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Acknowledgements

The work on this project started in Edinburgh in 2000 as an idea for a CIMA-sponsored project on management accounting in central government. The project was funded by a grant from the Research Foundation of The Chartered Institute of Management Accountants (CIMA) in 2001. In 2002, the project also received a grant from the Devolution, Parliamentarism and Democratic Accountability: a Comparative Study project (grant award number L219252132) in the Economic and Social Research Council (ESRC) research programme on devolution and constitutional change.

The aim in writing this report is to contribute to the debate on the role of finance, accounting and management as facets of the modernising agenda in evaluating the democratic accountability that is taking place in accounting, public management, political science, sociology and economics, within the ‘governance and the constitution’ theme. This report aims to be useful to practitioners (public sector accountants, managers and policy-makers). Research on current political and administrative practices can be useful for politicians, policy-makers, journalists and citizens, at large. In particular, the project is relevant for informing the debates on devolution, decentralisation, regionalisation and federalism, for instance with regard to establishing regional assemblies in England, and in assessing the diverse roles of accounting on democratic accountability in public sector reforms.

A number of steps have been taken to facilitate interaction with – and dissemination of findings to – different user groups of this research (such as academics, politicians and policy-makers). Firstly, the main findings have been presented both to academic and to professional conferences, including seminars in Northern Ireland, Scotland and Wales, where plans and preliminary results have been presented and discussed with politicians and policy-makers. Secondly, the authors have also participated in CIMA and ESRC workshops and conferences. Thirdly, results have been circulated and published, with more publications in prospect to enhance dissemination.

There are many institutions and individuals to acknowledge. Thanks to ESRC and CIMA for financial support. Thanks to Rebecca Edser, Sarah Hunt, Gary Martin and Elisa Wright for assistance in data collection for the project. Thanks also to the many colleagues and reviewers that, at different stages in the project and at different seminars and conferences, have provided numerous constructive comments. Lastly, thanks to all of the interviewees – members of parliaments and national assemblies, executive officers, audit officers and parliamentary clerks and advisers – who generously gave of their time and insights to help with the data collection phase of the project.

It is of great sadness to the research team that we acknowledge the death of June Pallot, a member of this research team who passed away on 5th November 2004 following a long battle with illness. This publication is dedicated to her memory.
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Executive Summary and Recommendations

Devolution is commonly understood to be the transfer to a subordinate elected body, on a geographical basis, of functions previously exercised by ministers and the national parliament. Devolution is also called external decentralisation to differentiate it from delegating responsibility within an existing structure of authority. In 1997, the populations of Wales and Scotland voted in favour of devolution, and, in Northern Ireland, the 1998 Good Friday Agreement – based on the re-establishment of devolved government – also received electoral support. In 1999, the Northern Ireland Assembly in Belfast, the Welsh National Assembly in Cardiff and the Scottish Parliament, Holyrood, in Edinburgh began their operations. One of the main purposes of the devolution programme was to facilitate political responsiveness to the people in their respective countries within the United Kingdom. The aim was to increase transparency and enhance democratic accountability using a different approach to matters of government to that previously taken by Whitehall and Westminster.

This report documents how management accounting in the devolution project has affected democratic accountability four years into the devolution programme’s operation. Based on documentary studies, media reports, observation of parliamentary committee meetings and interviews with key actors (for example, members of national assemblies and parliaments, parliamentary committee clerks and advisers, executive ministers and deputy ministers, audit officers, party politicians and other external experts) in the five countries, it concludes that devolution has significantly and unequivocally contributed to a more consultative, transparent and democratic accountable government in Northern Ireland, Scotland and Wales.

Key Findings:

- politicians in the devolved assemblies/parliaments, have a very compartmentalised view of accountability and – often – limited awareness of the potential of management accounting;
- most politicians interviewed experienced information overload. This is a key challenge for providers of budgeting and financial information in these settings;
- there was limited knowledge of what resource accounting and budgeting (RAB) is, and what it is intended to do, amongst the politicians in this study;
- most expertise in RAB sits with professional experts (government accountants and auditors) and there is a danger of democratic processes becoming increasingly mystifying, rather than more transparent;
- there is a need for the complexity of new forms of government accounting to be taught to elected representatives. There is little evidence of interest or inclination from the elected representatives to attend seminars on accounting, which makes this a bigger challenge;
- there is a shift towards the increased use of performance information in Northern Ireland, Scotland and Wales. This trend is even more marked in New Zealand and Norway;
- the processes of budgetary scrutiny in the devolved assemblies/parliaments need to be streamlined. They appear over-elaborate; and
- devolution and RAB are in their infancy. There is a need for a more consistent appraisal/review of both of these processes on a continuing basis.
### Glossary of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AMS</td>
<td>Additional Member System</td>
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<tr>
<td>CSG</td>
<td>Consultative Steering Group</td>
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<tr>
<td>DG</td>
<td>Devolved Government</td>
</tr>
<tr>
<td>FEC</td>
<td>Finance and Expenditure Committee (NZ)</td>
</tr>
<tr>
<td>FIAG</td>
<td>Financial Issues Advisory Group</td>
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<tr>
<td>FMI</td>
<td>Financial Management Initiative</td>
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<tr>
<td>FPTP</td>
<td>First Past the Post System</td>
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<tr>
<td>FSA</td>
<td>Financial Services Authority</td>
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<tr>
<td>KRA</td>
<td>Key Results Area</td>
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<tr>
<td>MLA</td>
<td>Member of Legislative Assembly</td>
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<tr>
<td>MMP</td>
<td>Mixed-Member Proportional System</td>
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<tr>
<td>MP</td>
<td>Member of Parliament</td>
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<tr>
<td>MSP</td>
<td>Member of Scottish Parliament</td>
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<tr>
<td>NAO</td>
<td>National Audit Office (UK)</td>
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<tr>
<td>NPM</td>
<td>New Public Management</td>
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<tr>
<td>PAC</td>
<td>Public Accounts Committee (UK)</td>
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<tr>
<td>PR</td>
<td>Proportional Representation</td>
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<tr>
<td>PSA</td>
<td>Public Service Agreement</td>
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<tr>
<td>RAB</td>
<td>Resource Accounting and Budgeting</td>
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<tr>
<td>SDA</td>
<td>Service Delivery Agreement</td>
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<tr>
<td>SPICe</td>
<td>Scottish Parliament Information Center</td>
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<tr>
<td>SRA</td>
<td>Strategic Results Area</td>
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1. Introduction

1.1 Purpose
This project is a study of the role of accounting in informing and shaping the democratic accountability of key agents’ actions in the newly devolved executives, national assemblies and parliaments in the UK (Northern Ireland, Scotland and Wales). It explores how accounting is affected by a modernised public management culture and the new public management (NPM) movement, and how it relates to non-accounting forms of accountability.

The emergence and development of accounting practices and the meanings attributed to these developments for democratic accountability are also examined. The project studies annual financial budgeting, performance management and performance audit reporting processes, and the link/coupling between budgeting and reporting. Specifically, it examines the linkages between mission statements, objectives and targets (including budgets) in the planning process and the use of performance measures and indicators in the reporting process. It distinguishes the macro, whole-of-government level from the micro, agency level and focuses on the devolved governments and parliaments as affected by whole-of-government budgeting.

1.2 Background
Democratic accountability, has been substantially improved in most western countries during the 20th century. The newly devolved parliaments have had the opportunity to profit from the latest developments and best practices among western democracies.

Simultaneously – and paradoxically, given increasing democratic representation, more transparency and the extensive public management reforms in the 1980s and 1990s – there is evidence of a decline in citizens’ interest in democratic accountability, decreasing party membership, low voter turnout, and political communication practices resembling the old fashioned Westminster/Whitehall model, with ‘spin doctors’ and lobbying resulting in not so transparent politics (Schlesinger, Millar and Dinan, 2001).

However, democratic governance is executed via a diverse set of instruments and procedures. Such arrangements may also vary over time and between different national, institutional and political ‘cultures’ (Hood, 1998).

While political scientists and economists often study given institutions, their relationships and effects, this project focuses on what is going on inside the devolved institutions. This entire area is under-researched and so presents an opportunity to study the role of management accounting in the implementation of devolution, which represents one of the most significant changes in British public policy in decades. This study will shed more light on several dimensions of democratic accountability in the Westminster model of democracy, compared to the (non-Westminster) Nordic consensus model (Lijphart, 1999), such as representation of relevant information and openness and accessibility for the participating actors. Democratic accountability issues will be examined in a comparative research design that acknowledges historical and institutional contexts.
This research is informed by studies of government and public sector reforms in general and, in particular, the NPM reforms implemented during the 1980s and 1990s (Boston et al., 1996; Pollitt and Bouckaert, 2000).

NPM reforms typically have evolved around six dimensions:

- privatisation;
- marketisation;
- decentralisation;
- output orientation;
- quality systems; and
- intensity of implementation.

Several of these dimensions have been embraced by the current (and former) UK government(s) as part of a modernisation strategy. In particular, three of these issues will be addressed here:

- decentralisation;
- output orientation; and
- intensity of implementation.

An important element of the evaluation of management accounting practices is the context in which they are used. The UK political system of democratic accountability may be characterised as a process within a long history of evolution (Marshall, 1991). In this regard, one central dimension in current public sector management reforms is decentralisation.

Decentralisation in public sector management reforms has been more developed during the 1980s and 1990s in the Nordic countries and in the Netherlands. Moreover, the recent and expanding literature on devolution (Bogdanor, 1999) and on non-US parliaments and legislatures (Lijphart, 1999; Matthews and Valen, 1999) is also crucial.

Decentralisation and devolution may, theoretically, also be contrasted to the more radical form of constitutional change by revolution (Skocpol, 1979) or other more relevant forms of exit or ‘disloyalty’ as, for instance, independence for Scotland (Hirschman, 1970). While the UK has had, in a European context, a long history of a relatively centralised state structure with little power decentralised to local government, in recent times the UK government has extended devolution of power from Westminster to three new national assemblies. In Northern Ireland, Scotland and Wales, openness, transparency and accountability have been central subjects in the devolution programme.

A common trait with decentralisation reforms, however, is the parallel development of the centralisation of controls. An increasing emphasis on output orientation by way of performance measurement and performance audits may be seen as instruments for retaining (or gaining) central control, at least in the UK. These wider issues reaffirm the importance of an international comparative study.

Furthermore, the use of planning systems integrating financial and management accounting and historic and forward looking figures – for instance in the form of RAB (Likierman, 2001) – indicates that a tight coupling between plans and actions are pursued and provide evidence of a high intensity of public policy implementation. These issues are the subjects of this study. Accounting can therefore be seen as a vital ingredient in modern public sector reforms that warrants close scrutiny.

The notion that accounting is important in government and in reform is of course neither new, nor unique. Heald and Geaughan (1997), for example, have argued that accounting reform is playing a significant role in the restructuring of UK central government. However, there is a perceived need to inject more uniformity into the system, for instance by clearer definition of the reporting entities and continued publication of performance information in annual reporting.

Important elements of the new devolved arrangements are the commitments made to improve transparency and to develop new mechanisms for deliberating upon the business of government. There are a number of factors that suggest that budgetary information will assume a new significance. In particular, the promotion of RAB, which extends beyond the cash-based accounting used previously, will have a major impact.

This new system of accounting recognises assets and liabilities (full accrual accounting) and entails the use of performance indicators and the incorporation of department objectives within budgets. In addition, it requires that management accounts better align to financial accounting statements. All of these influences make this a particularly opportune time to, first, evaluate the effectiveness of these initiatives for the devolution programme and, second, consider the potential for further development and refinements for democratic accountability.
1.3 Framework

The conceptual framework for this study is shown in Figure 1.1.

This project has links to other research in the ESRC programme on devolution and constitutional change. It draws upon other projects within the research initiative phase (1998–2000) and the first phase of the programme (2001), in particular the following studies:

- Boyne, Political Control of Public Agencies in Scotland and Wales, Cardiff;
- Brown, Making the Scottish Parliament: Standing Orders and Procedures, Edinburgh;
- Parry, Designing the Transition from Scottish Office to Scottish Executive, Edinburgh;
- Fawcett, Political Communication and Devolution in Northern Ireland: Equality and Institutional Change in Northern Ireland, Ulster;
- Heald, Financial Arrangements for Devolved Government Within the UK, Aberdeen;
- Mitchell, Devolution and the Centre, Strathclyde; and
- Parry, Home Civil Service as an Integrative Force in the Post-devolution Polity, Edinburgh.

The framework in Figure 1.1 demonstrates that democratic accountability is affected by accounting, which is, partly, intended to serve the objectives of the devolution programme.

There are also, however, many other, relevant factors with potential – intended or unintended – consequences to affect accounting and hence democratic accountability. Some of them have been included in Figure 1.1. The arrows in the figure illustrate assumed causal relations. There may, however, be more bi-directional and multi-directional relations than we have depicted in the framework. For example, if there is a general discontent with democratic accountability in a society, this issue may induce reforms.
In fact, many of the recent public sector accounting (that is, NPM) reforms are intended (and designed) to affect democratic accountability but do not have any formal connections to the devolution programme. Most notably, the emphasis on targets and outputs in many NPM reforms may affect democratic accountability but this emphasis would also be present when there is no programme of devolution. However, there are also many other factors, apart from devolution and NPM reforms, which could impact on democratic accountability.

Some of the most relevant factors in this project are general public management cultures, and other general social, economic, technological and political developments. Thus, in order to explore how accounting is affected by devolution and the relationship between accounting and democratic accountability, the alternative influences on accounting and democratic accountability must also be taken into account. In particular, international, as well as national and local, trends must be investigated, further work on these issues which stems from this research has been published elsewhere (Ezzamel, Hyndman, Johnsen, Lapsley & Pallot, 2004; Ezzamel, Hyndman, Johnsen, Lapsley & Pallot, 2005).

1.4 Research Questions
The two specific, overarching sets of research themes addressed in this report are the following:

● **Political devolution and democratic accountability:**
  Is devolution the driver for changes in accountability, or are changes in accountability driven by the NPM movement regardless of devolution?
  For example, what is the role of traditional bureaucracy in governments and executives in relation to transparency, accountability and the ‘third way’? Do their executives mirror the kinds of changes we expect for the devolved parliaments? Are there any lessons to be learned from fully autonomous parliaments in other countries of interest that are of comparable populations as those of the UK’s devolved governments (DGs)?

● **Accounting and democratic accountability:**
  How does public management culture affect democratic accountability in devolution?
  For example, what role does accounting play in democratic accountability? How is accounting information used in modern parliaments? Who uses accounting information, and when and why is such information used? To what extent is accounting used to underpin democratic accountability? To what extent is democratic accountability pursued through more traditional political means? Does the detailed and extensive information provided by accounting procedures undermine and destabilise, rather than stabilise and enhance, democratic accountability and the devolution programme?

1.5 Outline of the Report
The remainder of this report is organised as follows:

● chapter 2 briefly outlines the process of devolution in the UK;
● chapter 3 presents information regarding key UK institutions and the two international comparisons in this project (New Zealand and Norway);
● in Chapter 4, the chosen research design of the project is documented;
● chapter 5 elaborates on the issue of accountability in the UK devolved parliaments and national assemblies;
● chapter 6 presents findings on the use of management accounting information in the UK devolved institutions;
● chapter 7 follows with a presentation of the project’s findings regarding issues of performance measurement and auditing in the devolved parliaments and national assemblies;
● chapter 8 presents two international comparisons (New Zealand and Norway) of the issues relating to accounting and accountability; and
● chapter 9 contains a discussion of the findings and conclusions arising from the project.
2. The Process of Devolution in the UK

2.1 Introduction

The idea of devolution is not a new one. It dates back two centuries, when home rule for Ireland was proposed in 1886. Bogdanor states that devolution can be defined as ‘consisting of three elements: the transfer to a subordinate elected body, on a geographical basis, of functions at present exercised by ministers and Parliament’ (Bogdanor, 2001, p. 2).

Even though Northern Ireland, Scotland and Wales have obtained devolution at the same time, the cultural and political development of the ‘quest’ for devolution has been different for each country.

Northern Ireland experienced a form of devolution when it was granted home rule between 1921 and 1972. Scotland benefited from separate local government and education systems, authority to issue banknotes and an established church since the union of the crowns; its national identity has always been recognised and strongly felt. Wales, unlike Northern Ireland and Scotland, has never been granted any special legislative or administrative status, although there is the official recognition of Welsh as an ancient language.

Scottish and Welsh nationalistic movements started during the late 1960s, demanding the recognition of distinctive identities and the opportunity to look after their own economic interests (Jones, 2001). In 1968, a royal commission was set up to investigate the role of central legislature and of government within a devolved context.

In 1979, a referendum was held in Scotland and Wales on the matter, and it showed very little support for devolution. In Scotland, only a narrow majority – not enough to achieve the weighted majority needed – voted in favour of devolution. In Wales, a strong majority voted against devolution.

One of the main reasons for this lack of support was attributed to a division in the Labour Party. Some Labour members did not want to challenge the unity of the state, while other members considered the issue of devolution as a problem of equality rights (Mitchell, 2002). Furthermore, the Tory government placed strong emphasis on the strength of a unitary government and on the importance of parliamentary sovereignty.

During the 1980s and 1990s, things began to alter and the level of support for constitutional change grew. In Scotland the idea, supported by the Labour Party, of a Scottish parliament elected through some form of proportional representation (PR) was emerging. In Wales, where there was more ambivalence on the importance of separate political identity, there was a similar debate, but its pace and spirit was different from Scotland.

However, when another referendum on devolution was called in the late 1990s, all three countries voted in favour: in NI, 71.1 per cent of voters in support of it; in Scotland, 74.3 per cent; and in Wales, 50.3 per cent. The following sections describe the further development of devolution in NI, Scotland and Wales.

2.2 Devolution in Northern Ireland

Northern Ireland was under home rule between 1921 and 1972. Home rule was considered a form of devolution but it differed substantially from the current form of devolution for two main reasons. First, the initial devolved parliament, home rule, was established after a long and controversial debate that had at its centre the desire to avoid the inclusion of Northern Ireland in the Irish Free State. Second, the political scene was dominated by the conflict between the unionist (Protestant) community, which wanted to preserve the link with the UK, and the nationalist (Catholic) community, which was instead pushing towards unification with the rest of Ireland (Bogdanor, 2001).

Under home rule, the Belfast Parliament was very similar to Westminster in terms of its functions and organisation. Legislative power was conferred with specific limitations on matters concerning foreign affairs, defence, and external trade.

In terms of fiscal arrangements, it was believed that Northern Ireland could finance the services with her own revenue. However, by the end of the 1970s, financial allocations were determined according to needs, being in practice expenditure-based. The budget had to be approved by Westminster and it was negotiated between the Northern Ireland Ministry of Finance and the Treasury in London, implying a tight control on the allocation of resources.

In practical terms, Northern Ireland did not have financial autonomy, as taxation matters were London’s domain and spending matters were dealt with in Belfast. Home rule ceased in 1972 due to the intensification of violence from 1968 onwards.

The establishment of direct rule from Westminster was conceived as a short-term solution. In the period between 1972 and 1997, there were several attempts to introduce devolution that failed due to the impossibility of reaching agreement between the parties involved. A significant breakthrough was made in the summer of 1994, when the Irish Republican Army (IRA) announced a cease-fire and Sinn Féin participated in the political debate. In 1996, multi-party talks were carried out between the elected representatives of the political parties and in 1998, the Belfast Agreement was signed. The agreement was subsequently approved by a referendum held in May 1998, in which 71.1 per cent voted in favour of devolution and 28.9 per cent voted against it.
One hundred and eight members are elected to the Assembly by a single transferable vote for a fixed-term period of four years.

The areas of devolved power are:

- finance;
- personnel;
- agriculture;
- education;
- health;
- social services;
- economic development; and
- environment.

The Belfast Agreement is built on two key principles: power sharing and the application of two forms of qualified majority voting for ‘key decisions’.

The principle of power sharing, an institutional novelty of the agreement (O’Leary, 2002, p. 284), affects the functional operations of the executive. The executive is led by the first minister and by the deputy first ministers, who hold office together. This means that if one resigns, the other one loses his/her office as well. Both positions exercise the same functions and have equivalent powers. The members of the executive are selected by party leaders in accordance with the number of seats that each party has acquired.

The second principle that underlies the agreement is the existence of two forms of qualified majority voting applied to ‘key decisions’.

‘Key decisions’ are any of the following:

- the choice of the first and deputy first ministers;
- dismissal from office;
- budgetary procedures;
- standing orders;
- election of the Assembly’s presiding officer (speaker);
- the programme for government; and
- policy issues defined as ‘key’.

(Meehan, 1999, p. 20; Wilford, 2000, p. 580)

When voting on these issues, there has to be a majority of those members present and voting and also a majority of the unionists and nationalists present and voting. This mechanism was devised in order to guarantee ministerial autonomy and to reinforce partnership and cooperation. Within the Assembly, statutory committees are formed. These have an advisory role during the process of policy formulation, can initiate primary legislation and can scrutinise the work of the Assembly.

### 2.3 Devolution in Scotland

Scotland has benefited from a separate legal and administrative system even after the Act of Union (enacted in 1707), which abolished a separate Scottish parliament. In 1885 the Scottish Office was established, held by the secretary of state for Scotland. Initially, it was a department of the UK government with very limited functions. Gradually, its role grew and it became responsible for areas such as health, justice, agriculture, fisheries and farming. The secretary of state for Scotland ensured that Scottish matters were handled in Scotland and that specific Scottish needs were considered in the process of policy-making and legislation. This arrangement reinforced the idea of a Scottish political distinctiveness. As per the situation in Northern Ireland, at the end of the 19th century and throughout the 20th century, nationalistic movements argued for a Scottish home rule. Prior to the late 1990s, propositions for implementing home rule in Scotland were presented 13 times to the House of Commons but were always rejected (Bogdanor, 2001).

From the 1970s onwards, the pressure for constitutional change that would establish a Scottish national assembly grew. This was partly due to discontent with the political system at that time, which was considered to be inadequate in representing Scottish needs at UK level, and partly due to a growing sense of Scottish identity and of feelings of difference (Brown, 2000).

In 1989, the Scottish Constitutional Convention was set up. It proposed a plan for devolution in the Scottish Constitutional Convention Report, issued in 1995, that formed the basis of the proposals made to the UK government in 1997. These proposals were subjected to referendum in September 1997 and were approved with a strong majority by the electorate. The Scotland Act 1998 introduced the Scottish Parliament, which commenced its first legislative period in July 1999.

The Scottish Parliament has two main features: an innovative electoral procedure and a distinctive internal working. Members are elected by combining the traditional first-past-the-post system with a form of PR. This model was chosen in order to ensure the consensual nature of the new Parliament, which was considered a fundamental aspect of the new institution (Mitchell, 2000). In terms of the internal working of the parliament, a model was developed that was to be substantially different from Westminster’s (Mitchell, 2000). The Consultative Steering Group (CSG) and the Financial Issues Advisory Group (FIAG), set up by the secretary of state for Scotland, developed proposals for the practical operations of the new institution.
Four main principles were identified:

- Power-sharing. The Scottish Parliament should embody and reflect the sharing of power between the people of Scotland, the legislators and the Scottish executive;
- Accountability. The Scottish executive should be accountable to the Scottish Parliament, and the Parliament and the executive should be accountable to the people of Scotland;
- Access and participation. The Scottish Parliament should be accessible, open and responsive and develop procedures that make possible a participative approach to the development, consideration and scrutiny of policy and legislation; and
- Equal opportunities. The Scottish Parliament, in its operation and its appointments, should recognise the need to promote equal opportunities for all.

The Scotland Act planned a parliament with substantial powers. The areas in which the Scottish Parliament has legislative authority are as follows:

- health and social work;
- education and training;
- local government and housing;
- justice and police;
- agriculture, forestry and fisheries;
- the environment;
- tourism, sport and heritage; and
- economic development and internal transport.

The Scottish Parliament has full legislative competence. That is to say, it holds primary legislative powers across the above range of domestic policy areas and, potentially, the power to legislate in any non-reserved area of policy.

Unlike the other devolved assemblies, it is also given the authority to vary income tax, by up to three pence per pound, although there has been strong political debate around the issue of whether – and how – to exercise this power. Furthermore, the Scottish Parliament controls local authority taxation. It can raise revenue by charging fees for some public services.

A comprehensive committee system has been established, which aims to give committees a more powerful role in comparison with the Westminster system. There are 17 committees (eight mandatory committees and nine subject committees) that have been given power to initiate legislation, to scrutinise and monitor government legislation and to conduct enquiries and take evidence from ministers and civil servants (Brown, 2000; Mitchell, 2000). Membership of the committees reflects the political composition of the Parliament, and conveners usually do not belong to the governing parties.

In its first legislative period, the Scottish Parliament enacted 22 bills, in matters such as housing, the establishment of national parks and issues related to adults with incapacity. The ability to legislate on specific Scottish matters has been considered as one of the most important achievements of the new institution, which would have not happened without devolution.

2.4 Devolution in Wales

Wales, unlike Northern Ireland and Scotland, has never been granted separate administrative institutions. Nationalistic movements started to emerge towards the end of the 19th century but claims were mainly concerned with obtaining equality with England rather than being connected to arguments relating to separation from England (Bogdanor, 2001). The Welsh Liberals were trying to obtain recognition of Welsh cultural and religious uniqueness, but there was no aspiration for a Welsh Parliament. During the 1900s, a progressive process of administrative decentralisation in education, agriculture and national insurance took place. This was driven by the UK government’s political decisions, which were initiated only for pragmatic reasons.

In 1964, after the Labour Party’s UK election victory, the first secretary of state for Wales was established, with very limited powers granted by Whitehall. Due to the fact that Wales – unlike Scotland – did not have a separate legal system, the Welsh secretary only had the ability to modify policy set by Whitehall according to Welsh needs and differences.

The Scotland and Wales Bill of 1979, which proposed the application of home rule, devised a form of devolution for the two countries which, if accepted, would have resulted in significantly fewer powers being transferred to Wales.

During the 1990s, an organised campaign for devolution started without official support from political parties. The campaigners lacked a strong public image, as well as financial resources. The ‘Campaign for a Welsh Assembly’ was established in 1987 and advocated the potential economic benefits of a separate assembly.

Ten years later, the UK government published the white paper, A Voice for Wales, outlining proposals for devolution in Wales that were to be approved in the referendum held in September 1998. Subsequently, the UK Parliament passed the Government of Wales Act 1998 through which powers and responsibilities were transferred to the Welsh Assembly on 1 July 1999.
The Welsh Assembly is defined as ‘a unique institution within the United Kingdom’ (Laffin and Thomas, 2000) because it is a hybrid system in which there is a combination of a Westminster cabinet model with a local government model of subject committees. As in Westminster, there is a cabinet, but there is also a system of multifunctional committees.

This model was devised after long debate among the members of the National Advisory Group. The group thought the committee model was inconvenient and inefficient and would have delayed the decision-making process, and that the cabinet model would have given too much power to the first minister and therefore undermine the principles of power sharing and inclusiveness.

The powers of the Assembly are defined by National Assembly for Wales (Transfer of Functions) Order 1999; an arrangement that has been criticised as a potential constraint on the powers of the Welsh Assembly (McAllister, 2000). The Assembly cannot issue primary legislation and does not have tax-varying powers but it can modify UK legislation in order to meet specific Welsh needs. The cabinet is the decision-making institution whose members carry out most of the Assembly’s function, by authority of the Assembly. The Assembly elects a first minister, who is the leader of the cabinet and of the Assembly. The first minister appoints eight ministers (secretaries).

Similar to the other devolved institutions, there are subject committees, which cover ministers’ portfolios. Their role is to develop policies, to scrutinise the work of the Assembly and the executive’s operations and to contribute to the debate over budgetary priorities. The membership of the subject committees reflects, as much as is possible, the political composition of the Assembly.

In contrast to the other devolved institutions, ministers are part of the subject committees, and the chairs of the subject committees are usually drawn from the opposition party (or even from minority parties) in order to guarantee the principle of inclusiveness.

The work of the Welsh institution is complemented by four regional committees that are not present in the other devolved institutions. These committees fulfil an advisory role, providing consulting and representing the needs and interests of historically different, and geographically separated, areas of the country.

2.5 Conclusion

The development of devolution was not a stable and uniform process across Northern Ireland, Scotland and Wales. Each devolved institution moved towards devolution in a different way according to its own past experience, historical ambitions and political interchange (Meehan, 1999). Northern Ireland and Scotland benefit from broader legislative powers than Wales. In addition, there are differences that affect financial arrangements, with tax-varying powers only available in Scotland (a difference that has raised the debate on whether a parliament without taxation is a less powerful institution (Meehan, 1999)).

Despite these differences, the process of devolution represents a major change in the UK political scene, and it has brought with it significant innovations. The most important one is the emphasis placed on the new values that the devolved institutions carry and represent, and their political consequences. Power sharing, inclusiveness, participation and accountability have been declared the fundamental elements upon which the devolved institutions have built up their credibility. Their application has led to changes to the electoral system, through the introduction of PR. The responsibility of subject committees is different from Westminster, strengthening their engagement with the executives and the parliaments/assemblies in terms of advisory and scrutiny role.

Since 1997, support for devolution has increased in Wales and has remained fairly stable in Scotland (ESRC, 2003). The devolved assemblies have begun to make a significant difference in policy terms, introducing policies that are different from those of the Westminster Parliament and which can generate unplanned – and positive – influences for the UK.
3. International Comparisons

3.1 Introduction
This study examines the practices of New Zealand and Norway as benchmark cases for the devolved national assemblies in the UK.

There are several reasons why such international comparisons are useful:

- the inclusion of international comparisons helps locate the UK experiences within the broader international experience of the move towards greater devolution and multi-governmental layers;
- international comparisons aid understanding by underlining the similarities and differences between the UK and other nations and democracies;
- both New Zealand and Norway are small countries. In 2002, their populations were 3.9 and 4.5 million, respectively. The small country characteristic facilitates comparisons with Northern Ireland (1.7 million), Scotland (5.1 million) and Wales (2.9 million). England and the UK had, in comparison, 49.6 and 59.2 million inhabitants, respectively;
- an important reason for including Norway in the comparison is that Norway has a long experience with multi-party proportional representation and multi-party coalition (and also minority) governments. This is now part of the devolution experience (unlike New Zealand until 1996 and the UK, with its Westminster model); and
- New Zealand is also an important comparator because of its deserved reputation as a world leader in modernising public management.

Before addressing the specific management accounting issues that this project is interested in in the later chapters, some political and institutional aspects of New Zealand and Norway, compared with the three UK nations (cf. the framework in Figure 1.1), are described.

3.2 Political Institutions
In this section, some formal features of the two most important political institutions in our study – the parliament and the executive/government – are described.

Table 3.1 documents some characteristics of the parliamentary institutions in the five countries. The parliaments of Norway, New Zealand and Northern Ireland are relatively old, being established in 1814, 1854 and 1921, respectively. These institutions, or at least the two parliaments of Norway and New Zealand, have had ample time to establish and develop proper rules and processes of democratic accountability.

The Northern Ireland Assembly, on the other hand, has had its operations interrupted on several occasions since 1972, and at the time of writing (June 2004), the assembly was suspended. All of the five study settings have now adopted some variant of PR. In New Zealand’s case, this was the MMP system (Mixed-Member Proportional System) that came into use in the 1996 general election.

The Welsh Assembly is the smallest body regarding size, representatives and powers, with only 60 representatives. The Norwegian Parliament was the biggest, with 165 representatives. The New Zealand Parliament had only 120 representatives, less than Scotland and Norway.

The New Zealand Parliament is a national parliament with related powers. Measured in terms of parliamentary representatives however, it is relatively small, possibly indicating that the representatives in New Zealand have relatively large ‘control spans’ and hence relatively limited capacity in holding the government to account.

With the exception of the Northern Ireland Assembly, all the parliaments had a relatively high proportion of women representatives. In Wales, 50% of the representatives were women.

Generally, the standing committees perform important functions in contemporary legislatures (Matthews and Valen, 1999). The standing committees (and the party groups) make the division of labour possible for a large group of politicians to handle a large number of complex issues simultaneously, particularly under conditions of intense interest group and media attention. An interesting characteristic of the study, in addition to the relatively small size of the New Zealand Parliament, was the portfolios and size of the standing committees. The Welsh Assembly had no finance committee. The finance committee in the New Zealand Parliament, the Finance and Expenditure Committee (FEC), only had 12 members, nearly the same as the number of members (11) in the equivalent committees in the three devolved national assemblies and parliaments. Note, in particular, that the New Zealand Parliament had no equivalent to the powerful Public Accounts Committee (PAC) at Westminster. And the number of committee members on the Finance Committee in the Norwegian Parliament was higher than in any of the other four countries.
<table>
<thead>
<tr>
<th>Year of establishment</th>
<th>Northern Ireland</th>
<th>Scotland</th>
<th>Wales</th>
<th>New Zealand</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR</td>
<td>1921/1999</td>
<td>1999</td>
<td>1999</td>
<td>1854</td>
<td>1814</td>
</tr>
<tr>
<td>AMS (73 FPTP &amp; 56 PR)</td>
<td>(73 FPTP (40 FPTP &amp; 20 PR)</td>
<td>AMS (40 FPTP &amp; 20 PR)</td>
<td>MMP</td>
<td>PR</td>
<td></td>
</tr>
<tr>
<td>Tax raising power</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of representatives</td>
<td>108</td>
<td>129</td>
<td>60</td>
<td>120</td>
<td>165</td>
</tr>
<tr>
<td>Women representation</td>
<td>14%</td>
<td>37%</td>
<td>50%</td>
<td>30%</td>
<td>36%</td>
</tr>
<tr>
<td>Committee meetings</td>
<td>Public6</td>
<td>Public6</td>
<td>Public6</td>
<td>Closed</td>
<td>Closed</td>
</tr>
<tr>
<td>Number of standing committees</td>
<td>16</td>
<td>17</td>
<td>11</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Number of representatives in Public Accounts Committee or equivalent</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>–</td>
<td>10</td>
</tr>
<tr>
<td>Number of representatives in Finance Committee or equivalent</td>
<td>11</td>
<td>11</td>
<td>–</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Number of representatives in Education Committee or equivalent</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>Number of representatives in Health Committee or equivalent</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>11</td>
<td>14</td>
</tr>
</tbody>
</table>

Notes:
1 AMS=Additional Member System, MMP=Mixed-Member Proportional System, PR=Proportional Representation, FPTP=First Past the Post System.
2 For the devolved parliaments and national assemblies, it was the 1999–2003 election period. For Northern Ireland, the numbers were based on MLAs until 28 April 2003. For New Zealand, it was the 2000–2002 election period. For the Norwegian Storting, it was the 2001–2005 election period.
3 Termed Audit Committee in Scotland and termed The Standing Committee on Scrutiny and Constitutional Affairs in Norway.
4 The Welsh Assembly had no Finance Committee.
5 See Lynch (2001) Table 5.1 regarding the Scottish Parliament.
6 The committees also have private meetings.
Furthermore, while openness, transparency and equality are values that are held in high esteem in Norway, the committee meetings are closed to the media and the public (although the plenary sessions are open to the public). These facets may reflect the crucial importance of the committees in the Norwegian, consensual way of practising politics. However, closed select committee meetings were not unique to Norway. In New Zealand, this was also the case, as it was in Northern Ireland, Scotland and Wales.

Table 3.2 documents some central features of the executives and cabinets in the five countries. Most distinctly, two of the executives in the three UK countries, and both New Zealand and Norway, had coalition cabinets. The presence of coalition cabinets was distinct from the traditional Westminster practice. However, coalition – and especially minority – governments may not enact policies as easily as majority and one-party governments can do.

Table 3.2 The Executives and Cabinets (December 2003)

<table>
<thead>
<tr>
<th>Northern Ireland¹</th>
<th>Scotland</th>
<th>Wales</th>
<th>New Zealand</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime/first minister</td>
<td>David Trimble (Ulster Unionist)</td>
<td>Jack McConnell (Labour)</td>
<td>Rhodri Morgan (Labour)</td>
<td>Helen Clark (Labour)</td>
</tr>
<tr>
<td>Government type</td>
<td>Majority coalition cabinet</td>
<td>Centre-left majority coalition cabinet</td>
<td>Majority cabinet²</td>
<td>Centre-left minority coalition cabinet</td>
</tr>
<tr>
<td>Number of departments in the cabinet (including first/prime and deputy)</td>
<td>11</td>
<td>10 (+9 Deputy Ministers, Lord Advocate and Solicitor general)</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Number of departments (excluding first/prime/ deputy ministers’ offices)</td>
<td>10</td>
<td>9</td>
<td>6</td>
<td>52</td>
</tr>
</tbody>
</table>

Notes:

1 According to the Northern Ireland Assembly website, the Assembly was suspended from midnight on 14 October 2002 and was dissolved on 28 April 2003. Elections to the Northern Ireland Assembly were held on 26 November 2003. The secretary of state assumed responsibility for the direction of the Northern Ireland departments. A new executive was not established at the time of writing (June 2004).

2 Wales had a Labour Party executive in December 2003. However, for most of the period for our empirical study (2001–2003), Wales had a centre-left majority coalition cabinet of Labour and the Liberal Democrats, led by Rhodri Morgan (Labour) as first minister.
On the other hand, coalition governments may have advantages when it comes to learning (Olsen and Peters, 1996). It could be argued that in political systems with coalition governments, management accounting models that include such features as RAB, performance measurement and performance audits may be used more for ‘learning’ than for ‘blaming’ compared to practice in systems with majority governments (Westminster).

There are some notable differences between the five countries. The national governments in New Zealand and Norway had about twice the number of members compared to the executives. Note also the large number of departments (52) in the New Zealand government, about twice the number of those in Norway (23).

### 3.3 National Audit Institutions

The last institution we shall compare in this chapter is the national audit institution. Table 3.3 presents information regarding the names, year of establishment, legal basis, and numbers of staff of the national audit institutions. As a consequence of the option of the contracting out of certain services, the audit institutions in the UK and New Zealand consist – in principle – of the auditor general and an audit institution. In Norway, all central governmental audits are carried out by the Office of the Auditor General. Some of the audit institutions are relatively old. The national audit institution in Norway was established in 1816. The NAO, in the UK, was established in 1983, but it took over the responsibilities of the former Exchequer and Audit Department, which was established in 1866. The audit institution in New Zealand was established in 1865, modelled on UK legislation.

The audit institutions vary in size from 50 staff in Wales to 450 in Norway. Note, however, that the size of the Norwegian audit institution was large, compared to the NAO, which had 800 staff in total (including in Wales).

<table>
<thead>
<tr>
<th>Name of institution</th>
<th>Year of establishment</th>
<th>Legal basis</th>
<th>Number of staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Ireland Audit Office</td>
<td>1987</td>
<td>Audit (Northern Ireland) Order 1987</td>
<td>145</td>
</tr>
<tr>
<td>Auditor General/ Audit Scotland</td>
<td>2000</td>
<td>Public Finance and Accountability (Scotland) Act 2000, asp 1, s. 10</td>
<td>250</td>
</tr>
<tr>
<td>Auditor General for Wales/ National Audit Office (NAO)</td>
<td>Current set up dates from 1998</td>
<td>Government of Wales Act 1998, c38, s. 90</td>
<td>NAO employs 800; 50 work in Wales</td>
</tr>
<tr>
<td>The Office of the Auditor General</td>
<td>1865, but current set up dates from 1992</td>
<td>Public Audit Act 2001</td>
<td>44 in the Audit Office (in 1995) and 244 in Audit New Zealand (in 1995)</td>
</tr>
<tr>
<td>Office of the Auditor General</td>
<td>1816</td>
<td>Norwegian Constitution Article 75k, Act on the Auditing of Governmental Accounts 1918, and various parliamentary instructions and decisions</td>
<td>450</td>
</tr>
</tbody>
</table>

Notes:
1 Source: Boston et al. (1996, ch. 15)
3.4 New Public Management (NPM)
In general, New Zealand and the UK have been in the forefront in implementing NPM. While NPM, in both the UK and New Zealand, has been in broad conformance with the ideas, principles and practices of 'managerialism', the New Zealand model is distinguished by its conceptual rigour and intellectual coherence (Boston et al., 1996).

In the UK, there has been widespread public management reform via privatisation, marketisation and output orientation. The UK government has developed performance measurement and performance auditing more than in New Zealand and Norway (Pollitt et al., 1999). At least until recently, however, the degree of decentralisation in the UK has been very low, evidenced by the fact that the government has relatively strong control over local government.

Like the UK, New Zealand has also adopted market-type-models and contractualism enthusiastically. New Zealand has extended the use of strategic planning in public management beyond that in the UK and Norway (Boston and Pallot, 1997). Both the UK and New Zealand have been renowned for their intensity in the implementation of public management reforms (Pollitt and Bouckaert, 2000). For instance, in 1992, New Zealand became the first country to produce financial statements on an accrual basis for its national government. In comparison, the UK implemented RAB in 2001 (Likierman, 2001) and accrual accounting in government is currently under consideration in Norway. However, even though the New Zealand model is distinct, there is a high degree of pragmatism with regard to its implementation (Boston et al., 1996).

The high implementation intensity in the UK and New Zealand contrasts to Norway, which has developed along the highly consensual, decentralised, Nordic political model. Norway is often labelled as a ‘slow learner’, or as a reluctant or hesitant reformer, at least at governmental level (Olsen and Peters, 1996). Compared to the UK and New Zealand, policy in Norway is implemented incrementally following consensual policy-making, even though (coalition) governments change (Matthews and Valen, 1999).

3.5 Public Management Culture
Public management culture in the five countries in our study can be compared using public management culture theory to describe potential important traits of those countries. Opinions on what the ‘best’ public management is will, according to Hood’s (1998) public management culture theory, depend on cultural platforms and on history.

The public management cultural theory framework distinguishes four styles of public management:

- hierarchist;
- egalitarian;
- individualist; and
- fatalist.

A hierarchist approach features socially coherent organisations and operates according to well-understood rules of procedure. In the UK, there are the traditional hierarchies of aristocracy, middle class and working class. Westminster, with its division in the House of Lords and the House of Commons, frontbenchers, backbenchers and party whips, is another possible example of a hierarchist public management style. A hierarchist style is also the traditional, public sector bureaucracy.

An egalitarian approach has organisations that are socially distinct from the world outside, but where the rules of the game are debated constantly. Examples of an egalitarian management style could be rules regulating voting and representation, rules for the political representatives’, and the public’s, access to governmental information, and lobbying from environmental, feminist or fundamentalist interest groups, as recently depicted in sociology by the individualist and informal, reinvented notion of politics (Beck, 1997). The Scandinavian tradition of democratic corporatism could also be included as part of the egalitarian management style. The consultation element, including corporatism and lobbying activities, is well established in Scandinavian public management and is now also a significant aspect of the programme of devolution.

An individualist approach involves antipathy to collectivism and a preference for handling transactions by trading or negotiations rather than by pre-set rules. Typical approaches along the ‘bottom-up’, individualist management style could be found in the extended use of the market in NPM. New Zealand and UK public management have probably utilised these kinds of models – including performance (VFM) auditing, performance measurement, league tables, targets, annual reporting, privatisation and contracting out – relatively extensively since the 1970s.
A fatalist approach features conditions with little co-operation, widespread distrust and much apathy. Typical fatalist management would be to acknowledge that crises and scandals happen, and work to prevent or minimise the impact of such events. This style is rarely found as a pre-mediated management style in practice, but it should be very familiar to politicians. Note, however, that the opposition and government MPs at Westminster are seated facing each other in the Commons, while the MLAs in Wales and MSPs in Scotland are seated in a ‘horse shoe’ form, and MLAs in Northern Ireland debate in a layout utilising three sides of a rectangle. Thus, the Westminster assembly room may facilitate debate and confrontation, while the devolved assembly rooms may facilitate debate and consensus, at least more than at Westminster.

Many of the roles that accounting, media and whistleblowers have in politics, may be attributed to a fatalist style of management. Furthermore, in such a culture, the government might expect the political opposition to use accounting as an ammunition machine (Burchell et al., 1980) for scrutinising the government. At the same time, expert knowledge of the design of the accounting system and the assumptions underlying the disclosed information, could be cunningly utilised, for example by ‘insiders’, or by the government.

Based on the available literature and preliminary evidence, Westminster predominantly has a strong hierarchist (and individualist) culture but the three UK countries in our study have less so.

Furthermore, observations of meetings in the Northern Ireland and Welsh national assemblies indicate that these have a more informal, egalitarian political culture than Scotland. This is supported in the interviews where it is evident that Scotland’s point of reference still is (hierarchist) Westminster. (For a description of the research methods that we use, see Chapter 4).

New Zealand and Westminster have the most individualist culture, while the other four countries have a medium level of individualist culture.

Norway has a predominantly egalitarian public management culture, more so than any of the other four countries. Schlesinger, Millar and Dinan (2001) have revealed a fierce media competition in Scotland where the media, especially tabloid newspapers, actively utilise political scandals. Norway has traditionally had a relatively high level of trust in people and in political institutions, including the government and the parliament, Stortinget (Matthews and Valen, 1999). These patterns may indicate that Scotland (together with Westminster) has a more fatalist political culture than the other four countries in this study.

3.6 Conclusion
In this chapter, some traits in our five countries have been documented and compared. According to the framework in Figure 1.1, traits like these may influence the use of accounting and how accounting affects democratic accountability. Both the similarities and the distinctions should be kept in mind in analysis and comparisons across countries and over time in the subsequent chapters. Before turning to an analysis of the empirical evidence that was gathered, the research methods will be discussed.
4. Research Methods

4.1 Research Design
The research design is a multi-case, embedded case study (Yin, 1994). A multi-case study means that each devolved country was studied with its institutions as single cases. Thus, each case may serve as a replication/assembly study, an ‘experiment’, within the total study. An embedded case study means that within each case, several units and subunits of analysis were used. Individuals as politicians, civil servants and audit officers were studied, as were groups as meetings, committees and parties. Organisations as parliamentary, governmental and audit institutions were also studied.

The overall research strategy was to ensure a planned variation design between the five cases (Eisenhardt, 1989). A similar approach was employed in Northern Ireland, Scotland, Wales, New Zealand and Norway in order to develop a shared project ‘database’ and to ensure sensible and meaningful comparability. There are multiple sources of data and methods (Denzin, 1970).

4.2 Data Collection
The embedded research approach used both qualitative and quantitative data, focussing on key actors in five study settings: the devolved parliaments/assemblies of Scotland, Northern Ireland and Wales and the Parliaments of Norway and New Zealand. Key actors within three groups in this study were distinguished.

The first group of key actors were members of the Scottish Parliament (MSPs), and members of the legislative assemblies (MLAs) in Northern Ireland and Wales. Such key actors were seen as elected members of these bodies in oversight committees, particularly those parliamentary select committees with overall responsibility for major parts of public expenditure programmes such as health care, education and local government. These actors can be further labelled as spokespersons, ‘frontbenchers’ or committee conveners versus laymen politicians. The second group of key actors were ministers and eventually other members of the executives. The third group consisted of other key actors, such as audit officers, advisers, civil servants and other experts.

The data collected involved informal semi-structured interviews, backed by documentation and policies. The rationale for this is based on the interactionist’s premise that, when the aim of the research is to understand a complex process where those involved have different perspectives on the matter in question, it makes sense to adopt a research strategy which allows these perspectives to be understood in the same terms in which the participants understand them (Blumer, 1969).

Early on in the project three important research strategies were decided upon:
- to sharpen the focus of the project by focussing on specific policy areas;
- to standardise the data collection by developing an interview guide that should be used for all the interviews; and
- to conduct semi-structured interviews, and to have a series of research group workshops for the analysis of preliminary findings.

In order to develop in-depth insights, it was decided to focus the project on issues and committees concerning two of the main policy areas: education and health. These policy areas represent major expenses in public budgets and are areas of significant interest and importance to citizens and clients, as well as to the political establishment. However, it should be noted that, in some countries, the politicians served in two or more committees simultaneously. Thus, politicians and other interviewees with lengthy experience may have had backgrounds spanning wider policy areas than education and health.

The interview guide was developed by discussing the inclusion and operationalisation of relevant issues and concepts drawn out of a literature review, relevant legislation and an understanding of the key issues pertinent to the research questions. Important considerations in the design of the interview guide were to keep the interview to a reasonable length and focussed. The interview guide was tested in two pilot interviews, in Edinburgh, in January 2002. The main interviews were conducted in the period January 2002 to May 2004. All of the interviews were tape recorded and transcribed. The interview questions encompassed questions on personal background, the interviewees’ conception of accounting and accountability issues, on the general availability and use of information, on RAB, performance information and budgeting.

Due to the sensitive issues that were studied, and due to the fact that most politicians and civil servants are very busy, it was anticipated that using ordinary surveys by mail or telephone would result in a low response rate and/or superficial data. Therefore, face-to-face interviews were conducted with a smaller number of interviewees, and with the possibility of more than one member of the research team participating in the interviews each time. In order to achieve conceptual representation in the data relative to the population of elected politicians, there was an attempt to achieve variation with regard to age, gender, party affiliation and committee experience. This procedure produced a total of 70 interviews. In addition, all the interviewees consented to be re-approached, in order to follow up emerging themes or unsettled issues. The interviews varied in duration from 30 to around 75 minutes each. Table 4.1 shows the numbers of interviews by country and organisation. One of the members of the research team had recently participated in extensive studies of the New Zealand case. Therefore, this information background was added, with two more interviews, in order to cover the focus area of this project.
The interview data was supplemented with non-participant observation, documented by field notes of the focal group in action, in committees, where feasible; with the study of transcripts of committee meetings; and with analysis of published documents on policy-making and policy implementation. In addition to interviews and observation, the most relevant planning documents were analysed (budgets, accounts, annual reports and performance audits) from the 2001–2002 and 2002–2003 budget cycles for each country. The issue of accountability in the UK devolved assemblies and parliaments was also analysed.

### 4.3 Way of Working

The project has developed through many stages. So far, the major milestones have been project workshops and the presentation of papers at academic conferences and seminars. The project participants met on 7 June 2001 for the initial workshop in Edinburgh, for a discussion of research questions, research instruments and the overall research strategy. The first paper on the project was presented at the Sixth International Research Symposium on Public Management (IRSPM VI) held at The University of Edinburgh from 8–10 April 2002. The paper developed the conceptual framework and research propositions, and also included issues emerging from the pilot interviews that had been conducted in Edinburgh in January 2002.

On 4 September 2002, a second workshop was held for the project team in Dublin. A second paper was presented at the Irish Accounting and Finance Association’s annual conference in Dublin held from 15–16 May 2003. This paper presented early evidence from the Northern Ireland Assembly. On 12–13 June 2003, a third paper was given as a plenary presentation at the bi-annual Conference on International Governmental Accounting Research (CIGAR), in Bodø, Norway. That paper discussed the implementation of RAB and presented preliminary evidence from Scotland. On 7 May 2003, a presentation of preliminary findings from the Norwegian case was given at Agder University College, Kristiansand, Norway.

On 17 June 2003, the third workshop for the research project team was held for the analysis of preliminary data and planning of papers and the research monograph. This was followed by a fourth workshop on 25 September 2003 for the research team, with further analysis of data and drafting of papers. A fourth paper from the project was presented at the annual CIMA Workshop in Edinburgh, held from 25–26 September 2003, with the theme ‘devolution and democratic accountability’. The latest workshop was held in Edinburgh 14 May 2004. A fifth paper was presented at the European Accounting Association Congress in Prague, held in April 2004, and a paper was presented at the European Institute for Advanced Studies in Management (EIASM) Public Management Conference in Oslo, October 2004, with more papers to follow at future conferences. All these workshops and conference presentations provided opportunities for dissemination as well as stimulating feedback to the research team. This report brings together the key findings from the project.

### Table 4.1 Interviews by Country and Organisation (May 2004).

<table>
<thead>
<tr>
<th>Country</th>
<th>Parliament</th>
<th>Executive</th>
<th>Audit institution</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Ireland</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Scotland</td>
<td>14</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Wales</td>
<td>10</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Norway</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>14</td>
<td>10</td>
<td>8</td>
<td>70</td>
</tr>
</tbody>
</table>

The interview data was supplemented with non-participant observation, documented by field notes of the focal group in action, in committees, where feasible; with the study of transcripts of committee meetings; and with analysis of published documents on policy-making and policy implementation. In addition to interviews and observation, the most relevant planning documents were analysed (budgets, accounts, annual reports and performance audits) from the 2001–2002 and 2002–2003 budget cycles for each country. The issue of accountability in the UK devolved assemblies and parliaments was also analysed.

### 4.3 Way of Working

The project has developed through many stages. So far, the major milestones have been project workshops and the presentation of papers at academic conferences and seminars. The project participants met on 7 June 2001 for the initial workshop in Edinburgh, for a discussion of research questions, research instruments and the overall research strategy. The first paper on the project was presented at the Sixth International Research Symposium on Public Management (IRSPM VI) held at The University of Edinburgh from 8–10 April 2002. The paper developed the conceptual framework and research propositions, and also included issues emerging from the pilot interviews that had been conducted in Edinburgh in January 2002.

On 4 September 2002, a second workshop was held for the project team in Dublin. A second paper was presented at the Irish Accounting and Finance Association’s annual conference in Dublin held from 15–16 May 2003. This paper presented early evidence from the Northern Ireland Assembly. On 12–13 June 2003, a third paper was given as a plenary presentation at the bi-annual Conference on International Governmental Accounting Research (CIGAR), in Bodø, Norway. That paper discussed the implementation of RAB and presented preliminary evidence from Scotland. On 7 May 2003, a presentation of preliminary findings from the Norwegian case was given at Agder University College, Kristiansand, Norway.
5. Accountability in the UK Devolved Parliaments and Assemblies

5.1 Introduction: ‘The Accountability Gap’
Accountability is one of the key principles adopted by the devolved institutions, and one that underlines their operation. In its broader concept, accountability means that someone is responsible to give an account of his/her actions to someone else. In the UK, the debate over the issue of accountability of parliaments, governments and civil servants started three decades ago (Day and Klein, 1987). The increased scale of governmental activity and its complexity have led to an increase in demands for demonstrating accountability (Stewart, 1984; Day and Klein, 1987; Glynn, 1993; Power and Brazier, 2001) and an argument that the straight-line relationship of accountability, which links civil servants to ministers and ministers to parliament, has been fractured. The complex relationships between parliamentary institutions and governments have modified and expanded the concept of ‘what to account for’ and how (Heald, 1983). Parliaments and governments are subject to a general form of ‘public accountability’ that incorporates three different areas of accountability, as shown in Table 5.1.

The link between political and ministerial accountability is an important element of the debate. In particular, the issue arises as to who is to be held to account, and for what are they to be held to account. Ministers are accountable to parliament for the activity of their department. At the same time, they are accountable for the actions of the civil servants that work in their departments. The discharge of accountability to parliament is an expression of political accountability, while the accountability for civil servants’ actions reflects managerial accountability. The questioning of the effective capacity of ministers to be held accountable for the work of the civil service, and the need to show to the electorate a clear link between policies and what has been achieved, has increased the demand for greater openness of the political institutions. Different mechanisms for assuring a more reliable discharge of accountability needed to be implemented. Thus, a number of initiatives – the NPM initiatives – were implemented from the 1980s on. These called for enhancing accountability through improving efficiency and implementing systems for measuring and monitoring performance.

Table 5.1 Public Sector Accountability

<table>
<thead>
<tr>
<th>Political accountability</th>
<th>Managerial accountability</th>
<th>Legal accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>● constitutional accountability: the characteristic of parliamentary systems</td>
<td>● commercial accountability: publicly owned organisations financed by user charge and not by budgetary appropriations</td>
<td>● judicial accountability: a review of executive actions at the instigation of an aggrieved individual</td>
</tr>
<tr>
<td>● decentralised accountability: devolution of control</td>
<td>● resource accountability: adopting managerial practices that will promote the efficiency and effectiveness of non-commercial entities by the establishment of an appropriate budgetary control framework</td>
<td>● quasi-judicial accountability: the control of administrative discretion, eg, by review tribunals</td>
</tr>
<tr>
<td>● consultative accountability: involvement of interested parties and pressure groups</td>
<td>● professional accountability: self-regulation by professional groups employed in the public sector</td>
<td>● procedural accountability: a review of decisions by an external agency, usually by an ombudsman</td>
</tr>
</tbody>
</table>

(Source: Glynn, 1993, pp. 18-19.)
The Hansard Society’s Commission on Parliamentary Scrutiny in 2001 looked at how members of Parliament (Westminster) exercise accountability. The result of the enquiry brought to light an inadequate and disconnected system. Governmental scrutiny appears to lack rigour and systematisation, and little evidence has been found on the ability of parliamentary enquiries to identify responsibility for failures of the executive, and to make sure that the executive puts into place adequate measures and follows recommendations. The report issued by the Commission, The Challenge for Parliament: Making Government Accountable, identified the following issues:

- parliament has to remain the leading institution for guaranteeing accountability;
- parliament should use available resources (both external and internal) better, for example, promoting the role of the select committees;
- MPs need a better understanding of their role as scrutinisers of the executive;
- committees should be more prominent within parliament;
- financial scrutiny should be fundamental in ensuring accountability; and
- parliament should improve its communication process with the public.

The devolved assemblies/parliament have taken on-board the need to improve the accountability process in the light of the recommendations of the commission, and following the debate on the gap in the process of discharging political and ministerial accountability. In this way, devolution has become an instrument that fosters ‘new politics’ (Hazell, 2003), in accordance with the principles of inclusiveness, mutual understanding and participation.

5.2 Accountability Arrangements in the UK Devolved Institutions

The devolved institutions have included accountability among their key founding principles (The National Assembly for Wales, 2001; The Northern Ireland Assembly, 2002; The Scottish Office, 1998). In Scotland, the Consultative Steering Group specified that ‘the Scottish Executive should be accountable to the Scottish Parliament and the Parliament should be accountable to the People of Scotland’. In Wales and Northern Ireland, there is no equivalent formal statement but usually the process of devolution is associated with the need for straightening the line of accountability within political institutions. The devolved institutions have similar arrangements for guaranteeing and enacting accountability. The overall scheme is summarised in Figure 5.1.

Figure 5.1 The accountability process in UK devolved institutions

Holding the executive to account

The full parliament/assembly

The committees

Individual members

Interest groups: lobbyists, media.
5.2.1 The Full Parliament/assemblies
These exercise their role of scrutiny of the executive through the debating, in plenary sessions, of the legislative programme and of its subsequent revisions.

5.2.2 The Committees
Their role has been considered pivotal in discharging political and ministerial accountability. Committees have been given powers to scrutinise the work of the executive through the following different mechanisms:

- conduct enquiries and take written and oral evidence from ministers, civil servants and others;
- play an important role in policy development and pre-legislative process, as they need to be consulted during the process of policy making, and they can express reservations or complaints to the executive at an early enough stage to make an impact; and
- be involved in the process of introducing bills, expressing their opinion in written reports on whether a bill should be approved or not, making recommendations on spending priorities during the budgetary process and commissioning value-for-money studies.

In Scotland, with regard to financial scrutiny and participation in the budgetary process, the Finance Committee is responsible for addressing overall budget priorities. It is required to gather and consider the views of the subject committees and individual MSPs, and to scrutinise the expenditure proposals of the executive. The results of the Finance Committee’s analysis inform the debate of the plenary on budgetary issues. The executive should then take the outcome of the plenary debate into consideration in their financial plans.

Northern Ireland is similar to the Scottish system. The Northern Ireland Finance and Personnel Committee has responsibility for advising and assisting the Minister of Finance and Personnel in policy formulation and policy development, and has a consultation role in respect to matters within the minister’s responsibilities. In addition, this committee has the central role of prompting the scrutiny of the budget proposals, considering and advising on departmental budgets and annual plans, and co-ordinating the assembly committees’ responses to the executive’s position report to the Assembly (Northern Ireland Executive, 2002).

Wales is different from Northern Ireland and Scotland in that it does not have a finance committee. The budget proposals are scrutinised by the subject committees, which are invited to provide their views on their spending priorities during the budget planning round, and to examine and comment on the draft budget.

5.2.3 Individual Members
Individual members can hold the executive to account through oral and written parliamentary questions, and can ask for information in order to proceed with their enquiry. The Standing Orders regulate the procedure for the submission of the MPs’ questions.

5.2.4 Interest Groups
The new parliament/assemblies can be easily approached by lobby groups and are subjected to a tighter process of scrutiny by local media, which can exercise stronger pressure on members of the executives, of the parliament/assemblies and also on civil servants.

5.3 What Accountability Means for the Participants to the Study
Participants to the research where invited to describe what meaning and significance accountability has in their roles within the devolved institutions. The majority of them had a broad view of accountability that was mostly public/political. They saw themselves as having to give an account of their work to the electorate, in the case of politicians. The process of accountability is described according to the straight-line relationship between the electorate, parliament, government and civil servants. There was also recognition of the complexity of the concept, and many of them identified a clear division between political, ministerial and managerial accountability. The first was associated with the process of representative democracy, providing an account to the electorate. The second was related to the responsibilities of ministers in having to give an account of their decisions and actions to parliament. Managerial accountability was associated with the need to identify responsibilities clearly, the implementation of a system of control for ensuring that actions correspond to plans, and the power to scrutinise how public money has been used.

Among the participants there is a general consensus of the benefit of devolution, as a mechanism that has intensified accountability and made it stronger. This improvement has been explained by the increased level of scrutiny of ministerial activity. Scrutiny has been enhanced as a result of providing the members of parliament, as well as the electorate, with the means for understanding better what the government does and why. Enhancing and broadening the subject committees’ responsibilities has played a major role in improving the accountability process, as they have been active in scrutinising the executive’s members and civil servants at work, more often in an open and collaborative climate. Civil servants felt that they were more engaged with the members of parliament/assemblies, and that the process of communication was improving.
Criticisms have been raised on the issue of accountability being undermined by problems in the provision of information, mostly to elected members. The communication process has been considered by some elected members as inadequately structured, with too much documentation that in some instances does not ‘tie up together’.

The sheer volume of the information provided has been considered problematic, and there has been general consensus among the interviewees on the need to improve the quality of the information, to make it sharper and more focussed. Elected members are overwhelmed by the amount of information that reaches them, and managing the sheer volume of information is seen as problematic; something that possibly weakens the accountability process.

Furthermore, some criticisms have been raised on the ability of the system to hold ministers effectively to account. More specifically, concern has been expressed on the extent to which committees have the power to influence ministerial decisions.

In Northern Ireland, some members expressed scepticism in relation to the way in which the executive is appointed, and highlighted that, as members of the Assembly do not appoint ministers, therefore the accountability link and obligation are undermined by the system itself.

In Wales, problems have been identified with the arrangement whereby ministers themselves are part of the committees and this arrangement might undermine the capacity of the committee to exercise fully their scrutiny role.

In Scotland, critical views have been expressed, pointing out that the media has the capacity to play a fundamental role in the process of discharging accountability.

5.4 Conclusion

There is a definite link between accountability and devolution. Devolution has provided the framework under which managerial and political accountability can be strengthened. The process of devolution has been positively associated with the initiation of a search for alternative political measures and procedures for shaping and regulating political institutions and their relationship with society. The level of scrutiny of ministers and civil servants has increased accountability. Subject committees can and should exercise a more active role in scrutinising the executive but also in participating in the legislative process.

On a formal level, committees can exercise some influence on the decisions made by the executive at an early stage of the process, as they have a specific role and a statutory responsibility for advising and for consulting with ministers, during the phase of policy development. Similarly, they hold important advisory and scrutiny functions in the budgetary process.

On an informal level, attention has been given to developing a process of dialogue between the political actors (including civil servants) and the citizens, and this has had a positive impact on the content of information shared among parliament, executive, civil servants and the public.

The practical operational arrangements, as well as the resources made available to committees and individual MPs, have had a positive impact on the accountability process in the following ways:

- better flow of information and less controlled availability of it for committees and backbenchers; and
- civil servants have more opportunities to be in direct contact with the members of the parliament/assembly, as they can be invited to give evidence and to answer questions by the committees.

However, many politicians, executive members and civil servants expressed the opinion that the experimentation with new mechanisms and operational procedures is still a ‘work in progress’. A lot remains to be done to improve the quality of information and its volume. Less information – but more focussed and easily accessible information – is required, especially by committees and individual members. Similarly, the capacity and strength of the committees in holding to account the members of the executive and, to a certain extent, the civil servants, is still under trial. Scepticism has been voiced by members with regard to the presence of loopholes in the system that do not allow committees to fully exercise their powers, as well as the inability of members themselves to appreciate the potential of their role and to take advantage of the new arrangements. Even though there is still more work to be done, it is possible to say that devolution has increased accountability overall.
6. Management Accounting Information in the UK Devolved Institutions

This chapter is concerned with accounting practices, particularly as they affect budgeting matters, in the devolved parliaments. At each devolved institution, the budget cycle, targets and budget-setting, and the interpretation of accounting information is examined.

6.1 Northern Ireland

6.1.1 The Budget Cycle

The first budget, presented to the Assembly on 15 December 1999, was a roll-forward of the product inherited from direct rule, as the then finance and personnel minister took office very late in the budgetary planning cycle. Since then, a process has blossomed with the executive developing its own budget and programme for government and introducing, for example, public service agreements (PSAs) and service delivery agreements (SDAs).

The process typically begins with Recall Seminars to seek views from a wide range of stakeholders in May and June. The executive’s Position Report, published in June, highlights some of the key issues affecting public services in the coming year. This is circulated widely and the resultant consultation process allows the Assembly and the wider community to consider and provide views on some of the key strategic issues relevant to the review of the Programme for Government and the preparation of the draft budget (DFP, 2001). Indeed, a key change made to the process in 2001 was the development of a more comprehensive pre-consultation phase on the review of the Programme for Government and the preparation of the budget (DFP, 2001; Northern Ireland Executive, 2001).

The plans of the executive are laid out in the Programme for Government. The Programme for Government is a high level statement of the executive’s key priorities and programmes. It is meant to inform decisions on the budget and is viewed as a central focus of the executive’s work (DFP, 2001; Northern Ireland Executive, 2001). Thus, the Programme for Government and the budget are clearly linked.

The Programme for Government covers plans for three years, but concentrates on the details of the upcoming financial year. It is subject to approval by the Assembly after scrutiny in departmental committees, and is reviewed and rolled forward each year.

Following presentation of the draft Programme for Government and the draft budget to the Assembly in September, there is an eight-week joint consultation period. There is a dedicated website and consultation events are held involving councils, equality scheme consultees, and representatives from business, farming, trades unions, the voluntary sector, the community sector and senior citizens. In December, the budget is presented to the Assembly, where it is scrutinised by the departmental committees before being voted on. Finally, in the following spring, the Assembly vote on the Appropriation Bill, presented by the minister of finance and personnel, resulting in final authority for the public expenditure.

Resource accounting and budgeting (RAB) was being implemented in Northern Ireland, on a similar timetable to the rest of the UK, at the time the Assembly was being established, with each department being required to produce resource accounts and resource budgets. However, resource accounting had only one year running in parallel with cash-based appropriation accounts in Northern Ireland, compared with the rest of the UK, which had three years of parallel running. The first live year for resource accounting in Northern Ireland was 2001-2002. Resource budgeting was introduced throughout the UK in the transitional years of 2001-02 and 2002-03, with 2003-04 being the first live year.

The executive pledged from the outset to lead the most effective and accountable form of government in Northern Ireland (Northern Ireland Executive, 2000) and has laid claim to a desire to be open and responsive. In addition, it articulated a belief that wide consultation was necessary and that many parts of society, including the community and voluntary sectors, have key roles in shaping policy.

A particular nuance, peculiar to Northern Ireland in its devolution arrangements within the UK, relates to the role of opposition. In parliamentary democracies, oppositions have two roles: criticising government programmes; and developing alternative programmes for governments. However, the Northern Ireland devolution settlement incorporates all major parties in government, through a power-sharing arrangement. This principle shapes the way in which the executive is formed, and determines the voting procedures for taking ‘key decisions’.
6.1.2 Targets and the Northern Ireland Budgets

The Programme for Government is supplemented by its supporting budget documentation. The budget is developed in the context of supporting the Programme for Government priorities and principles. The minister responsible for its contents sees it as setting out, in detail, the spending plans that have been agreed by the executive to deliver the priorities and actions in the Programme for Government (DFP, 2001). The budget’s financial resource allocations are therefore closely linked with the Programme for Government’s priorities.

The linkage between the Programme for Government and the budget is enhanced by PSAs. These PSAs describe what a department will deliver, in the form of measurable targets over the public expenditure review period, in return for its resource budget. So, PSAs link objectives, actions and targets to the budget for each department PSA and, like other areas of the budgetary process in Northern Ireland, these are developed through a process of extensive consultation (Northern Ireland Executive, 2001).

Service Delivery Agreements (SDAs) underpin PSAs and provide detail on how targets will be delivered. SDAs were introduced for the 2002/03 financial year, in order to support the Programme for Government and the PSAs, and provide more detail on how the PSA targets will be delivered. The intended result of this is that there will be ‘a clear relationship between budgets, actions, and outcome or output measures, including clear targets for delivery’ (DFP, 2001, section 3.16).

6.1.3 Interpreting Accounting Information

Both political respondents and ‘other respondents’ expressed a view that there was often too much irrelevant information available. However, they provided very different explanations for the cause of this. Politicians perceived that providers of information tended to use a ‘scattergun’ approach, disseminating everything to everyone regardless of individual interests, while ‘other respondents’ viewed the politicians’ compulsion to have everything that is available (regardless of their ability to use the information) as problematical.

The responses also indicated that department officials and support civil servants to committees (and the relationships between them) are seen as crucial in a necessary filtering process. Effective mechanisms that ensured filtering and focusing in on important issues were identified as being needed. Interviewees were keen to stress, however, that the subject of information provision was one of learning and education. At the heart of this process, the interaction between actors and the relationship between Assembly and department officials was identified as being important.

The interviewees, when asked about RAB, provided a similar pattern of responses. ‘Insider politicians’ (that is, politicians at ministerial level and those involved in department committees focusing on accounting and accountability issues, plus a few politicians who had prior experience of accounting and accountability issues) and ‘other interviewees’ were conversant with the intricacies of RAB, and, although a proportion were clearly struggling with some of the concepts of RAB, were able to identify a range of potential benefits and drawbacks of it. However, ‘outsider politicians’, including chairs of committees, knew little or nothing about RAB. Overall, these two groups, while acknowledging disadvantages, were generally positive about the possible contribution of RAB.

A main theme of the responses of politicians, particularly ‘outsider politicians’, to questions on budget issues was that difficulties had arisen regarding scrutiny because of overly technical presentations. One politician specifically linked this to the difficulty of understanding the language of accounting (possibly related to a lack of understanding of RAB issues). Furthermore, politicians were generally perceived as being more concerned with how much was being spent rather than on what it might achieve, with limited consideration being given to planning and performance issues.
6.2 Scotland

6.2.1 The Budget Cycle
Before the Scottish Parliament was established in 1999, a group of experts in financial matters was established to provide guidance in accounting and budgetary matters for the new Parliament. The Financial Issues Advisory Group (FIAG) was very critical of the budgetary processes at Westminster. This group observed that there was little time for serious discussion of budgetary matters on the floor of the house at Westminster. This situation was exacerbated by the manner in which financial documents were presented, which were inaccessible to most MPs, a situation made worse by the limited time and expertise amongst them to scrutinise budget proposals. Consequently, the FIAG recommended a three-stage process for the executive to be held accountable for the financial resources at its disposal (Scottish Office, 1998).

These three stages are summarised as follows:

Stage 1
At this stage, the Scottish executive publishes its detailed proposals for the following year and its outline proposals for the two years beyond that. These proposals are subject to scrutiny by the subject committees of the Scottish Parliament, with the Finance Committee of the Scottish Parliament co-ordinating the response of the Parliament. At this stage, members of the public or other organisations may comment directly to the Scottish executive on its plans. This stage is a scrutiny of strategic priorities.

Stage 2
The Scottish executive produces its detailed plan for a three-year period after taking account of the views of parliamentary committees and comments received from other persons or organisations. The Finance Committee of the Scottish Parliament has a central role in this process, as it gathers comments from subject committees of the Parliament. The Finance Committee provides a comment on the proposed spending plans of the Scottish executive. This is its review of the Scottish executive’s draft budget.

Stage 3
This is the formal approval of the Budget Bill that gives authority to the Scottish executive to incur expenditure. This process takes place at the beginning of the year in which the budget takes effect. This third stage is concluded by 14 February to ensure that the budget can take effect from 1 April.

6.2.2 Targets and the Scottish Budget
The Scottish executive has worked towards an integrated framework for financial and performance management. This framework includes targets and objectives for each department. The overall intent of this framework is to enhance efficiency, accountability and transparency (Scottish Executive, 2002).

This intent was reaffirmed in the Scottish executive’s spending proposals of 2002 (Scottish Executive, 2002), in which it outlined its overall approach to the stages of budget development. These are the:

- identification of the key improvements for the people of Scotland (“the vision”);
- articulation of key priorities, including two cross-cutting themes (closing the opportunity gap and sustainable development) and five priorities for action (health, education, crime, transport and jobs);
- promulgation of key service delivery targets for performance management and accountability; and
- statement of how resources will be allocated to achieve better outcomes.

Building on this approach, the Scottish executive has established five criteria that it uses in developing its budget. These are as follows:

- resources are targeted on priorities set;
- expenditure decisions will be based on knowing what will be delivered and when;
- commitments to spend will be accompanied with a statement of benefits to be obtained;
- results of decisions to spend will be monitored, measured and assessed, both publicly and critically, to ensure service delivery; and
- the overall focus will be priorities, best value for money and real improvement.

(Scottish Executive, 2003)

6.2.3 Interpretation
While advances have been made in the construction and presentation of budgetary information along the lines advocated in RAB (HMT, 2001), there remains the issue of the sense made of the information by key actors in the Scottish Parliament. The following is based on 18 interviews with a number of key actors, including MSPs, providers and auditors of accounting information at the Scottish Parliament.
The dominant view of accounting, from the perspective of the groups interviewed, was limited to financial issues. There was little awareness of the broader issues of RAB amongst MSPs – what it is, what it is intended to do, and how numbers have changed because of it. There is a small group of experts within the Parliament who have the expertise to interrogate and challenge accounting information. This results in a restricted dialogue between two groups of experts: the providers of government accounting information and the small group of MSPs with knowledge of public finances (‘the insiders’).

To understand the implications of central government accounting, many MSPs are reliant on the guidance of other MSPs (‘the insiders’) whom they regard as knowledgeable, or on the advisers to subject committees.

For many MSPs, there is a huge amount of information, extending across many subjects, to make sense of. It ranges from electronic information, research papers, government policy papers, individual party policy papers, and unsolicited reports by parties seeking to influence opinions. In all of this, the accounting/financial aspects of decisions can be lost. There is a tendency for MSPs to focus on narrative aspects of accounting information and avoid the financial figures.

In terms of the budgetary process, the persistent picture to emerge is one of a parliament that has sought to improve upon the quality of the information that it receives, rather than acting upon the information to reshape policies of the Scottish executive. Most subject committees have made minor suggestions for changes in expenditure. Interestingly, the MSPs share the aims of RAB, which is a keen interest in targets and outcomes. However, this is against a background of a lack of knowledge of RAB. (An inability to define RAB is an inability to explain, in technical terms, how RAB is different from cash accounting.)

6.3 Wales

6.3.1 The Budget Cycle
The mechanism of the budget cycle in Wales proceeds as follows. In the early summer (around mid-May), the finance minister invites other ministers to consult committees about their priorities, submit and discuss proposals for the next three years (the first year is a firm budget, while the second and third years are indicative), and contribute to cabinet discussion about overall priorities. Each minister consults with committees up to late May/early June. June is the deadline for responses to budget consultations. In August, the finance minister holds bi-lateral meetings with each minister over their budget bids, and this is further discussed in cabinet in mid-September. In early October, a draft budget motion is tabled at cabinet, which is subjected to plenary debate a week later. To facilitate openness and transparency of the political process, the budget document is made available to opposition parties five days before the debate. In the third week of October, subject committees discuss draft budgets and, in late October, a final budget motion is tabled in cabinet. A plenary vote takes place in the first week of November.

6.3.2 Targets and the Welsh Budget
There is a general feeling among politicians and civil servants that the Welsh Assembly and its associated bodies both produce, and are subjected to, a massive battery of targets. In an important sense, targets seem to almost flow from, while not necessarily being equivalent to, political announcements by ministers. Yet frequently, quantifying such pronouncements is problematical. Many of the targets for the Assembly and its associated bodies are expressed in the annual budget. During the first term of the Welsh Assembly, no single political party enjoyed an outright majority.

The Welsh Assembly operates under a set of standing orders. One of them (Standing Order 19) stipulates that every year, the Assembly must carry out the annual corporate and budget planning round. This is a process through which the Assembly makes decisions about how to allocate its budget between the various sectors of the Welsh economy. As an example, in 2003/4, the Assembly’s budget was £11.3 billion, which was shared among all sectors.

Annual budget resources flow from Whitehall to Wales under the ‘Barnett formula’, which is calculated mainly on population shares between the countries that constitute the UK. Annual budget increases accruing to any of the UK devolved governments is essentially a ‘Barnett’ share of any increase to Whitehall departments’ existing budgets.

The Welsh budget has two key ground rules. First, until the Assembly votes upon the budget, all Wales’ money, irrespective of the sources of Barnett flow, is a resource to be spent according to the priorities of the Assembly. Second, the Assembly can decide to allocate more money to any given sector than the amount it would get under the Barnett share.
6.3.3 Interpretation of Accounting Information

Civil servants involved in preparing the budget have acknowledged that it may not be easy for the uninitiated to understand fully the figures contained within it. The extent to which the budgets can be considered user friendly, or even readable, by the politicians depends to a large extent on the politicians’ own educational backgrounds and experience, as well as on the availability of support from civil servants and colleagues. An equal difficulty, if not more difficulty, in understanding budget figures and other statistics is also experienced by pressure groups.

There is unanimous agreement right across the political divide of the Assembly that the quantity, quality and transparency of information is far greater since devolution. Most members interviewed did not consider themselves to be numerate, and hence sought help from others to interpret the numbers. The interviews revealed that the extent of help obtained by members of the Assembly with regard to information varied according to whether they were cabinet members or ordinary members. This report initially focuses on those at the higher ministerial level.

The concern of civil servants is to develop an information infrastructure that generates data for historical trend analysis, rather than simply attend to what is identified as the immediate needs of their ‘customers’. Ministers have the right and power to prevent civil servants from collecting information that the civil servants believe to be valuable but that the ministers consider costly. Yet, if civil servants are sanctioned by ministers to collect certain information, the details of how that information is used are left entirely in the hands of civil servants. To help collect such information, a new model known as ‘synthetic estimation’ began to be developed. This model uses past aggregate data and a number of parameters to predict, and generate, future detailed information.

Ministers and their senior advisers are given five days (previously it was two days, but this period was found to be impractical) of advanced sight of any information that would be made part of the public domain. For information coded as ‘market sensitive’, advance sight is reduced to two days before the morning of release. Civil servants decide on the format of the information released, despite pressure from ministers to manipulate this format.

Decisions by the Welsh cabinet are carefully scrutinised by Whitehall to ensure that they do not depart from Whitehall practice, hence putting greater pressure on Welsh ministers to accede to the advice of civil servants. The cabinet has begun more recently to ask for a more analytical interpretation of figures, to help with its own deliberations and sessions.

6.4 Conclusion

The phenomenon of limited expertise of financial matters amongst elected members is common in all three settings, as is the situation whereby small groups of experts (‘insiders’) hold significant positions of influence because of their ability to interrogate financial information and to advise other members.

There are other characteristics that prevail in all three institutional settings: the preoccupation with targets; the narrow concept of accounting as being purely matters financial; and the contradictory desire for performance information.

At this stage of development, it is hard to be definitive about the success or otherwise of RAB.
7. Issues of Performance Measurement and Auditing in the UK Devolved Parliaments and Assemblies

7.1 Introduction

In this chapter, the findings on how devolution has affected how performance and audit information is used in the UK devolved institutions is reported. In particular, the broader issues of decision relevance, availability and use, sources and accessibility, and the impact of reforms and devolution on performance and audit information aim to be addressed.

A focus on performance, and providing feedback mechanisms on results and effects, has been one of the components of NPM reforms during the 1980s and 1990s. Such elements have been judged to facilitate accountability as well as providing a vehicle for organisational learning in government (Carter, Klein and Day, 1992). While the use of performance and audit information has been extensively studied in central and local government, the use of such information in the devolved parliaments and national assemblies has been neglected. This chapter attempts to bridge this gap.

Olsen and Peters (1996) defined learning in two ways. First, learning signifies a positive outcome and an accomplishment in terms of improved knowledge, skills, performance, and preparedness for the future. Second, learning is a process through which experience is consulted and acted upon. The judgement on the outcome, according the first definition of learning, would often be contested in politics and is part of politics. The second definition of learning will therefore be used in this analysis.

Government organisations, like many other large-scale and complex organisations, face many barriers to effective learning (Olsen and Peters, 1996). Such barriers may take the form of cognitive human biases, technological constraints and administrative capacity. Such barriers are commonly addressed with the term ‘bounded rationality’ (Simon, 1947).

In addition, barriers to effective learning may also stem from ideological constraints and political manoeuvring. Such barriers may be addressed through the term ‘political rationality’. Olsen and Peters (1996, p. viii) argued that ‘(t)he real weakness in the patterns of learning appears to be in developing effective institutional mechanisms for learning, and for improving patterns of learning across time’.

Furthermore, based on studies of administrative reforms in eight democracies, they concluded:

‘Many reformers learnt what was often new technical abilities. Many reformers learnt about the difficulties of learning, for instance the limitations of computerized managerial information systems and quantified indicators of performance. (…) There was a reconfirmation of the lessons that managerial accounting and control systems have improved in sophistication, without producing convincing evidence that system sophistication is associated with effective performance and success.’ (Olsen and Peters, 1996, p. 14)

The devolution programme is an interesting test bed for exploring whether this pattern has been stable over time and over government levels, or if implementation now has turned into operation and more interestingly, if use of management accounting in devolved government is fundamentally different from central government.

Despite barriers to effective learning, government organisations engage in learning about the environment, about the past and about themselves. Furthermore, government organisations often specifically try to learn from similar organisations or from relevant organisations at other levels of government, either nationally or internationally (Powell and DiMaggio, 1983). This report assumes that performance information provided by formal models, such as performance measurement and performance audit, are fundamental for democratic accountability and effective learning in ‘modern’ government and parliaments. Hence, the actors’ use of performance information was specifically addressed in the interviews.

More specifically, the following issues on performance and audit information were addressed:

- availability and use;
- sources and accessibility;
- the impact of reforms; and
- the impact of devolution.

The research now turns to what evidence there is for judging how devolution has affected democratic accountability by way of performance information in Northern Ireland, Scotland and Wales. (However, given that the Welsh National Assembly did not have a Finance Committee in its first term, the main emphasis in this chapter is on Northern Ireland and Scotland. Information on Wales is given when feasible.)
7.2 Availability and Use of Performance Information
In addressing the availability and use of performance indicators and performance audit, the question posed with regard to performance information was, what information did the actors receive and use?

7.2.1 Northern Ireland
Some argued that the politicians only received performance information in briefings, when they actually searched it out. Most answers discussed different issues related to targets. These were, arguably, set low and were relatively easy to achieve. One committee deputy chair argued that it would be an improvement if more committees, other than the PAC, would take direct ownership of key indicators. This informant also pointed to the fact that performance indicators for successful departments did not get much publicity while bad performance most certainly did, both from media and politicians. Some argued that the performance information is limited and varied and that there was still an amount of individual departmental subjectivity within it as well.

7.2.2 Scotland
The main users of accounting information, in general, seemed to be the Audit Committee and the Finance Committee. However, one Scottish minister argued that MSPs used performance information frequently. He said that a lot of the debates, party political attacks and scrutiny of the executive are based on this kind of information. He mentioned a report produced by the Audit Commission the same week, which raised many questions. According to a civil servant working with finance in the Scottish executive, there has been a big increase in the amount of performance information that the executive provided, but that the quality of the performance information needed to be improved.

The performance information had different levels and comprised of about 300 targets that were set against performance. One executive member said that the performance information came from many sources. There were about 1,000 different performance monitors that were kept centrally. The executive ministries also had their own publications that were updated several times a year. The executive was working on rationalising the performance monitors down into a core set of 100 measures that really mattered.

An opposition MSP said that the separate publication of targets from budgets and financial information was a problem. This was confirmed by an adviser to the Scottish Parliament, who pointed to the problem that performance information was not reported in a standardised way and linked to targets in one separate document. The adviser argued that there was not a systematic way of linking resources to performance and that there was no clear link between strategy, budgets and performance.

The issue of reporting performance was under development, with unofficial talks going on between the executive and the Scottish Parliament. Most of the performance monitoring was done by Audit Scotland and the Accounts Commission by benchmarking. This was a major means by which the executive sought to improve performance. A representative for Audit Scotland said that there had been some streamlining of performance information, and that the information had provided transparency – a kind of ‘goldfish’ effect, he argued.

7.2.3 Wales
One interviewee, who was working in the Welsh Statistical Directorate and had formerly worked in the Welsh Office, pointed to certain problems with using targets. Sometimes politicians used targets that were not possible to link to available statistics.

Another problem with performance information in Wales (and England) was due to the fact that some statistics came top-down – that is, that certain statistics, like the census, were survey-based. This meant that it could be difficult to use these kinds of statistics as a basis for targets because at the local level the statistics could have low reliability. However, once a person, for instance a cabinet member, has set a target, it is inevitable that any failure against that target will be picked up by the opposition – for instance by researchers working for the opposition party – and will be used in the course of political debate. In a sense, this is a public form of accountability because there are people waiting for the executive not to achieve its targets. The opposition could alert the media to that information.
7.3 Sources and Accessibility of Performance and Audit Information

Politicians and bureaucrats usually are well informed, but as is the case with many leading figures, they have many agendas and tight schedules. Subsequently, it was expected that the actors would access relevant and reliable information in the most cost effective way (Downs, 1957). They were therefore asked where the performance and audit information came from. They were also asked if the information was presented in a way that was useful to them, and if the performance and audit information could be improved.

7.3.1 Northern Ireland

Sources that were mentioned were the Northern Ireland Audit Office, the Northern Ireland Research and Statistics Agency (NIRSA), the departmental annual reports and agencies, the annual budgets, the Programme for Government, the FSA and the PSAs. Almost all interviewees answered that the information could be improved, especially on targets. Many felt that the targets were too easily achieved and did not function as intended. Some also expressed the view that the information was not presented effectively. Many talked, however, about learning curves, and some argued that improving the reporting and presentation was a matter for the respective committees to address, and that improvements were gradually being made. Two clerks to parliamentary committees pointed out that at present, many of the MLAs did not have the capacity, resources or competence to deal effectively with performance information but that a new awareness of this information was a positive development. One interviewee said the committees would need four to five years to get to grips with the workings of the departments and their financial structures.

7.3.2 Scotland

The Auditor General and the Audit Office was mentioned as very capable sources of documentation and briefings for the Audit Committee. For the Finance Committee, a special adviser was mentioned by many as crucial for the functioning of the committee in its scrutiny and oversight functions. The adviser filtered the information and then suggested questions or the basis of questions. This made the committee members able to turn the information into their own language and their own experience. Civil servants and ministers who were also interviewed confirmed the quality of the questions eventually posed. They acknowledged that someone very skilled had guided the committee members’ attention in certain directions. Many interviewees also mentioned the Scottish Parliament Information Center (SPICe) as a very useful resource. It produces non-partisan briefing notes on issues that are discussed. Some also mentioned external interest organisations as sources of information.

7.3.3 Wales

In Wales, the NAO was mentioned as important for giving advice to the Audit Committee. Regarding statistical data that might be valuable as performance information, the provision of the data is public service. However, giving advice and the interpretation of the data was limited to government only and this advice was confidential. (This is changing as a result of the recent Freedom of Information Act, on freedom of information but at the time of the interviews, in 2002, advice to ministers was confidential.) For instance, ministers could ask for advice on the most potentially damaging aspects of the statistics that had just been published – potentially, the bad news items, or the potentially good news items, which might have been more likely to have been asked for – and the statisticians would give them that advice. Even though this service is not available to backbenchers, there is another part of the National Assembly, called the Members’ Library – modelled on the Commons Library – that would provide that service.
7.4 The Impact of Reforms on Performance and Audit Information
The following question was asked: Given the major changes in the way in which public services have been managed over the last 20 years (for example, the Financial Management Initiative (FMI), Next Steps, Citizen’s Charter, Service First, Modernising Government), how do you think these initiatives have affected the type of performance information that is produced and used?

No significant reported results were reported in Wales; however, there were contrasting experiences in Northern Ireland and Scotland.

7.4.1 Northern Ireland
There was almost a universal agreement that the many reforms that had taken place since the early 1980s had had a substantial impact on the terminology, technology and supply of performance information. Only one interviewee argued that the reforms had not worked (but that devolution had).

Some audit officers argued that FMI did result in much better financial information but this was often not observed because FMI was an internal process, and the effects of the Next Steps reform are still being absorbed. Furthermore, ‘agencification’, where agencies tried to improve financial information and which sometimes involved agencies with large capital bases, in effect started an accounting revolution where RAB could be seen as only putting the finishing touches to something Next Steps had started.

Some politicians also indicated being overburdened by the amount and detail of information. One even believed that the reforms had created cynicism and a fatigue of the system, to some degree. This could be due to the impression that reforms were being presented as disintegrated political packages that were layered on top of the previous ones. However, the same interviewee also stated, based on the interviewee’s own working life experience, that the reforms had made a difference and that the public service today is in a vastly better state than it was 30 years ago.

There was also a sense that the reforms had increased the expectations for those that are concerned with particular issues as to what the government will achieve. One MLA argued that there now was too much consultation, rapidly moving towards a situation of ‘consulting to death’.

7.4.2 Scotland
There was a general opinion that public management reforms over the last 20–25 years – and, due to work by the Accounts Commission, especially over the last 10 years – had increased the availability and use of performance information. The FMI reform in 1983, which set forth the idea that the manager was an accountable officer with responsibility for the efficient use of money, was also mentioned as very influential for later years. Although one former member of the Scottish executive thought that the focus of MSPs was still on input, several interviewees argued that, over recent years, the performance indicators had been made more detailed, and that there had been a shift from focus on input to outcome.

7.5 The Impact of Devolution on Performance and Audit Information
The last issue regarding performance information the project assessed was if devolution had had any impact on providing a more open and accountable way of government and politics, other than that attributable to general trends and NPM reforms. Interviewees were asked to what extent access and openness of accounting information and performance information on public services had changed with devolution. Did the actors think that any such changes were a result of devolution, or would they have occurred in any case?

7.5.1 Northern Ireland
There were some divergent views as to how much impact devolution had had on the supply of performance information. Some argued that most of the relevant information was around, regardless of devolution, due to the many NPM reforms that had taken place. However, the majority of the interviewees stated that devolution had markedly affected openness and – possibly most significant – the demand for performance information. One interviewee argued that devolution had changed local performance information paradigmatically but that these effects were neglected in ‘high level’ media. The devolution may have spurred many MLAs to act locally for improvement because their re-election base is local. These actions and results are reported in the local press but seldom in national news.

One committee chair said that, judging by what is going on on the floor of the House, there might not seem to be much use of performance and audit information. However, there seems to be regular use of such information in the committees, and it is the committees that are performing the bulk of, and maybe most important, work regarding budget scrutiny and discussion of specific policy issues.
One interesting issue is that many MLAs have their political experiences from local government. (One MLA maintained that 60% or more of the members had local government experience.) In local government, it is common to use league tables and comparisons. Hence, the devolved parliaments and national assemblies might have a relatively high competence in accessing, judging and debating performance information. Thus, there are many people who are now able to scrutinise and ask awkward questions. One committee chair said, though, that devolution had increased openness but that there were lots of hidden details that the members have to extract and know how to query. They need advisers if they do not possess the competence themselves.

7.5.2 Scotland
A civil servant in the Scottish executive argued that devolution had resulted in a cabinet with ministers having personal ownership of the targets, creating clear responsibilities. This contrasted to the pre-devolution situation where there was a secretary of state who had all the responsibility because there were no ministers. Post-devolution, every minister is formally responsible for his/her portfolio. However, devolution has not only facilitated but has actually increased dissemination of performance information. One civil servant stated that, in the initial years, the work on devolution itself slowed down the work on performance information.

7.5.3 Wales
There seemed to be a shared view that, in general, devolution had improved the accessibility of information. For instance, a member of the Audit Committee was convinced that the transparency of information was greater after devolution. This interviewee stated that, at the central government level, there used to be one meeting a year (on Wales) in the PAC, whereas after devolution there were ten meetings a year. Another member of the Audit Committee, who also had experience from the House of Commons, argued that, without doubt, there was greater accountability in Wales after devolution than before.

7.6 Conclusion
The overall conclusion is that there is more performance information in use due to devolution, not because of more supply but because of increased information processing capacity in the political system and, hence, increased demand. Even though many reported the traditional, allegedly dysfunctional, effects – such as measuring what is easy to quantify, decoupling of performance indicators from targets, and the proliferation of performance measures – many pointed to the salience of also using performance measures as political ammunition.

The performance information seems to have the capacity for enhancing transparency and learning. Thus, it may not function merely as symbols for effective performance through sophistication, as has commonly been stated in public management theory.

Performance indicators and performance auditing may be especially decision-relevant for learning in politics for two main reasons. First, it might be easier for the executives and governments to agree on, or at least to admit the responsibility for, bad performance, than for identifying or taking the credit for good performance. At the same time, for the opposition, there is not much reward in identifying good performance. It is exposing and blaming bad performance that may eventually bring the opposition into the ministerial seats after the next election.

An interesting emerging issue is the possible asymmetric incentives in public management relative to performance measurement in business. In the public sector, avoiding bad performance that could result in ‘naming and blaming’, what Mayston (1985) called ‘the embarrassment effect’, that could be as strong an incentive as performing well. There might not be any strong incentive in performing ‘best’ because the winner hardly ‘takes all’ in public management. Some of the interviewees indicated that only bad performance got attention, while good performance went unnoticed, at least in the political system. On the other hand, for many public services, achieving a certain basic level of performance for specific, often vulnerable, users and clients could be as important as achieving a high level of service.

This chapter has focused exclusively on issues within the UK devolved institutions. In the next chapter, the focus is shifted to the international comparators of New Zealand and Norway.
8. International Comparisons:
Issues of Accounting & Accountability in New Zealand & Norway

8.1 Introduction
In this chapter, the same set of empirical issues that are presented in chapters 5, 6 and 7 are discussed, but with the focus on our international comparators, New Zealand and Norway. As mentioned in Chapter 4, the comparisons can provide relevant benchmarks to the patterns and developments in the UK devolved institutions.

8.2 Empirical Issues on Accounting and Accountability in New Zealand
Due to the fact that the New Zealand case has been extensively studied recently, including studies where a member of the research team has been pivotal, this project also relies on recent previous research. Some of the analysis of New Zealand in this chapter is based on Newberry and Pallot’s (2003) documentation of budget setting and financial scrutiny in New Zealand.

Hence, the present analysis of the New Zealand case is based on a limited number of interviews.

8.2.1 Accountability
Accountability issues have been a central part of the extensive reforms in New Zealand. For instance, the abolition of the ‘first past the post’ (FPTP) system and the introduction of the MMP electoral system in 1996 were supported, at least in part, by the belief that the FPTP system delivered extensive control over the governmental process to the party that gained a simple, and possibly narrow, electoral majority. This result made the political system increasingly unresponsive to citizens (Boston et al. 1996). In our parlance, the old system did not facilitate democratic accountability on important dimensions of the concept. However, Boston et al. (1996, p. 49) modified this view somewhat by stating that, ‘MPs in New Zealand have always been remarkably accessible to their constituents and have always placed great emphasis upon this aspect of their role’. (This project, on the other hand, has no information to state that this was different in the other, similarly relatively small countries in this study.)

So far, the advent of MMP in New Zealand appears to have resulted in a wider range of views being expressed within select committees, freer and better informed debate and more inquiries being initiated.

The select committees receive considerable assistance from the Audit Office in their scrutiny of estimates and performance. This assistance includes:

- advice on the form and content of any standard questionnaires or other standard material to be used by committees in their examinations or reviews;
- written or oral advice to assist a committee in determining its questions;
- review of evidence given during the committee’s examination or review; and
- support in compiling the committee’s report to the House.

To maintain expertise in specific areas, the Office of the Auditor General has a number of sector managers with responsibilities for advising a portfolio of select committees. The Audit Office also has expertise in, and can provide advice on, technical accounting and financial management matters, including the interpretation of financial statements.

8.2.2 Provision of General and Accounting Information
There did not seem to be formal barriers to access or obtaining general or accounting information. However, over the last decade there has been a reduction in the time allocated for parliamentary review. Parliament’s standing orders were changed in 1992, 1996 and 1999, reducing the time available for parliamentary scrutiny and debate each time.

A surprising feature of the reformed financial management system is its lack of clear definition of crucial terms, such as ‘the Crown’ and ‘appropriations’. Whether these ambiguities in the financial management system matter in practice may be open to debate but it does increase the discretion available to the executive (in particular, the Minister of Finance and the Treasury) and there may be some constitutionally important principles involved.

A new Public Finance (State Sector Management) Bill was tabled on 3 December 2003. It is a major review of the Public Finance Act, State Sector Act and Fiscal Responsibility Act and so may have many implications for accounting, performance reporting and budgeting in the state services. The bill was a 392-page document, which may have been obscure to many people. Therefore, potential changes with significant implications for democratic accountability could have been regarded as technical accounting matters holding minor interest for the majority of politicians. The study of the outcome of this legislative process lies beyond the scope of this project. The issue of how roles and division of labour between accounting experts within governments and parliaments affects democratic accountability, however, is one of the emergent and important issues of our research. This issue is discussed further in Chapter 9.

8.2.3 Resource Accounting and Budgeting (RAB)
New Zealand introduced a regime similar to RAB in 1991. There are now studies available that document some of the experience with RAB in New Zealand. Pallot (2001) reviewed New Zealand’s experience with RAB 10 years after it was introduced in 1991. She reported that managers and politicians, on the whole, shared the view that the specification of outputs has been improving, with the result that objectives are clearer, expenditure was better targeted and transparency enhanced.
While the views of operational managers and those displaced from the public service as a result of the latest reforms have not been canvassed to the same degree, there did not seem to be any support at any level for a return to cash accounting and input controls. Ministers believed they were able to make more informed choices about outputs, and select committees felt able to ask questions more relevant to what departments and ministers were trying to achieve. At the whole of government level, the range and clarity of information available was enhanced dramatically. For example, the set of financial statements that were available to Parliament exceeded, in comprehensiveness, those provided by private sector companies.

Pallot argued, however, that accountability will ultimately depend on Parliament, select committees, and the public at large having the skills, time, resources and motivation to make use of the enhanced information that has become available.

Furthermore, there were some concerns regarding theoretical and practical issues that were raised during the implementation. For example, there was a need for improved information on capability. Information on capability is important for accountability because it could be difficult to establish accountability if it is unclear whether the organisation in question has the resources to do the job required of it. Behind this concern were the cost-cutting and apparent efficiency gains of the previous decade, which may have been at the expense of long run efficiency and effectiveness.

Moreover, the Auditor General in New Zealand had, in the 1999 report, ‘The Accountability of Executive to Parliament’, addressed the issue of accountability with an emphasis on viewing accounting (in a broad sense) as a matter of communication between Parliament and the executive and not only as a matter of measurement. In this view, accounting and performance measures are not exact but are the basis for discussion and negotiation.

Newberry (2002) reported that the New Zealand public sector financial management system eroded the government departments’ resources and damaged the departments’ capability to perform even core functions. Often there are unintended consequences of reforms. However, Newberry suggested that these consequences might not have been unintended but could have been designed-in in order to facilitate privatisation. Thus, RAB seems to have had important intended – as well as some unintended – consequences for democratic accountability.

Our interviewees indicated that, even though New Zealand has been at the forefront of implementing accrual accounting and RAB, reforms that were intended to provide more and better general and accounting information than before, the paradox seems to exist that the committees and members of the Parliament often do not have the necessary competence, time or capacity to use the information effectively. Much – maybe too much – reliance is put on the Auditor General. Thus, effectively, the government and the governmental departments are the main users of the financial accounting information.

8.2.4 Performance Information
The management performance systems in New Zealand are formalised, comprehensive and exacting compared to other OECD countries. A major objective has been to integrate performance agreements into the government’s strategic planning system based on strategic results area (SRAs) and related key results areas (KRAs). Each KRA was expected to have a medium-term focus of around three years, and to have been formulated in such a way as to facilitate assessments. By the mid 1990s, the evidence suggested that performance agreements between the chief executives and the ministers provided a valuable management tool. The introduction of annual performance reviews in 1988–1989 did undoubtedly bring significant benefits. However, it was expected that the introduction of PR (the MMP system) in 1996 would change the nature of politics and thus make strategic planning more difficult and governments less stable (Boston, et al., 1996). However, this project’s interviewees supported the notion that the performance information was useful to the politicians.

8.2.5 Budget Issues
Given that there is minimal direct select committee input into the process leading up to the publication of the budget, there is also minimal public input at this stage. New Zealand, however, does not have the closed and secretive type of policy and budget-setting process found in Whitehall/Westminster because MMP has changed the dynamics of policy-making. Under MMP, a single party is unlikely to have a majority in the House, or in select committees, and the policy stances and priorities of all political parties, even very small ones, have to be taken into consideration. Priorities need to be debated and agreed in establishing coalitions or other arrangements for forming a government. Officials, in producing their advice, consult with politicians from a much wider range of parties. Thus the views of a range of parties, and public comment in the media on these policy stances, is informally taken into account in arriving at the budget.

The publication of the budget, and the FEC’s consideration of it and subsequent debate in the House, provide ample opportunity for public discussion of the overall policy directions. The content of the budget itself a few months later therefore comes as little surprise. Our interviews expressed, however, that at present it seems as if there is not enough consultation in the budget process. Furthermore, the budget is probably not scrutinised enough in Parliament.
8.3 Empirical Issues on Accounting and Accountability in Norway

8.3.1 Accountability

The general notion of accountability among interviewees was that it was concerned with reporting the use of money according to rules and regulations. However, it should be noted that there were some broader views on accountability – more resembling democratic accountability – represented also. All three interviewees from the Office of the Auditor General emphasised compliance with law and regulations. This also encompassed performance audits in order for the Parliament to control implementation and the total governmental use of resources.

One MP preferred to use the English concept, 'accountability', instead of using the Norwegian concepts for responsibility and obligation to report to superiors. What this concept implied, to this MP and other MPs whom we interviewed, was economic responsibility, documentation and transparency. This combination was regarded as important for facilitating democratic accountability. One MP emphasised that accountability in particular was giving an account of historical events.

One senior opposition politician held a important view on the political need for keeping closed (private) parliamentary committee meetings. When this representative heard of the practice of holding committee meetings in the Scottish Parliament that are open to the public, he said that it was crucial for the conduct of substantial politics, with informal negotiations and bargaining, that such processes be performed under strict rules of confidentiality within the committees. He therefore strongly defended the practice of the Norwegian Parliament to keep committee meetings closed to the public. Otherwise, he contended, such negotiation and bargaining processes would disappear from the formal parliamentary organs – the committees – only to reappear in some informal organs outside of parliamentary control.

Thus, even though closed committee meetings apparently could be seen as counter productive, relative to consultative accountability, it should be acknowledged that the business that takes places in closed committee meetings is subject to constitutional and decentralised accountability within the parliamentary system. The alternative to closed meetings, open committee meetings, could result in an additional informal, 'shadow political processes' in private meetings or other forums, which may not be subject to any form of formal political accountability.

8.3.2 Provision of General and Accounting Information

The most active users of accounting information in the political system were the committees within the Parliament, and the ministries and interest group organisations outside of the Parliament. The general opinion was that there was no lack of data. Rather, there was an abundance of it. However, the quality of certain data could be improved upon. No group of actors felt that there was any problem in obtaining information. Furthermore, neither the auditors nor the opposition felt that disclosure of information in itself was a problem. However, the opposition had to be alert and closely scrutinise how the government presented information in order to avoid 'interesting' or controversial issues being underexposed in the narrative parts of the planning documents.

The Norwegian political model builds on openness and transparency, as one could expect in an egalitarian political culture, (see Chapter 3). Norway is a highly organised society. The larger and more powerful organisations in Norway have traditionally been in regular contact with the government through the network of commissions, councils, committees, advising boards, steering boards, conferences and so on. It is common to state that neo-corporatism is, or at least was, a major attribute of Norwegian political life (Matthews and Valen, 1999). This project’s informants also pointed out that organisations – small and large – actively seek to influence the Parliament. However, such influence was seen as positive and as contributing towards enhancing the quality of the political decision premises.

8.3.3 Resource Accounting and Budgeting (RAB)

The Norwegian government uses a cash based accounting system, and accruals-based RAB principles are not in use in Norway. However, during the interview period, the Ministry of Finance published an official report (NOU 2003:6) which documented the use of accruals accounting in different countries and made proposals to experiment and eventually implement such a system in Norway. The Norwegian government later addressed the issue of implementing accruals accounting in the planning documents for the 2004 budget process.

All the politicians interviewed were satisfied with the accounting information provided under the present cash based system, but hardly any of the politicians were well informed about accrual accounting. The auditors and the government official interviewed, however, were very well informed, and even though they argued that they would nevertheless work effectively with the present cash based system, they were receptive to a shift towards accrual accounting.
8.3.4 Performance Information
There did not seem to be substantial problems in availability or use regarding performance and audit information. The government had improved its method of reporting in the existing planning documents, and the systems were improved incrementally. However, there were some views indicating that more standing committees could use available audit information more in their areas of responsibility.

8.3.5 Budget Issues
The scrutiny of financial accounts is marginal compared to the extensive budget scrutiny process. The Parliament and the individual politicians seem to have established an efficient division of labour with specialisation between committee members, between committees and, in particular, between Parliament and the Auditor General.

The representatives normally do not take much interest in accounts (unless these can be used for blaming an official or minister for careless or irregular use of often relatively small amounts of, public money). If the Auditor General, on the other hand, gives qualified opinions or reports interesting performance audits, the politicians will take relevant action. Thus, the Parliament has developed a reactive management style relative to using non-budget, or financial accounting information. Note that this arrangement has developed even though – or maybe because – the legislature today mostly consists of career politicians (Matthews and Valen, 1999).

8.4 Conclusion
The experiences from New Zealand indicate that accounting principles, and making management accounting systems and planning reports comprehensible and user friendly, are important issues in politics. However, it must be acknowledged that accounting systems and reports are to be used in, and for, politics (Downs, 1957).

There are at least two important implications for accounting for democratic accountability. First, due to uncertainty and constraints, political actors such as politicians and lobbyists use information economically. This means that they only search for and use information that presents news relative to what the actors perceive is common knowledge in the political system at present. Second, political actors only use information that they perceive as useful in their political competition. In practice, this means that, due to the motives of being re-elected, budget information will tend to overshadow accounting information, and single issue information with potential interest for specific interest groups will tend to overshadow information on broader issues for the general electorate.

If accounting information becomes relatively more complex for the laymen politicians and proper scrutiny is compromised, then suitable institutional arrangements might be necessary in order to secure enough scrutiny and democratic accountability. Such arrangements may encompass increased specialisation, more training, duplication of responsibilities, or simply adding more capacity by seeking external advice or devoting more parliamentary time and capacity to scrutiny of accounting information.

Even though some potential arrangements may be regarded as a step back relative to the current practices of the New Zealand model, such arrangements may be important for safeguarding democratic accountability. Thus, democratic accountability may depend more on how the whole political system manages information than on how the individual politicians manage accounting (Stone, 1995). If, on the other hand, the political system ends up (too) reliant on external experts and advisers, without sufficient checks and balances within it, this could threaten democratic accountability.

In any case, accounting for democratic accountability seems, to a large extent, to be highly dependent on accounting experts – auditors, certain parliamentary committees, individual politicians, lobbyists, and political advisers – within, as well as outside of, the parliaments.

The New Zealand and Norway cases may provide several insights with implications for the analysis of management accounting in the UK devolved institutions. First, budget and performance information is apparently perceived by politicians as more useful for democratic accountability than traditional accounting information. Second, politicians may be satisfied with cash-based accounting information for their purposes, but after experience with RAB, accrual accounting seems to be preferred, at least in New Zealand. Third, certain NPM reforms, including the introduction of performance management and RAB, seem to be conducive for democratic accountability.

Thus, even though the UK devolution facilitates an increase in democratic accountability, some of the positive effect may be attributable to NPM reforms that would have happened in the UK regardless of devolution.

Finally, some accounting reforms designed for enhancing democratic accountability may have unintended consequences. Thus, facilitating democratic accountability is an ongoing process.
The study of parliaments, national assemblies and governments is traditionally the domain of political science, and often such studies are concerned with representation (Matthew and Valen, 1999) and ministerial accountability to Parliament (Stone, 1995).

Most empirical research on representation has been conducted by American political scientists, assuming the Anglo-American system of two dominant parties and the single-member FPTP electoral system. How democratic accountability operates in parliaments and national assemblies that have PR electoral systems has been largely neglected.

Furthermore, the empirical research on parliaments and representation has tended to be static and ahistorical. However, a significant exception from this is the work of Lijphart (1999), who studied democracy in 36 countries from 1945 to 1996. Lijphart concluded that:

‘(T)he enormous variety of formal and informal rules and institutions that we find in democracies can be reduced to a clear two-dimensional pattern on the basis of the contrasts between majoritarian and consensus government. (...) (T)he consensus democracies do clearly outperform the majoritarian democracies with regard to the quality of democracy and democratic representation as well as with regard to what I have called the kindness and gentleness of their public policy orientations.’

(Lijphart, 1999, p. 301)

This report has argued for the importance of studying management accounting in politics and for taking into account the possible influence of institutions, national size, public management reforms and culture. These considerations seem to be supported by Lijphart’s conclusions regarding institutions and culture:

‘(C)onsensus democracy may not be able to take root and thrive unless it is supported by a consensual political culture. (...) It appears more plausible to assume that both consensus democracy and these kindler, gentler policies stem from an underlying consensual and communitarian culture than that these policies are the direct result of consensus institutions.’

(Lijphart, 1999, p. 306–307)

Although representation and policy outcomes are important ingredients in assessing democratic accountability, by what information – and how – the representatives conduct their representation, scrutiny and influence, is also a potential important dimensions of democratic accountability.

How political and governmental representatives use accounting information, that can govern substantial parts of political life through the means of budgets, financial reports, targets, performance indicators and audit reports, may have been a relatively neglected area of research – albeit being an important part of practical life in government and politics. This study has tried to bridge some of these gaps. It has also attempted to address some developments over time, as well as taking into account some historical and institutional aspects using national and international comparisons.

Before turning to the findings of this report regarding democratic accountability in the devolved UK institutions, the state of democratic accountability in the UK Parliament at Westminster shall first be reviewed briefly.

One view regarding the democratic achievement in the UK in 2002 states that:

‘The constitutional doctrine of ministerial responsibility to Parliament is ultimately a fiction. It is the prime minister and the government majority who primarily decide the fate of ministers in trouble. The media play a greater role than Parliament as a whole. Legally undefined royal prerogative powers give the prime minister and ministers executive freedom unchecked by Parliament. (...) Select committees have improved its ability to scrutinise, but overall the House of Commons cannot make government accountable for its policies and actions and has a negligible impact on legislation; the Lords is unelected and has only a marginal effect on government legislation.’

(Beetham et al., 2003, p. 342–343)

Acknowledging that this is only one view on the state of democracy and accountability in the UK Parliament, it does, nevertheless, support the notion that there might be important differences between how democratic accountability is facilitated under majoritarian (FPTP) systems compared to consensual (PR) systems, as Lijphart (1999) argued. It also supports the notion that ministerial responsibility remains too important a part of democratic accountability compared to other forms of accountability (Stone, 1995).

This research project has drawn on many conceptions of accountability and, instead of comparing devolution with the Westminster democracy and its institutions directly, it has compared the devolved parliaments and national institutions in the UK with New Zealand and Norway. The Westminster model of democratic accountability is, however, the model that many in the UK, and elsewhere, explicitly or implicitly use as a reference.
The report's main conclusion is that devolution has unequivocally improved democratic accountability in Northern Ireland, Wales and Scotland, resulting in more openness, consultation and scrutiny of national issues than before devolution. Even though some improvement in democratic accountability may be due to general NPM reforms over the last 20 years or so that have increased the supply of management accounting information, devolution has increased the demand and salience for this information. The interviews, observations of committee meetings, document analysis and media reports that were analysed in this project have provided a sound foundation for drawing a series of more specific conclusions:

- users of management accounting information in politics and government seem to be subject to information overload. There is, therefore, extensive division of labour between representatives and committees, and accounting experts such as national audit offices, committee clerks, special advisers, research officers and lobbyists, who function as 'buffers' and 'filters' of accounting information;
- budget information and scrutiny is (still) by far most the important use of management accounting in politics;
- financial accounts are hardly used in politics, unless to stage a ministerial crisis due to monetary misconduct;
- introducing RAB may improve the quality of information relevant to political decisions. However, for most laymen politicians, the information may be perceived as too complex and incomprehensible. If RAB is to be used in politics, the system should be simple. It must be accompanied by training, and the Parliament must have the capacity to effectively scrutinise the budget information, given that the budget is still the most important accounting device in use in politics;
- politicians are, in general, ignorant of technical accounting issues but there are always some experienced and/or knowledgeable accounting 'experts' among the representatives. In addition, many representatives in the devolved parliaments and national assemblies in the UK were former members of local councils. These members are used to handling management accounting information, in particular budgets and performance indicators;
- organisational and institutional performance, in a wide sense, is very important for politicians. The national audit offices, committee clerks, special advisers and parliamentary and partisan research officers are, in this respect, important in informing and assisting the representatives and parliamentary committees in their functions. Hence, performance information and performance audits are increasingly used and valued in the parliamentary system in checking and balancing democratic accountability;
- the budget processes in the devolved parliaments and national assemblies are regarded as open, consultative and transparent;
- the relationships between the devolved parliaments and national assemblies in the UK are marked by a more egalitarian and less fatalist public management culture compared to the Westminster model of democratic accountability. The MLAs and MSPs have relatively good access to information from the devolved executives, and there is a relatively co-operative working spirit between the executive ministers and the parliamentary committees;
- developing parliamentary structures, processes, competence and confidence in handling management accounting information relative to governmental and executive proposals, takes time. Establishing proper accounting institutions for democratic accountability in the devolved parliaments and national institutions, is an evolving learning process that will require time. However, the New Zealand experience documents that such institutional learning processes are, of course, not unique to the devolution programme;
- active use of management accounting in the new parliaments and national assemblies in the UK seems to be reliant on political 'insiders' and accounting 'experts'. However, this reliance is also evident in the established parliaments of New Zealand and Norway; and
- new parliaments and national assemblies deliberately – albeit under conditions of constraints – seek out practices and models that are used in similar institutions, especially within the UK. However, the process of detecting and selecting these institutional role models is relatively unknown.

There are also some emerging issues from our findings that need to be discussed in theory and practice.

With improved availability of accounting information, more quantities of accounting information and more relevant accounting information, politicians and executives are, to an increasing extent, subject to even more problems of bounded rationality (meaning that there are limits on the extent to which politicians and executives can act in a completely rational manner) and information overload than before.

The technological developments and institutional demands for openness and accountability have increased the political institutions’ information processing capacity and competence by extending capacity (new support departments), new tools (intranet, i.e. SPICe), and use of external experts. However, this process may increase specialisation and the division of labour and increase the knowledge division between political ‘insiders’ and ‘outsiders’ and between accounting ‘experts’ and ‘naive users’.
Openness and transparency are held by many as important dimensions of democratic accountability. There is, however, a possible trade-off between the importance of keeping closed parliamentary committee meetings for facilitating substantive politics (as in Norway) versus the demand for, and practice of, open committee meetings due to openness and transparency for legitimacy (as in Scotland).

Under PR electoral systems and minority parliamentarism, there may be many – albeit unstable – government platforms. A coalition government, and even more so a minority government, must occasionally establish a majority of different supporting parties from issue to issue, or what is called 'slalom politics' in Norwegian.

This tendency may increase the power of the parliaments relative to the executives and governments in question. The different competing parties may therefore try to reap short-term political benefits more often than under majority parliamentarism. Use of typical management accounting as non-financial performance information and other statistics may be particularly opportune ammunition in such political competition. Thus, management accounting may be more decision-relevant – and hence used more – in politics in the devolved parliaments and national assemblies with PR, compared to Westminster with FPTP.

While minority parliamentarism may increase the power of the parliament relative to the executive, the political, democratic accountability of the representatives and parties relative to the voters and society at large, may seem to decrease. (However, this opinion may be debatable and depend on what model of democratic accountability – majoritarian or consensual – is used as a benchmark.) Thus, there may be some paradoxical effects of the political salience of introducing more decision-relevant management accounting information for enhancing democratic accountability.
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