

Different Views of Accountability

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Abstract

Introduction

Accountability is a complex and multifaceted concept (Sinclair, 1995) that is made operational through relationships between individuals and organisations (Ebrahim 2003). While accountability may be difficult to define (Ebrahim 2003, Goddard 2005) there is a consensus that it involves a rendering of an account and therefore the provision of information. Underpinning the concept of accountability is the notion that one person is responsible to another, and is obliged to render an account of their decisions and actions to another party.

In this study the understanding of accountability held by local government managers and elected councillors will be explored. The research reported in this paper describes how managers and councillors, in Victorian local government, perceive and understand the concept of accountability in a New Public Management (NPM) environment. Results were analysed determine if there were any differences as a result of the location of the council or the position held by the respondent.

The nature of Accountability

The concept of accountability has numerous facets. In fact it is more appropriate to speak of different accountabilities. The essence of accountability, argue Cutt and Murray (2000), has always been the obligation to render an account for a responsibility that has been conferred. Yet, while the concept might at first seem to be easily defined accountability relationships are in reality complex and multi-faceted (Sinclair, 1995). Glynn and Murphy (1996) argue that accountability is broadly speaking the process via which a person, or group, can be held to account for their conduct. However, this formal hierarchical 'core' model of accountability has according to Cutt and Murray (2000) been extended to recognize a broad range of constituencies with an interest in disclosure of information.

Similarly, Broadbent and Laughlin (2003) argue that there are broadly two forms of accountability; public/political accountability that involves the public as principals and is concerned with issues of democracy and trust, and managerial accountability that is concerned with day-to-day operations of the organisation. They state that under managerial accountability the provision of detailed information is not directed to being more accountable to the public but rather it is an attempt by the principals (elected representatives) to control the agents (managers) and legitimise past decisions and actions. In addition Funnell (2003) argues that other forms of accountability are being reduced when accountability that highlights accomplishments, progress and improved performance is encouraged. Similarly, broadening the scope of accountability to include managers inserts extra levels of accountability between the delivery of services and elected representatives. Service delivery, according to Funnell (2003) has been changed from a political activity to a technical issue therefore placing a greater emphasis on technical information such as accounting, budgeting and performance measurement. Further, these predominantly quantitative measures provide information about efficient performance, which is related to managerial accountability, rather than effective service delivery, which is related to public / political accountability. The emphasis on efficient service delivery and quantitative information changes the nature of accountability leading to greater control by the executive rather than increased scrutiny of the executive (Broadbent and Laughlin 2003).

The appropriateness of conventional accounting in providing information for public sector accountability has been questioned by Collier (2005). He argues that accounting is bound with the issues of who is accountable, to whom, and for what. The purpose of accounting systems is to capture and report information about economic transactions. He goes on to state that accounting provides explanations of past actions and justification for future actions. Therefore the type and format of the information provided by an accounting system can have an impact on the accountability relationship.

Public Sector Accountability

In the public sector accountability relationships are hierarchical involving principal and agent relationships. For example elected councillors are agents for the citizens that elected them and local government managers are agents for the councillors. The rendering of account requires the agent to provide information about decisions and activities to the principal. Accountability is thus established when an agent accepts resources and responsibilities entrusted by the principal.

The principal/agent or accountant/accountee relationship is arguably easier to define in a commercial context where contractual relationships are common and understood. Also the lines of accountability are relatively easy to delineate in comparison to the public sector. However, under NPM accountability relationships within the public sector appear to have become contractual in nature. Patton (1992) states, public sector organizations are not judged by the profits they make or the dividends they declare but rather on the policies that are developed and the extent to which stated objectives have been achieved. The argument outlined here by Patton (1992) equates with public/political accountability discussed by Broadbent and Laughlin (2003).

The changing nature of accountability under NPM is also discussed by Taylor and Rosair (2000) noting that it has broadened from stewardship to managerial accountability. They concluded that the predominance of one type of accountability depended upon the intended accountees, that is, the participating parties within the structure of government and the public. The results reported by Taylor and Rosair (2000) indicated that the main purpose of external reporting is linked to meeting accountability demands of the participating parties and had little to do with providing accountability to those accountees outside of the government structure.

NPM and Public Sector Accountability

It has been argued that NPM has changed the understanding of accountability in the public sector (Parker and Gould, 1999). On the one hand NPM, with its production values is a threat to traditional accountability; while on the other hand, it has broadened the concept of

accountability to include performance. There is an emphasis on planning, budgeting and service delivery (Goddard, 2005) and a lessening of the differences between the public and private sectors (Hood, 1995). The expansion of the concept of accountability in the public sector has increased the need for appropriate information in accountability relationships. Cameron (2004) argues that the reporting of well-documented performance information is now fundamental to public sector accountability. Cameron's comment reinforces the perception that there has been a shift from public/political accountability toward managerial accountability.

Victorian Local Government has undergone numerous changes in recent years, many of which can be characterised as being part of NPM (Kloot and Martin, 2001).

Local government is subject to the control of the State government, whose legislation gives it life and responsibilities (Kloot and Martin, 2001). They also argue that accountability in a NPM framework is more centred on financial outcomes. This is consistent with the findings of Taylor and Rosair (2000). However, Kloot and Martin (2001) conclude that local governments in Australia have emphasized accountability to ratepayers and the wider public and managers in local government are capable of meeting the demands of multiple accountabilities. Their finding appears to contradict the argument put forward by Parker and Gould (1999), however, the information being provided is predominantly managerial rather than that required for public/political accountability. Parker and Gould (1999) summarize the discussion about accountability in the public sector by stating that managerial accountability, under NPM, has expanded its scope beyond the traditional administrative accountability (monitoring processes), to include the monitoring of inputs, outputs and outcomes.

Cameron (2004) points out that Key Performance Indicators (KPIs) are largely driven by the budgetary process and linked to the allocation of resources rather than the attainment of objectives, therefore emphasising managerial rather than political processes. In addition he suggests that the link to the budget explains the emphasis on efficiency rather than

effectiveness. He goes on to say that many KPIs are reported by agencies to meet compliance requirements rather than to report on the effectiveness of programs.

According to Hood (1995) NPM involves the lessening of the differences between the private and public sectors. This includes defining relationships between the municipality and internal and external parties in contractual terms. Foster (2000) argues that accountability can be best achieved by the use of contracts. This relies on the ability to reduce all accountability relationships to ones of obligation; where there is a principle/agent relationship. So long as the contract is clear then the obligations under the relationship are clear as are the information needs to monitor the performance of the contract. However, principal/agent relationships are complicated by information asymmetry and power differentials (Broadbent and Guthrie, 1992). Kloot and Martin (2001) suggest that there are also social contracts that are important for accountability and go beyond the legalistic approach suggested by Foster (2000).

The information required by the type of accountability argued for by Foster (2000) with its emphasis on financial information and audits appears to be simplistic and one dimensional and is in contrast to what is required for the framework of accountability as argued for by Cutt and Murray (2000), Funnell (2003) and Broadbent and Laughlin (2003).

Patton (1992) contends it is even more important for stakeholders to be able to make informed judgements about the performance of public sector entities against stated objectives and the stewardship of public monies. Therefore performance reporting as well as traditional compliance reporting by the public sector is important to the accountability relationship with external stakeholders.

Research Questions and Method

The literature indicates that the NPM may have changed the concept of accountability that is current in the local government sector; however, the understanding of accountability may not be uniform across the sector. The first research question to be answered is whether there is a difference in understanding of accountability between Metropolitan councils and

regional councils. The second research question to be answered is whether councillors, tier 1 managers and tier 2 managers have a different understanding of accountability.

Data was collected by survey that had been developed on the basis of the issues raised in the literature. The questionnaire was submitted to the Victorian Local Government Association (VLGA) and the Municipal Association of Victoria (MAV) for comments about the appropriateness of the statements and the format of the instrument. Each of Victoria's 78 municipalities was sent a questionnaire accompanied by a covering letter. There were 330 useable survey instruments returned, representing a response rate of approximately 21 percent. There were 142 responses from metropolitan councils and 181 responses from regional councils. The respondents were divided into 113 councillors, 77 first tier managers (such as chief financial officers) and 135 second tier managers (department heads). Two-tailed ANOVA tests were applied to statements that defined accountability (See Appendix 1). The respondents were first grouped by whether they belonged to regional or metropolitan councils and then by position; councillors, or tier 1 and tier 2 managers. The responses given by councillors and managers to each significant statement were then analysed (See Tables 3 to 7).

Results

Differences between groups were found to the statements for managers and councillors (See Table 2) and between regional municipalities and those located in the metropolitan area. However, two statements were significant when tested for location (See Table 1). The statements were: '*accountability goes beyond compliance*' and '*public sector managers can have conflicting accountability relationships*'. Of the metropolitan respondents 96.5% agreed with the first statement while 3.5% disagreed. None of the metropolitan respondents were undecided while 2.8% of the regional respondents were. Of the regional respondents 91.7% agreed and 5.6% disagreed. Twenty six percent of metropolitan respondents disagreed with the second statement while 19.8 % of regional respondents disagreed. More metropolitan respondents were undecided (12.0%) than regional respondents (4.4%).

The ANOVA results to five statements differed significantly according to whether the respondents were councillors, tier 1 or tier 2 managers. The five statements were:

1. Accountability can only apply in terms of probity;
2. At the centre of an accountability relationship is stewardship;
3. A greater degree of participation in decision-making will improve accountability;
4. Only councillors should be held accountable for policy decisions;
5. Personal values are the only guarantee of accountability.

While all three groups disagreed with the first statement (See Table 3) councillors disagreed the least and tier 1 managers disagreed the most. However, the difference between tier 1 and tier 2 managers was small. More councillors saw accountability in legalistic terms. The three groups were clearly in agreement with the statement that *at the centre of an accountability relationship is stewardship* (See Table 4). However, tier 2 managers showed the least support and were more likely to be undecided. There is very little difference between councillors and tier 1 managers in their response to this statement.

There was significant support for the statement that *a greater degree of participation in decision making will improve accountability*, (See Table 5) particularly among tier 2 managers. Tier 1 managers had the largest percentage of respondents who disagreed with the statement.

The three groups all disagreed with the statement that *only councillors should be held accountable for policy decisions*, (See Table 6) however, fewer tier 2 managers agreed with the statement. Councillors had the largest percentage of respondents in agreement with the statement.

Councillors were also the group the largest percentage of respondents who agreed with the statement that *personal values are the only guarantee of accountability*. (See Table 7). The

tier 1 managers had the greatest percentage of respondents who were undecided and disagreed. Councillors had the smallest percentage of respondents who were undecided or disagreed.

Discussion and Conclusions

There is broad agreement amongst councillors and managers of Victorian local government about the concept of accountability. However, when the ANOVA was done by location the differences in response to two statements were found to be significant. The differences were one of degree. Both regional and metropolitan councillors and managers agreed with the statement that *accountability goes beyond compliance*, however, more metropolitan councils agreed with the statement than regional councils. One possible reason for the difference in response is that regional councils may not have the resources of the metropolitan councils and may only be able to provide basic services thus limiting their responsibilities and encouraging a limited view of accountability.

In the case of the statement that *public sector managers can have conflicting accountability relationships* there was greater agreement amongst the regional respondents than those from metropolitan municipalities. This response to the second statement may be explained by the differences in the character of regional and metropolitan municipalities. Regional managers are more likely to have links with other stakeholders in the community and be known by the general community therefore providing greater opportunity for a conflict of interest. Metropolitan managers would have greater anonymity and less scope for conflict of interest.

The ANOVA test revealed difference in the responses to five statements when analysed according to position, i.e. councillor tier 1 and tier 2 managers. The response to the statement that *accountability can only apply in terms of probity*, was rejected mostly by tier 1 managers and by fewer councillors. A possible explanation for this result is that tier 1 managers have a broader concept of accountability than the other groups. Their role exposes

them to the most recent ideas about public administration and they are in a position to influence accountability in their councils.

The responses to the statement that *at the centre of an accountability relationship is stewardship* was clearly supported by councillors and tier 1 managers, however significantly fewer tier 2 managers supported the statement. This may reflect the relative lack of power of tier 2 managers; few of their decisions would involve stewardship of the community's assets, rather they are concerned with the provision of services.

The statement that *a greater degree of participation in decision making will improve accountability* was most strongly supported by tier 2 managers and least supported by tier 1 managers. This result could be indicative of tier 1 manager's concerns about control and the desire of tier 2 managers to be given a greater role in decision making.

The statement that *only councillors should be held accountable for policy decisions*, was rejected by the three groups, however, tier 2 managers were strongest in their opposition possibly reflecting their concerns about the power of the other groups. Councillors were more evenly divided indicating a belief that as elected representatives they were responsible for the decisions made by council. The tier 1 manager's response reflects a belief that management has a role in policy decisions.

The statement that *personal values are the only guarantee of accountability* was also rejected by the three groups. It was most strongly rejected by tier 1 managers and given more support by councillors. This result might be interpreted as showing that councillors were more likely to feel that their personal values should be part of decision making and also that management systems cannot guarantee accountability. However, both groups of management see accountability being underpinned by the institutional processes.

The results reported in this paper show a broad understanding of the concept of accountability irrespective of the location of the municipality or the position held by the respondent. The differences between groups tend to be ones of degree; there were no responses showing contradictory attitudes to those of other groups. The results point to aspects of accountability being affected by the size of the community and the resources available to the council. While the position of the respondent reflects the control and degree of participation in decision making; Tier 1 managers wanting control while tier 2 managers seeking greater participation. Personal values were seen to be an important part of accountability by councillors as they are elected and therefore politics and hence values play an important role in their decision making, while managers would more likely be guided by institutional processes.

These results were obtained by using a questionnaire and thus subject to the problems associated with that method of research. However, the results do indicate areas for future research using qualitative methods.

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TABLES**Table 1****ANOVA for Metropolitan and Regional Councils**

Statement	Sig
Accountability goes beyond compliance.	.002
Public sector managers can have conflicting accountability relationships.	.016

Table 2**ANOVA for Councillors and Management Groups**

Statement	Sig
Accountability can only apply in terms of probity	.010
At the centre of an accountability relationship is stewardship.	.045
A greater degree of participation in decision-making will improve accountability.	.040
Only councillors should be held accountable for policy decisions.	.001
Personal values are the only guarantee of accountability	.025

Table 3 Accountability and probity

Accountability can only apply in terms of probity;	Councillors	Tier 1 Managers	Tier 2 Managers
Agree	35.0%	14.9	24.0
Undecided	16.5%	16.2	12.4
Disagree	48.5%	66.3	63.5

Table 4 Accountability and stewardship

At the centre of an accountability relationship is stewardship	Councillors	Tier 1 Managers	Tier 2 Managers
Agree	73.6	74.7	61.7
Undecided	17.3	13.3	21.4
Disagree	9.0	12.0	16.9

Table 5 Participation and accountability

A greater degree of participation in decision-making will improve accountability	Councillors	Tier 1 Managers	Tier 2 Managers
Agree	79.3	70.3	83.5
Undecided	4.5	6.7	3.8
Disagree	16.2	23.0	12.9

Table 6 Only Councillors accountable

Only councillors should be held accountable for policy decisions	Councillors	Tier 1 Managers	Tier 2 Managers
Agree	40.2	27.3	19.5
Undecided	8.9	6.5	8.3
Disagree	50.9	66.3	72.2

Table 7 Personal values

Personal values are the only guarantee of accountability	Councillors	Tier 1 Managers	Tier 2 Managers
Agree	46.4	22.0	33.1
Undecided	2.7	13.0	9.8
Disagree	50.9%	65.0%	57.1

Appendix 1 Survey Statements

- 1) Accountability is a very easy concept to define.
- 2) Accountability can only apply in terms of probity.
- 3) At the centre of an accountability relationship is stewardship.
- 4) Accountability goes beyond compliance.
- 5) Accountability can only be guaranteed by a contractual relationship.
- 6) Professional codes of conduct enhance accountability.
- 7) The accounting standard AAS 27 ensures accountability in local government.
- 8) The Local Government Act makes councillors accountable only to the State Government.
- 9) The degree of accountability will depend upon the relative power of the stakeholders.
- 10) A greater degree of participation in decision-making will improve accountability.
- 11) Compulsory reporting to stakeholders will enhance accountability.
- 12) Access to information by all stakeholders is essential for accountability.
- 13) Only councillors should be held accountable for policy decisions.
- 14) The principal/agent relationship can distort the concept of accountability.
- 15) Public sector managers can have conflicting accountability relationships.
- 16) Personal values are the only guarantee of accountability.