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1 About the research

1.1 Background
This CIMA-sponsored study originated in 2000, as an idea to explore the role of management accounting in central governments. It later evolved into a more comprehensive examination of the role that management accounting is playing as part of the overarching modernising agenda of governments and, specifically, in the UK devolved parliaments of Scotland, Northern Ireland and Wales. The research sought to establish the extent to which, if at all, management accounting contributed to greater accountability within the public sector and the devolved parliaments.

1.2 Overall purpose
This report explored the role management accounting plays, both in a general modernised public management culture (as a result of new public management (NPM) reforms), and in UK devolved parliaments. Specifically, it seeks to determine whether management accounting contributes to greater democratic accountability in UK devolved parliaments.

It examines the comparative practices of New Zealand and Norway as benchmark cases for the devolved UK assemblies.

1.3 Research questions
Two research questions were addressed in this study:
• 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?
• Accounting and democratic accountability - how does public management culture affect democratic accountability in devolution?

1.4 Methodology
Each country included within the research was examined as a single case study. The research incorporated the views of individuals (politicians, civil servants and audit officers), groups (meetings, committees, parties) and also examined relevant organisations (parliamentary, governmental and audit institutions).

Apart from the devolved assemblies/parliaments within the UK (Scotland, Northern Ireland and Wales), the authors sought to draw international comparisons, examining the parliaments of New Zealand and Norway.

The data collected was both qualitative and quantitative: face-to-face interviews with key players within the parliaments were conducted, backed up by other documentation (non-participant observation of committee meetings, or transcripts of these meetings) and an analysis of policy papers. Workshops were also conducted.
2 Historical context

2.1 Devolution
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. It is also referred to as ‘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 UK. Openness, transparency and accountability have been central subjects in the devolution programme in Northern Ireland, Scotland and Wales.

2.2 New public management (NPM) reforms
NPM initiatives are global phenomena which arose out of the need for assuring a more reliable discharge of accountability within the public sector. They were implemented from the 1980s onwards. These initiatives called for enhancing accountability through improving efficiency and implementing systems for measuring and monitoring performance.

The UK and New Zealand have generally been at the forefront in implementing NPM.

The experience in the UK has seen widespread public management reform via privatisation, marketisation and output orientation.

These reforms were designed to affect democratic accountability but do not have any formal connections to the devolution programme.

2.3 Resource accounting and budgeting (RAB)
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.

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.

2.4 The international experience
This study examines the practices of New Zealand and Norway as benchmark cases for the devolved national assemblies in the UK. Doing so helps to place the UK experiences of devolution within a broader international context. In addition, both New Zealand and Norway have comparative populations to the devolved UK assemblies.

Norway’s history of multi-party proportional representation and multi-party coalition (and minority) governments also makes it an interesting comparator. Similarly, New Zealand’s reputation as a world leader in modernising public management is an important reason for its inclusion in this study.

3 The report findings

3.1 Summary of findings
Management accounting has an important role to play in the assemblies/parliaments examined in this study.

It has heightened the sense of democratic accountability of the devolved institutions (Scotland, Northern Ireland and Wales), both in relation to their constituencies and to the central UK government. This trend is also to be seen as a result of the overall public sector management (NPM) reforms that have occurred in recent years, parallel to the devolution process.

The introduction of RAB has had a profound impact on the accounting practices of the governments included within the scope of this study.

More financial information has become available to new players.
The key challenge facing those in management accounting is to ensure that those players are able to comprehend and utilise this information.

A further challenge is to ensure that this financial information is utilised in a meaningful way. Specifically, from a glut of information, there is a need for streamlined data to be made available on resources available to, and spent by, devolved assemblies/parliaments in different areas. In addition, this information should be supplied to the relevant people/committees, so that these resources may be more effectively managed.

3.2 Key findings

The key findings of this research can be summarised as follows:

1. Politicians in the devolved assemblies/parliaments have a very compartmentalised view of accountability and often limited awareness of the potential of management accounting. There is a consensus among politicians that there is ‘information overload’ regarding financial information. In particular, the processes of budget scrutiny within devolved UK assemblies/parliaments need to be simplified.

2. Politicians have a limited understanding of what RAB is and what it is intended to provide. In fact, most expertise in RAB sits with government accountants and auditors. As a result, there is a danger that democratic processes may become increasingly difficult to understand and, hence, lack transparency.

3. 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.

4. There is a shift towards the increased use of performance information in Northern Ireland, Scotland and Wales. This trend is even more pronounced in New Zealand and Norway.

5. 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.

4 The use, and limitations of, accounting information in devolved parliaments

The study focused on the process of devolution in Scotland, Northern Ireland and Wales as individual case studies. Hence, each is discussed separately here.

4.1 Northern Ireland

In Northern Ireland, both political respondents and ‘other respondents’ expressed a view that there was often too much irrelevant financial information available.

A variety of reasons supporting this view were given. According to politicians, deliverers of this information used a ‘scattergun’ approach instead of tailoring the information to a particular need, while non-politicians argued that they saw the politicians’ compulsion to have all information, regardless of its relevance, as problematical.

There were 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 available, 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 significantly the demand for performance information.

A main theme of the responses of politicians, particularly ‘outsider politicians’, to questions on the scrutiny of budget figures was that difficulties had arisen regarding scrutiny because of overly technical presentations. 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.

In terms of performance measurement and auditing, the study found views ranging from a belief that targets were set low and so were relatively easy to achieve, to the argument that only bad performance received any publicity. One politician complained that information was only received in briefings when they sought it out. Other respondents argued that performance data was still prey to departmental subjectivity.
Almost all interviewees questioned on the source and quality of their accounting information argued that the information could be easily improved, especially the information on targets. Many felt that the targets were too easily achieved and did not function as intended.

One interesting point to note was that many Northern Ireland politicians in the devolved parliament have local government experience. In local government, it is common to use league tables and comparisons. Hence, the devolved parliaments and national assemblies have a relatively high competence in accessing, judging and debating performance information.

Despite this, there was confusion surrounding the introduction of RAB. RAB was implemented in Northern Ireland at the same time as the rest of the UK – but whereas the rest of the UK enjoyed a three year transitional period where RAB and cash-based appropriation accounts ran parallel to the other, Northern Ireland had a one-year transitional arrangement in place.

Those who were conversant with the intricacies of RAB even though it was clear that a proportion were struggling with some of the concepts of it 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.

4.2 Scotland

For many Scottish parliamentarians, 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 instead to focus on narrative aspects of accounting information and avoid the financial figures.

The dominant view of accounting, from the perspective of the groups interviewed, was limited to financial issues. There was little awareness of RAB – what it is, what it is intended to do, and how numbers have changed because of it. There are a small number of experts within the Scottish 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 a small group of politicians with knowledge of public finances (‘the insiders’).

Many parliamentarians are reliant on the guidance of ‘the insiders’, or on advisers to specialist subject committees, to understand the implications of central government accounting.

The issue of performance reporting was under development, with unofficial talks taking place between the Executive and the Scottish Parliament. The Executive has strongly focused on the need for performance improvement in public sector bodies. Extensive monitoring of performance reporting was being undertaken by Audit Scotland and the Accounts Commission as a basis for the benchmarking of activities with comparator services.

There was, however, an overall opinion that public management reforms over the last 20–25 years had increased the availability and use of performance information.

4.3 Wales

There was 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.

There was also unanimous agreement right across the political divide that the quantity, quality and transparency of information was far greater since devolution and that, in general, devolution had improved the accessibility of information.
Civil servants involved in preparing the Welsh budget acknowledged that it might 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.

Certainly, most members interviewed did not consider themselves to be numerate, and hence sought help from others to interpret the numbers.

Another problem with performance information was due to the fact that some statistics came top-down. For example, certain statistics, like the census, were survey-based. These numbers could be difficult to use as a basis for targets because, at the local level, they could have low reliability. However, once a minister has set a target, it is likely that any failure against that target will be picked up by the opposition. For instance, researchers working for the opposition may identify failure and feed such information into the political debate. In a sense, this is a public form of accountability, as there are people sitting and waiting for the Executive not to achieve its targets (and possibly waiting to alert the media to such facts).

5 The international experience
The New Zealand and Norway cases may provide several insights with implications for the analysis of management accounting in the UK devolved institutions. Firstly, budget and performance information is apparently perceived by politicians as more useful for democratic accountability than traditional accounting information.

Secondly, 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. Thirdly, certain NPM reforms, including the introduction of performance management and RAB, seem to be conducive for democratic accountability.

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

6 Conclusion
Devolution has unequivocally improved democratic accountability in Northern Ireland, Scotland and Wales, resulting in more openness, consultation and scrutiny of national issues than before devolution.

Even though some improvement in 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 of this information.

The devolved UK parliaments all share a preoccupation with targets, have a narrow understanding of accounting as being purely concerned with financial matters, and also have a, perhaps contradictory, desire for more and better performance information.

There also is evidence in this study to suggest that many parliamentarians in the UK devolved assemblies depend on accounting experts (such as government accountants, auditors, advisors) to help them interpret the accounting information available to them.
7 Emerging issues
The process of devolution and the introduction of RAB are both fairly new concepts. In particular, it is difficult to gauge the success, or failure, of RAB. There is a need for both to be re-assessed in the future.

Throughout the course of this research, the participants frequently identified a concern with 'information overload'. This is due to the improved availability, greater relevance and greater quantities of accounting information being available to political representatives of devolved parliaments in the UK.

There is also a perceived threat that a greater demand for openness and accountability, coupled with technological advances, might create a system of political 'insiders' and 'outsiders', and accounting 'experts' versus 'naïve users'.

The challenge for management accounting professionals is to ensure that all players within the devolved parliaments are able to both comprehend and to effectively harness this information for the benefit of their assemblies/parliaments and constituents.
CIMA (The Chartered Institute of Management Accountants) represents members and supports the wider financial management and business community. Its key activities relate to business strategy, information strategy and financial strategy. Its focus is to qualify students, to support both members and employers and to protect the public interest.