

IRMT/World Bank Evidence-based Governance in the Electronic Age

Global Forum Electronic Discussions

Summary of Discussion Two:

Financial Management Reform and Record Keeping

10-14 February 2003

Introduction to the Summary

The following is a brief summary of the Global Forum electronic discussion on **Financial Management Reform and Record Keeping**. The electronic discussion, held from 10-14 February, was organized by the International Records Management Trust and the World Bank Information Solutions Group and World Bank Institute, with funding provided by the UK Department for International Development and the Commonwealth Secretariat.

Background to this Discussion

This is one of four electronic discussions being organized by the IRMT and World Bank, to be held between 27 January and 14 March 2003. The other discussions address the following topics:

- Information Technology, Electronic Records, and Record Keeping (27-31 January)
- Legal and Judicial Reform and Record Keeping (24-28 February)
- Public Sector Reform and Record Keeping (10-14 March)

Once these electronic discussions are completed, the IRMT and World Bank will host a series of video conferences with senior government officials around the world, to examine the issues raised in more detail and to seek concrete solutions to the challenges of electronic records management.

Participants in the Discussion

Participants in the invitation-based discussion included representatives of finance management departments and representatives of record keeping departments of Commonwealth governments around the world, as well as other invited officials involved with electronic records or financial management issues and selected observers from around the world. Contributions to the discussion came from such diverse parts of the world as The Gambia, Fiji, St. Kitts and Nevis, Tanzania, Malawi, Ghana, Malaysia, Sierra Leone, and Pakistan. A total of 193 participants were registered in the discussion, from over 30 countries.

Purpose of the Electronic Discussion

The purpose of this electronic discussion was to facilitate a dialogue among experts in their own fields about the relationship between financial management, record keeping, and accountable and efficient government and governance. The goal was to identify key emerging issues, and gaps in understanding, about the creation and management of financial records in governments in developing countries. The ultimate goal was to raise awareness amongst all

participants of the financial, administrative, and record keeping issues involved with creating, managing, and protecting government information. The project organizers hope that the dialogue will start the process of building a network of professionals in regions around the world who share related concerns.

The Process of the Discussion

The discussion began with participants answering introductory questions about record keeping issues in general, both paper-based and electronic. These questions included the following:

1. In the area of financial records management, what would you say is one major challenge in protecting financial records so that they remain accurate and authentic source documents?
2. What would you say is one major challenge in making the transition from paper-based record keeping systems to electronic record keeping systems in the creation and management of financial records?
3. Can you give us examples of record keeping problems, successes, and needs you have seen or experienced, particularly in relation to financial records care or financial reform?

These questions served as a starting point, but the participants introduced a range of other issues throughout the week.

Results of the Discussion

Throughout the discussion, the common thread that emerged was the belief among all participants that the creation and management of authentic, reliable, and secure financial records are critical actions, regardless of whether those records are in paper or electronic form.

As some participants noted, the overall objectives of financial records management are to

- meet the financial management needs of the government, including the development and implementation of economic and fiscal policy
- provide the audit trail and support the audit function
- enable government meet its legal obligations for financial management
- protect the integrity of key records and the information they contain
- ensure the timely disposal of obsolete records.

Others emphasized that donor or funding agencies need to realise that without effective and efficient records management in place, the desired impact of financial and governance reforms is often minimal at best. Thus, raised awareness of the importance of records was critical to the success of international reform programs. As one participant noted,

the keeping of electronic financial records is imperative since almost all active financial transactions in the now global village are now electronic. As far as the accounting profession is concerned, there has got to be a record of each financial transaction neatly protected somewhere – for auditing purposes.

By the end of the week, the participants had identified five distinct issues as central to the current problems of – and critical to the future success of – financial records management and the protection of records related to the administration and financial stability of government. These issues are

1. the need to recognize the importance of protecting the authenticity and integrity of financial records
2. the need for effective legislative and organizational frameworks for financial management and financial records care
3. the importance of developing standards for financial records management and financial records care
4. the central role of education and training for successful records care
5. the need to raise awareness across government of the value of all records, including financial records.

Each of these key issues is discussed in more detail below.

Issue No. 1

The importance of ensuring the authenticity and integrity of financial records

Background

Many people raised concerns about securing electronic and paper records so that the evidence of financial transactions remains authentic and auditable. As one participant noted,

accountability is fundamental to good governance, and therefore records management must be fundamental to the financial management processes, since records management underpins financial management, which in turn contributes to good governance.

Ensuring authenticity requires active intervention to protect and preserve records. For example, several participants suggested that audit compliance systems had to be developed or strengthened so that there was a direct relationship between the identification of the information to be protected and the protection of the records holding that information.

One suggestion was that financial information had to be secure from the time of creation. To achieve that, perhaps only authorized personnel should be allowed access. Password protection was one way to ensure security, and the establishment of guidelines and checklists could also ensure that the control environment is maintained.

Suggestions for action

- Development of audit compliance systems that incorporated record-keeping requirements
- Control access to the creation, management, and use of financial records
- Establish guidelines and checklists for the security of records, in a controlled environment

Issue No. 2

The importance of effective legislative and organizational frameworks for financial management

Background

Many participants noted the importance of ensuring adequate national and international legislation and policies were in place for financial management. Such legislative frameworks would help ensure that financial activities remained accountable, transparent, and secure. Of particular concern was the need to link financial management with records management, and many participants emphasized that records are the underpinning of financial work in any government.

As one contributor noted, a stringent legal and regulatory framework is critical to the effective management of both paper and electronic records, both of which will need to be maintained in many governments around the world for years to come. If paper-based systems are collapsing, there is little chance the government can develop effective and reliable electronic systems.

Legislation needs to be robust and enforceable so that it is truly effective. Contributors from one country noted that legislative norms should be developed internationally, since most countries work with the same development partners, to strengthen each country's ability to secure financial information. Another participant suggested that an agency such as an international accounting standards board could come up with a new standard for the maintenance of the financial records, especially in relation to the format of the record, the length of time it needs to be kept, and the appropriate mechanisms for disposal or ongoing preservation.

Other participants emphasized that with the increasing use of electronic technologies, all governments needed to review their financial record-keeping legislation, operations, and programs in a holistic fashion, so that both paper-based and electronic records were adequately protected.

Suggestions for action

- Development of a stringent legal and regulatory framework for the care of both paper and electronic records, within and beyond financial management systems
- Development of international legislative norms to strengthen the management of financial information world wide
- Creation by an international accounting standards board of a standard for the management of financial records, including criteria for formatting, retention, and disposal

Issue No. 3

The importance of implementing effective standards for financial records care

Background

Participants also noted the need for standards for the care of financial records, whether in paper or electronic form. One of the initial challenges is to identify the aims and objectives of any electronic record-keeping system. This process will involve identifying the specific problems encountered in the paper system that need to be, and can be, addressed by the electronic system. If problems are not clearly defined at the planning stage, it is likely that the functional requirements of the proposed system may not be satisfactorily identified. Thus the technical specifications will not be adequate, and the systems will not be effective. As one contributor noted,

One of the major obstacles in record management and archiving is the volume of the data; quite often the amount of information available becomes so unwieldy that the distinction between the essential and the peripheral is lost.

This contributor also indicated that, with an excess of information, those involved with records creation have difficulty focusing on the protection of key data.

A central issue is the need for standards in selecting information and communications technology and creating electronic records. As one participant stated,

The world is moving towards ICT driven technology. There are no short cuts to remain in the old technology which we thought was safe and easily understood.

Participants emphasized the need for more research into the development of user-friendly and effective software and hardware, so records and data can be preserved without fear of time and misuse by other parties.

Other participants also urged that responsibility for inputting and validating data in electronic systems should not be concentrated in the hands of a few technical personnel. Records and financial personnel had a central role to play in developing, monitoring, and reviewing all systems. Control mechanisms for the management of financial records must include all key stakeholders, so that the records remain retrievable and continue to support the audit trail and the audit function. Such decisions as the use of passwords, digital signatures, dedicated transmission lines, and firewalls should be made not just by technical personnel but in consultation with financial and records experts.

Suggestions for action

- Research into practical, rather than theoretical, issues related to electronic records management
- Development of user-friendly and effective software and hardware for electronic records management, within and beyond the financial sector

- Involvement of records and financial personnel in the development of systems and controls for inputting, validating, monitoring, and reviewing electronic data to ensure reliability of information and protection of systems

Issue No. 4

The importance of education and training in record keeping

Background

Closely linked to the need for standards is the need for education and awareness raising. As participants indicated, a well-qualified, competent work force was essential to the application of standards. After all, if standards cannot be implemented, they are in effect not useful at all.

Several participants urged much greater attention by governments, international organizations, funding agencies, and professional associations to the need for education and training. As many said, “this issue cannot be overemphasized.” Overseas attachments, short workshops, distance-based courses, and other creative approaches to training should all be considered. One participant suggested that joint training be developed to bring together records personnel, finance officers, and information technology staff to understand the key issues involved with financial management systems. Agencies such as a country’s National Institute of Public Administration or equivalent could be ideal suppliers of such educational programmes.

As another contributor noted, there is a compelling need to have trained records staff manage the financial records ensuing from the financial transactions of their institutions. National Archives and government institutions can and should provide education and training to help strengthen the capacity of public servants to manage records in all media. Several confirmed that the principles and practices of Records Management do not discriminate against any discipline, subject, or institution. When these principles are effectively applied to financial records, the full impact of good records keeping can be brought to bear on such records. If records staff were well trained, some participants argued, they could then work collaboratively with their colleagues in government departments to raise awareness of the importance of quality record keeping.

Suggestions for action

- Increased opportunities for education and training in records and archives management throughout government
- Diversification of education and training opportunities to reach the widest audience possible
- Development of joint training programs to bring together records personnel, finance officers, and information technology staff to understand the key issues involved with financial management systems
- Ensure the involvement of records staff in the development and maintenance of financial records programs

- Involve the National Archives in any government educational or training initiative involving records care

Issue No. 5

The need to raise awareness across government of the critical value of records, especially for accountable financial systems

Background

The issue of raised awareness, mentioned above, was an important topic on its own throughout the discussion. The participants confirmed that many government officials did not recognize the importance of records for accountability and transparency in government, including the work of financial management and financial reform. It was agreed that consultation and collaboration among information technology specialists, administrators, and records managers all over the world were critical to success.

Suggestions were made to develop much stronger relationships between the National Archives and the country's financial institutions, such as the Audit Department, Accountant General, and Treasury. Joint projects, visits, collaborative discussions, shared training would all help each area understand the roles and responsibilities of the other. Increased publicity about financial and records issues – including the distribution of press releases or other notification of successful enterprises – would help to raise awareness and highlight for government and citizens the role of financial managers and record keepers in the delivery of accountable, transparent government.

Ultimately, the role of the archivist and records manager – as record keepers responsible for the protection of the government's documentary memory – have to be emphasized throughout government, so that senior officials realize that if they do not support the National Archives they are, in effect, ignoring the one agency in government that can and should be at the forefront of records protection for accountability and good governance.

Suggestions for action

- Strengthen relationships between the National Archives and the country's financial institutions, such as the Audit Department, Accountant General, and Treasury
- Develop joint projects, visits, collaborative discussions, and shared training opportunities to help each area of government understand the roles and responsibilities of the other
- Promote record-keeping issues more widely within and outside of government, to highlight the importance of quality record keeping for the delivery of accountable, transparent government
- Emphasize the critical role of the record keeper – in the form of the National Archives and its staff – as the central agency of government that can and should protect records for accountability and good governance.