

REVIEW OF THE INTERNATIONAL RECORDS MANAGEMENT TRUST (IRMT) FINANCIAL RECORDS REFERENCE MODEL

*Review by Mrs Margaret Hule, Accountant Generals Department, Botswana,
on behalf of the ESAAG Committee*

There is no doubt that the International Records Management Trust (IRMT) Financial Records Reference Model is a timely document which could act as a resource and a guidance and information tool for Government and other institutions which are interested in having their operations managed in an efficient and cost-effective way, through proper records management. A document of this nature is very important to this department which is responsible for the proper and accurate preparation of and reporting on Government's accounts, and which also has a direct influence on policies and regulations relating to the creation and maintenance of financial records.

The manner in which the Model has been structured and the detailed way in which the various sub-items have been addressed give a clear indication of the serious thought and research which has gone into its compilation. Overall, the model allows the reader to be aware of the principles and good practices of proper records management, and introduces him/her to the approaches, which can be used in trying to diagnose the strengths and weaknesses of the records system in his/her institution.

With present-day Governments being required to deal with more complex and varying activities in an environment which constantly changes due to technological and other advances, there is the growing necessity for their institutions' records, especially those of a financial nature, to be properly managed and maintained, if they are to present timely and accurate reports and financial statements on their operations to stakeholders. The IRMT Records Reference Model is therefore a step in the right direction, in the sense that it presents a document to which Ministries, Departments etc., can turn to guidance in setting up effective record management schemes or improving those in place. It is useful that the inefficiencies associated with the 20th century Governments, due to poor records management were noted, and provided the impetus for the IRMT Model to be developed with a view to avoiding similar mistakes.

The timeliness and importance of this IRMT Financial Records Reference Model to this department cannot be overstated, since it has experienced some inefficiencies in its records management system, which were subject to adverse comments by internal and external stakeholders. This was primarily due to a combination of factors, many of which lead to the fact that much importance was not attached to the key activities necessary for the efficient management of financial records. The system for managing financial records as outlined in the Model, clearly shows the stages and links of the activities necessary for a successful records management programme to be implemented or followed, and is useful information to this department in its efforts to improve its record keeping and management, to be able to provide a better service to stakeholders.

Since this department has direct responsibility for the preparation of accurate and relevant accounts, financial statements, schedules etc., of the Government, as required by The Finance and Audit Act, the point made in this document that the Treasury should be responsible for ensuring that procedures for managing financial records are built into Financial Instructions and are implemented, is well taken. This advice should be borne in mind when the Department embarks on revising its Financial Instructions and Procedures.

A commendable feature of the Model is that it goes through the basic principles, describes maintenance and monitoring requirements and provides a toolkit for diagnosing the weaknesses and improving the management of financial records.

This all-encompassing approach would allow users who would be strong in some areas and weak in others, to see in a holistic manner the approaches to be taken to effect improvement in their financial records management system. Highlighting the Human Resource and Training elements of the system is another strong point in the Model, as all would come to naught if this is either overlooked or not taken seriously. It is essential that staff receive guidance and training to help them understand the structures of Government's records management system and their duties towards better records management, as this would make them better understand and appreciate the work environment in which they operate.

When we look at the model itself, it is divided into two (2) parts. Part I specifies the principles and practices of keeping financial records while Part II outlines different assessment tools for diagnosing weaknesses in financial records systems. The Reference Model is in fact an operational tool with which financial records keeping systems could be designed or improved. Still, the model further demonstrates how such a system could be impossible to achieve without the involvement of personnel skilled in Records Management Principles and Practices. By nature of their work Accounting Officers will always be involved in handling records, and the model comes with assessment tools to diagnose the system throughout the existence of their records.

Part I is referred to as *Principles and Practices*. Basically it premises its position by highlighting basic principles and practices of Records Management, which attempt to demonstrate financial records as a strategic resource. While such records are seen as a strategic resource, the model further states some control measures to be imposed, which will ensure the proper use of records, control access to records and monitor the retention period of records. Further there is a control framework in the context of legal and regulatory framework. This reconciles Records and Archives legislation with The Finance and Audit Act and Financial Instructions. The model specifies the need for appropriate storage facilities and conditions for keeping financial records, including measures to take in protecting these from fire, floods as well as securing them from unauthorised access. On the matter of Personnel, the model states that staff managing financial records should have a clear career path/structure, so that if it should be effective it should have appropriate competency skills or be regularly trained.

Part II bears the title *Diagnosing the Weaknesses*. This portrays varied assessment tools which are used to diagnose weaknesses in a records keeping system; that is whether such a system exists or not, and if it exists what its weaknesses are. Another assessment tool seeks to reveal

whether the programme is supported by necessary elements such as legislation, regulations, procedures, control systems, human resource, facilities and maintenance, etc. A further assessment can be carried out on the facilities used for records as well as their maintenance. And finally another assessment tool could be used to determine whether the human resource necessary for managing financial records in Government is in place. It further produces a summary of structures, competencies and training needs of staff.

In analysing the model we are pretty satisfied that it covers all the aspects of promoting good care on financial records. We are quite agreed that the model is reconciliatory to two different professions both interested in the use and care of records, these being Financial Managers and Records Managers. We are also quite agreed, as the model further demonstrates, that it is impossible to achieve best practice in keeping financial records without the involvement of personnel skilled in records management, and that since by nature of their profession. Accounting Officers/Financial Managers will always be involved in handling records and therefore have to be tutored in records management principles and practices.

However, it is useful that the actual experiences from various countries were drawn upon before developing the IRMT Financial Records Management Model, as this provides a basis for its universal acceptability. While records keeping and management practices may vary from country to country, there is no doubt that good practices and principles are similar to all. Also worthy of note is the fact that the Model has recognised that in today's world, more and more emphasis is placed on computerisation, and saw it fit to take account of the requirements for managing records in computerised systems, and analyses the optimal ways of creating the linkages between the manual and computerised parts of the system.

Since Governments of today are more-or-less forced to be more accountable and transparent in their operations, and efficient in the provision of service, their institutions have been introducing new techniques/methods/systems such as Performance Management System (PMS) etc., to improve their operational effectiveness. The IRMT Financial Records Management Model provides another important improvement tool for Government and other institutions to work with, since well-maintained financial records permit the preparation of useful financial reports on the management of resources, to give the public the assurance that the financial reports are credible.

PRINCIPLES AND PRACTICES IN MANAGING FINANCIAL RECORDS: A REFERENCE MODEL AND ASSESSMENT TOOL (IRMT)

**Review by Schalk Human, Office of the Auditor General, South Africa,
on behalf of the SADCOSAI Committee.**

General comments:

The reference model is generally supported. It is evident that the research conducted was thorough and includes all the basic principles required to ensure the proper managing of financial records in the public sector. It is generally applicable to the private sector as well.

All the issues that constitute to financial records are included in the document, for example:

- characteristics of records and the reason why it is important for record keeping purposes
- necessity of, and maintaining an audit trail
- it covered paper as well as computerised records
- storage of the records
- monitoring of records
- human resource issues.

Although extensive attention is given to monitoring records management systems and procedures (chapter five), the responsibility is resides almost entirely at the national records and archives institution in an individual country. It is proposed that some kind of internal quality control system be implemented in line ministries and other entities. The system could form part of the normal internal quality assurance programme of an institution or could be implemented as a separate measure. The benefit would be that standards are maintained even though a specific department would not be subjected to an inspection during a specific financial year.

Specific matters for comment

Consider using the word “entity” or “enterprise” in stead of “organisation”.

Page 11

First paragraph: “, who keep the records whether by legislation or for their own future use...”

Second paragraph: “contracts and supporting documentation e.g. invoices and monthly statements.

Page 13

Second bullet: "...accessed only by using computer software and hardware."

Third bullet: "...easily manipulated (that is updated, deleted, changed and so on)."

Fourth paragraph: "...reasonable doubt about the lack of authenticity and..."

Fifth paragraph: "...the objectives of the entity (Could be the government, a public entity or a local authority.)

Page 14

Fourth paragraph: Archives or destruction:

Archives: These are records that have been identified as having long-term value and are therefore selected for permanent preservation. Archives of government will normally be preserved in the national records and archives institution.

Destruction: Records identified that are not needed any more could be destroyed after approval has been obtained. (*These records should be kept for the period prescribed by the relevant acts.*)

Fifth paragraph: "...reflect the way in which the records were created and used or in which way the transactions occurred."

Sixth paragraph: "...those records relating to the same function, activity or period or having some other relationship..."

Page 15

Third bullet: "government agencies have certain liabilities and receivables."

Page 19

Compliance and monitoring:

The audit committee plays also a very important role in the monitoring process and could also be mentioned.

Page 21

Fourth paragraph: "Additional indexing points e.g. batch numbers or year, may be added subsequently to the file..."

Fifth paragraph: "...purchase: quotation + purchase requisition + purchase order + goods receive note + invoice + payment voucher = procurement record."

Page 31

The destruction of records must be clearly documented to provide evidence of destruction according to an agreed programme. The department of archiving must give approval before destroying any documentation. This approval must be linked to the list of documentation that was destroyed.

Page 41

Most government administrations make use of transversal systems for financial management and administration. It is recommended that consideration be given to including some guideline pertaining to the managing of these.

Page 78

It might also be valuable to ask if the identifier was allocated within the broader classification system of the entity/department and if this system is approved by a national archive or records controlling agency.

Page 81

The second question should probable read: " Can audit queries for the previous years be easily located when needed?"

Page 95

The sample score matrix consist of seven (7) categories and each could be rated a maximum of four (4). The total should therefore consist out of a score of 28. The total for Ministry A should be 16 and not 13 as indicated while Ministry C's total should be 18 and not 15 as indicated. The weighted averages will as a consequence also have to be adjusted to 2.3 and 2.6 respectively.

Page 123

The risks pertaining to facilities could be extremely high, especially in developing countries. It is recommended that a risk table also be included pertaining to this issue.

Page 127

The definitions of the ratings were found very helpful. It is suggested that definitions should also be added to the risk tables at the end of the different relevant chapters to define the concepts of likelihood and impact.

REVIEW OF THE INTERNATIONAL RECORDS MANAGEMENT TRUST (IRMT) FINANCIAL RECORDS REFERENCE MODEL

Phil Calder, Chief Accountant, Government Accounting Office, USA

General Comments

I think the document should stress the need for top management to become involved in the policies and procedures needed for the successful management of financial records. In this regard, I would strengthen the model to include a separate section that mentions a positive and supportive “tone at the top”. I suggest that a separate chapter or section could be devoted to the fundamental concepts inherent in internal control, which would be very helpful in describing an overview of the entity’s internal control structure or internal control environment. That section could also discuss in more detail the importance of achieving the objectives of the efficiency and effectiveness of operations, the reliability of financial reporting, and compliance with laws and regulations.

Following are my specific comments.

Introduction

Pg. 4. One of the questions asks “is there a significant problem or fraud in the revenue collection area?” An equal area of concern would be disbursements and payables and I suggest adding a similar question for this area.

Chapter 1

Pgs. 16-17. The list of functions should include a financial statement or financial reporting function. In addition to ledgers, registers, and receivable or payable files, there are numerous documentation and record-keeping procedures that could be included, such as keeping records of individuals who owe money to the entity and lists of debtors.

Chapter 2

Pg. 25. The idea or concept of “registration” is not always clear. Examples would help, such as a check book register. This is a listing of all checks written, payees, their dates, unique check numbers, and an appropriate account classification. Once registers are filled they should be numbered and dated for future reference, retrieval, and tracking and audit of items.

Pg. 25—First paragraph. In addition to assigning a record a unique identifier, we should also assign a unique identifier to registers to be able to identify and retrieve them in the future. For example, there may be many cash receipts and disbursement registers that an entity would need track.

Pg. 28—Last paragraph. It is possible to fully protect records but the organization must consider how much it is willing to spend to achieve that level of protection—that is, cost/benefit considerations.

Pg. 29. In the next to last sentence of the last paragraph, some words appear to be missing and in order to make it a complete thought I suggest inserting “the retention schedule should be” right before the word “issued”. Also, what does the term “Financial Instructions” mean? Should this be “final instructions”?

Pgs.30-31. The document in a number of places (see also pages 59, 60, and 72) instructs readers that records should be transferred, destroyed, disposed of or controlled, “to demonstrate compliance with the legal and regulatory framework and to maintain efficiency.” I suggest that there should be more practical and sensible reasons for doing these actions than to comply with a regulation or rule. For example, records or files shouldn’t be destroyed primarily because a law requires them to be disposed of. They should be destroyed because it is practical or economical to do so due to limited space, utility of files, a statute requires it, or other practical reasons. I suggest these sections be revised to enumerate a better rationale and provide some higher mandate or objective to accomplish the things suggested.

Chapter 3

This chapter could be expanded to discuss the objectives of internal control, the fundamental concepts and structure of internal control, and the control environment for the organization. See my general comments above.

Chapter 6

Pg. 49. Levels of Responsibility Matrix (see pg. 128). I would suggest removing the arrows that depict information flowing only one way—from top to bottom. If everyone has a stake in managing records wouldn’t information flow both ways?

In addition, since we are in a new millennium, I would not characterize the chart as representing an “ideal” type of organization.

Pg. 51. Third paragraph from bottom. In the second sentence is the word supposed to be “direction”?

Chapter 7

Pg. 54. Risk Table. We suggest providing the criteria or characteristics used to determine the risks involved, such as business or management risk, investment risk, control risk or whatever factors management may use to determine what risks need to be controlled and mitigated to achieve successful management of the entity’s records.

Pg. 63. The diagram for the control requirement for registration/classification could be clarified as it is difficult to understand the functions involved. I believe it is more confusing than helpful and I suggest eliminating it or making a better description of the flow of information. Instead of a diagram I think the objectives could more easily be met by listing the steps to be performed or the controls that need to be in place, which is a summation of the boxes on page 63. The confusion lies in not easily understanding what creates the transaction or starts the flow of information. For example, reading left to right, I presume registering a transaction, such as a check would be the first function followed by classification. The diagram seems to portray this as just the opposite. My comments on this diagram apply equally to the tracking system diagram on page 65. The functions could be described in a list which might help alleviate confusion.

Chapter 8

Pg. 97. I suggest that the second paragraph on this page cite the reference to the source documents for the associated tools for “assessing records management systems, training and physical infrastructure”. I don’t believe these have been mentioned before this section of the document.

Pg. 99. Assessment worksheet: There are 2 questions in A: Control Systems: Records Management Systems. I would suggest splitting the first question into two parts, which would help users more easily answer the specific questions.

Pg. 105. Human Resources: Competencies. I suggest citing the appropriate reference to the location of the skills matrix noted in the questions.

Pg. 113. Risk Table. I suggest providing the criteria or characteristics used to determine the risk involved, such as business or management risk, investment risk, control risk or whatever factors management may use to determine risk to successfully manage the entity’s records.

PRINCIPLES AND PRACTICES IN MANAGING FINANCIAL RECORDS: A REFERENCE MODEL AND ASSESSMENT TOOL (IRMT)

Review by Andrew McDonald, University College London

Introduction

This is an ambitious work. It sets out to establish best practice for the management of financial records and then to provide diagnostic and analytical tools to assist practitioners in tackling the management of such records. It speaks to records management professionals and to financial managers. It addresses all tiers of government. Most ambitiously of all, it aims to establish principles of international application. It acknowledges that the work stems from experience in 'the British tradition of administrative practice' but it does not confine its prescriptions to the Commonwealth.

It is a tribute to the experience of the authors that the reference model attains most of the objectives that they have set. It draws effectively on international best practice and on the authors' observations of the management of financial records in Commonwealth countries. The advice given is sound and reasonable. Those establishing new records management regimes for financial processes in developing countries would do well to use this text as their guide. If they did so, they would learn much and would not go far astray.

Insofar as the guide falls short of its objectives, this is a function of its own ambitions. The guide is, for example, better attuned to the needs and experience of records professionals than it is to the requirements of accountants or financial managers. Outside the 'British tradition' (surely a term of questionable utility), its influence may be limited because it is so obviously grounded in the Commonwealth experience. But to note these limitations is not to detract from the work's contribution – it is simply to argue that that contribution be defined more realistically.

Standards

It is common in guides of this sort to establish a standard based on broad principle and then to illustrate ways in which the standard may be attained. The standard is a norm to work towards: the journey to that objective is a matter for the discretion of readers. The work under review here is at its most successful when it follows this model. But its tone is uneven and it can lapse into unnecessary prescriptions.

Consider, for example its guidance on the institutional framework. It corrects jurisdictions in which the national archives is regarded primarily as a cultural institution, stating baldly 'in fact, its role is broader, it is to protect and preserve the nation's records and archives' (pg 34). It then goes on argue that archives should have responsibility for records management programmes. The didactic tone is then pressed home and a recommendation is given that the archives should be attached to the office responsible for the civil service.

It is hard to know where to begin in assessing this plunge into prescription. First, one may ask why the authors give advice on the location and role of national archives. It is even outside the stated ambition of this guide to reshape national archival regimes; and policy makers are not the intended audience. But the real problem comes with the advice itself. It is not that it is wrong: the model which is promulgated here has much to recommend it. But it is only one model. What matters is that national jurisdictions establish regimes for the sound management of recorded information. If they do so successfully through records management programmes which do not emanate from national archives, leaving the national archives as a cultural institution, so be it. To begin to delineate departmental responsibilities is to risk irrelevance: such matters are always determined by local circumstance. It would be hard to establish a correlation between the effectiveness of national archives in records management and the identity of their parent department.

Undue prescription characterises the guide's treatment of institutional and staffing issues. In addressing these themes, the authors urge on their readers one model – and it is one which is based on the customs and structures of the British civil service. What a local government official from a Francophone developing country will make of the discussion of staffing roles, one can only guess. But unless he or she has a working knowledge of the role of permanent secretaries and of accounting officers, the recommendations will be hard to puzzle out.

Even in its treatment of the British model, the institutional approach recommended does not always follow current best practice. In describing the monitoring regime to be adopted by national archives (pg 45-47) it is urging on them a regulatory role. That may be part of the solution, but the most effective national archives are often trying to pull a second, and more complex, trick. They are now developing their relationships to other departments by providing them with the information management expertise and services they need to function effectively in the Information Age. Why use one tool – regulation – when there are others available?

Theory into practice

The marriage of best practice guidance in the first part of the guide with practical tools in part two is well engineered. The reader is first introduced to archival and records management theory and is then offered tools to begin to understand the nature of his/her practical challenges. The tools cover the territory well and the approach adopted is clear, if somewhat repetitious (eg pp 55-61).

If I have reservations about the toolkits, they are to do with the consequences of applying them. Most set the bar very high and they test systems and people against a demanding theoretical model. For example, there can be few records management programmes anywhere which would survive the examination suggested in chapter eight. There can be no government in the world which could respond in the affirmative to the question 'Are records management procedures consistently applied across all ministries?' But how should an assessor respond to failure? The tools do not seem best designed to help him/her calibrate the degree of failure. Neither the score card nor the risk rating seem best suited to generating outputs which will delineate the extent of failure and the relative priorities to give to shortcomings in systems, programmes or people. They may provide records managers with the means to demonstrate to colleagues in government

that the management of their financial records is inadequate. But the nature of the inadequacy will be harder to judge.

What next?

Having read this text and applied its tools, there will be many who ask what they should do next. This is not a criticism of this guide; rather it is an argument for additional tools to take readers further forward. Few can read this work without being persuaded of the need for good record-keeping in financial management. Those who apply its tools will be able to demonstrate to third parties the fragility of current systems. But they will only find some of the remedies in this text. A fuller bibliography and a more comprehensive and up-to-date list of relevant institutions would have been helpful but this work meets its primary objectives, and does so well. What is needed now is guidance on how to build better systems in future.