.au/erk/>

New South Wales, Australia, Introducing Electronic Recordkeeping  
<http://www.records.nsw.gov.au/erk/intro/in-erka4.htm>

New South Wales, Australia, Guidelines for the Destruction of Ephemeral, Facilitative and Duplicate Records  
<http://www.records.nsw.gov.au/disposal/ephem/httoc.htm>

OECD, Development Assistance Committee (DAC)  
<http://www.oecd.org/dac/index.html>

OECD, Public Management  
<http://www.icc-ibcc.org/NewSite/ibccnet.htm>

Organisation of American States (OAS)  
<http://www.oas.org/>

Overseas Development Council  
<http://www.odc.org/>

Overseas Development Institute  
<http://oneworld.org/odi/>

The Preservation of the Integrity of Electronic Records  
<http://www.slais.ubc.ca/users/duranti/>

Records in Evidence: The Impact of the Evidence Act on Commonwealth Recordkeeping  
[http://www.aa.gov.au/AA\\_WWW/AA\\_Publications/records.htm](http://www.aa.gov.au/AA_WWW/AA_Publications/records.htm)

RespondaNet  
<http://www.respondanet.com/>

Transparency International  
<http://www.transparency.de>

Uniform Law Conference of Canada: Uniform Electronic Evidence Act  
<http://www.law.ualberta.ca/alri/ulc/current/eueea.htm>

United Kingdom, Department for International Development (DFID)  
<http://www.dfid.gov.uk/>

United Nations Development Programme (UNDP)  
<http://www.undp.org/>

United Nations Development Programme, Management & Governance Network (MagNet)  
<http://magnet.undp.org/>

US Agency for International Development (US AID)  
<http://www.info.usaid.gov/>

US Agency for International Development, Africa Bureau Information Centre  
<http://www.info.usaid.gov/regions/afr/abic>

The World Bank  
<http://www.worldbank.org/>

The World Bank, Economic Development Institute (EDI)  
<http://www.worldbank.org/html/edi/home.html>

The World Bank, *InfoDev*  
<http://www.worldbank.org/infodev/infodev.html>

World Trade Organisation (WTO)  
<http://www.wto.org>