



## Government financial accountability: key problems and main trends in post-communist countries

*VIKTOR FEDOSOV\**, *TETIANA PAIENTKO\*\**

### Abstract

The article deals with the problems of government financial accountability in post-communist countries. The purpose of the article is to justify the necessity of government financial accountability development, especially in post-communist countries. Several research methods were used. First of all, the positive economic approach was used to describe the main ideas of government financial accounting and accountability. Secondly, Worldwide Governance Indicators were used to prove the necessity of government financial accountability development in post-communist countries. Thirdly, by using an institutional analysis, the main problems in government financial accountability were discovered. Fourthly, ideas to improve government financial accountability were suggested. Those suggestions were developed, taking into account the specific problems of post-communist countries.

Government financial accounting in post-communist countries, such as Ukraine, Belarus, and Russia, significantly lags behind the demands of modern society, affecting all members and levels of the national economy. Overcoming this problem is common to almost all post-communist countries. Effective financial and economic information must meet basic quality characteristics – relevant, significant, objective, comprehensive, neutral, and without error. Post-communist countries which are not EU members must consider the important role of open financial information in the successful development of state and business spheres, increasing competitive advantage and attracting investors.

**Keywords:** accountability, government financial accounting, information, transparency.

### Streszczenie

#### **Rozliczalność finansowa rządów: główne problemy i trendy w krajach postkomunistycznych**

Artykuł porusza problematykę rządowej odpowiedzialności w krajach postkomunistycznych. Celem artykułu jest uzasadnienie konieczności rządowej odpowiedzialności, szczególnie w krajach postkomunistycznych. Zastosowano kilka metod badawczych. Po pierwsze, pozytywne podejście ekonomiczne zostało użyte do opisanie głównych idei rządowej odpowiedzialności. Po drugie, Światowe Wskaźniki Ładu Korporacyjnego posłużyły do wykazania konieczności rządowej rachunkowości finansowej i rozwoju odpowiedzialności w krajach postkomunistycznych. Po trzecie, dzięki analizie instytucjonalnej odkryto główne problemy z rachunkowością finansową rządu i rozliczalnością. Po czwarte, zasugerowano pomysły poprawy rządowej rachunkowości finansowej i odpowiedzialności. Sugestie te zostały opracowane

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\* Viktor Fedosov, professor, Kyiv National Economic University named after Vadym Hetman, finance\_kneu@ukr.net

\*\*Tetiana Paientko, professor, Department of Finance, Kyiv National Economic University named after Vadym Hetman, tpayentko109@gmail.com



z uwzględnieniem specyficznych problemów krajów postkomunistycznych. Rachunkowość finansowa rządu w krajach postkomunistycznych, takich jak Ukraina, Białoruś i Rosja, pozostaje znacznie w tyle za wymogami nowoczesnego społeczeństwa, dotycząc wszystkich członków i poziomów gospodarki narodowej. Pokonanie tego problemu jest wspólne dla prawie wszystkich krajów postkomunistycznych. Skuteczne informacje finansowe i gospodarcze muszą spełniać podstawowe cechy jakościowe – istotne, istotne, obiektywne, kompleksowe, neutralne, bezbłędne. Kraje postkomunistyczne niebędące członkami UE muszą wziąć pod uwagę ważną rolę otwartych informacji finansowych w pomyślnym rozwoju państw i sfery biznesu, zwiększaniu przewagi konkurencyjnej i przyciąganiu inwestorów.

**Słowa kluczowe:** odpowiedzialność, rządowa rachunkowość finansowa, informacja, przejrzystość.

## Introduction

At the beginning of 1990, Eastern European countries began to transition from communism to free-market capitalism, and they started building democratic societies. After more than twenty years of reforms, post-communist countries are showing different results in economic development and in the establishment of democratic traditions. Some countries, such as the Czech Republic, Slovenia, and Poland, have made significant progress and have since become the most developed economies in Eastern Europe. More than that, those countries have made a genuine transition from being communist to democratic. Many countries, such as Belarus, Ukraine, Bulgaria, Romania, Russia, Serbia, etc. are still struggling with economic and political problems. Those countries still have not implemented high standards of government accountability, and this is one of the reasons why their transition from command economy to having a free market economy was not successful.

Government (or public) financial accountability means keeping citizens informed about the city's financial position, financial performance, service effort and accomplishment. Transparent information about government activity is not only one of the signs of a democratic society, but also a key condition for its successful development. The basis of contemporary economic development is an effective exchange of information and the development of information institutions aimed at providing users with necessary information. Non-transparent, low quality or incomplete financial information about government activity can cause profound social problems. An example is the situation in Ukraine, where the lack of open information became the basis of oligarchic prosperity, corruption, criminal offenses, and general economic and military aggression. Many post-communist countries face common problems related to the lack of transparent information.

Modern society has become witness to the phenomenon when the proper disclosure of information is absent. This becomes the basis for information manipulation, distortion, and deception. In fact, information has also turned into a weapon that serves the interests of oligarchic or mafia groups in countries with a low level of information transparency. In our view, contemporary economic, political, and military conflicts are a manifestation of this phenomenon. In contrast, institutions of information disclosure

in democratic societies are highly developed. The successful formation and development of such institutions require the establishment of new approaches to government financial accounting and government accountability. Government financial accounting is one of the institutions for disclosing financial information to society, i.e., it is a major manifestation of the informational function of finance. This is why the development of government financial accountability is not possible without government financial accounting development.

The effective development of such activities and their proper use in society is possible only under conditions where there is an understanding of financial accounting at the macro level, the differences between accounting and information products, and their role in ensuring the effectiveness of government financial management. The goal of modern macro-financial management is not just effective financial management at the macro level, but also to ensure the credibility of the government. That is why the activities of the government in the area of state financial flows management are the main object of government financial accounting, reporting and accountability.

The purpose of the article is to explain the connection between government financial accounting and accountability, and to justify the necessity of government financial accountability development, especially in post-communist countries. The main hypothesis is that a country's successful development depends on the development of government financial accountability.

Several research methods were used. First of all, the positive economic approach was used to describe the main ideas of government financial accounting and accountability, and the connection between them. Secondly, Worldwide Governance Indicators were used to prove the necessity of government financial accountability development in post-communist countries. Those indicators include a governance score, control of corruption, voice and accountability, and government effectiveness. All indicators are available from the World Bank website. GDP per capita was determined as an indicator of the country's economic development, since it is a universal indicator for all countries. Thirdly, by using an institutional analysis, the main problems in government financial accountability were discovered. Additionally, hypothetic-deductive reasoning was used to identify and clarify a problem, develop a hypothesis, chart implications by deduction, and suggest a basis for solutions. Fourthly, ideas to improve government accountability were suggested. Those suggestions were developed taking into account the specific problems of post-communist countries.

## 1. Literature review

Government financial accounting and accountability is one of the most debated issues among experts in economics and public administration. Scholars are currently studying this issue from different angles. For example, Premchand (1999b) describes the evolution of accountability in the Christian era. He mentioned that accountability has been viewed from time immemorial as a channel for ascertaining how power was used by

an individual or an organization that has been entrusted with the task of performing prescribed tasks. Binney (1958) studied a period in British finance that was, in some respects, transitional. The main feature of that period was the British Parliament's increasing acceptance of responsibility for the methods of administration. Also, his research contains a major excursion into the history of British governance. This research is useful for post-communist countries as a guide to building effective government bureaucracy and developing government accountability.

Barberis (1998) notes that accountability is an old and difficult problem. Analyzing financial accountability from the Child Protection Agency and the Prison Service, he drew conclusions about the need for a new doctrine for government financial accounting and accountability development. This new doctrine is needed in post-communist countries, and it should include modern trends in government accounting and accountability from countries with advanced economies.

Behn (2001) takes an in-depth look at the issue of democratic accountability. His book goes through various understandings of the term "accountability", from its traditional meaning in public administration to the present-day usage in the new public management paradigm. The ideas which are developed in this book are very important for post-communist countries which are trying to develop democratically. Governments of post-communist countries also have to understand that accrual financial accounting is one of the keys to the whole government financial management system to provide accurate financial information for the society.

Cendon (1999) presented interesting ideas about public responsibility and accountability. He looked at government responsibility as capacity, accountability, and liability. He proves that accountability could be political, administrative, professional, and democratic. All these types of accountability require different information, which is why financial accounting at the macro level is important. He also proved that accountability is the basis of new public management. Chan (2003) mentioned that government accounting and financial reporting aim to protect and manage public money and discharge accountability.

Day and Klein (1987a, 1987b) focused on the problems of accountability and possible solutions, and they made a link between public accountability and public services. Dubnick (1998) drew attention to the ethical problems of government accountability. Those ethical problems are very sharp in post-communist societies, because during the communist regime, ethical principles were compromised by communist dogma.

Foster and Plowden (1996) studied the causes of fiscal and political crises, examined new public management problems, and gave some suggestions for the future. All those suggestions are useful for post-communist countries, because they include all possible reasons of government crises and explain how to cope with this problem.

The problems of government accounting implementation are described by Heald (2005). The book of Henley et al. (1992) is the most authoritative text available on UK public sector accounting and finance. The text is comprised of a detailed discussion of the accounting and finance of the major branches of the public sector. Auditing and accounting problems in the government sector are studied by Lapsley (1995). Specific

features of audits, accounting officers, and accountability are described by White et al. (1994). In short, a great deal of research concluded that government financial accountability is not possible without proper government financial accounting and auditing, and reducing tolerance of corruption. It means that countries that want to improve government financial accountability must apply a system approach in financial accounting and auditing. For example, international accounting and auditing standards must be implemented in the public and business sectors.

Aggestam et al. (2014), Buhr, (2012), and Gao (2015) studied new trends in government accounting and suggested new ideas for its development. Many of those ideas should be implemented in government financial accounting in post-communist countries immediately, but some of them require institutional preconditions. For example, the degree of financial information disclosure depends on the institutional maturity of the society; regular citizens must be aware of how to read and understand open financial information, and how to use it.

Gartin et al. (2009) studied the correlation between successful economic transitions and the development of financial reporting standards and the law in post-communist countries. They found that there is a correlation between the success of a country's transition and the development of its framework of accounting. Their research showed that countries which quickly implemented accounting regulations achieved better economic performance. Their research proves the importance of high-quality financial accounting in the public and business sectors.

Many problems in public management are caused by inefficient bureaucracy (Wilson, James, 1989). Society, especially in emerging economies, pays a high price for inefficient bureaucracy (Fedosov, Paientko, 2017). This is the reason why the development of government financial accountability is very important for emergent countries. Accrual accounting and accountability is the basis for reform and democratic development. The result of government financial accountability development is accrual financial information about government activity. It is very important that information be comparable with similar information about other countries. It is possible to achieve this when accounting and auditing in different countries are done on the basis of the same standards.

## 2. Results

Government financial accounting is a conceptual framework for decision making. In advanced capitalist economies, government financial accounting is a source of information for the whole of society. This results in information which is accurate and transparent, understandable and useful for internal and external users. However, in communist countries, accounting information was open and useful only to central planners. In this case, communist government financial accounting was closer to managerial accounting in capitalist countries, but not completely. The goal of managerial accounting

is to successfully use resources in the most efficient way. The communist accounting system had different goals, delusional in character, mainly to show those in power what they wanted to see. In our opinion, this tradition is the root of the ongoing manipulative information in post-Soviet countries.

As mentioned earlier, efficient government financial accounting and accountability is the key factor in not only developing a democratic society, but also improving the economy. The quality of government financial accountability is measured by the use of Worldwide Governance Indicators, indicators from different worldwide rankings (for example, Index of Economic Freedom, Index of Bureaucracy Efficiency etc.). To support our opinion, Worldwide Governance Indicators were used (Tables 1–2, 4), because they provide information that is comparable for different countries. Indicators such as voice and accountability, governance effectiveness and control of corruption were chosen for comparative analyses. As a key economic indicator, GDP per capita was used (Table 3). Countries useful for the study were chosen for analysis, with the United Kingdom used as the base. This nation was one of the first which implemented high standards of government accounting and accountability, rule of law, political stability, etc. It should be noted that countries which were former British colonies inherited those ideas and still demonstrate a high-level rule of law and government accountability (for example, the USA and Canada). Those countries have a very strong accounting framework and high standards of information disclosure and accountability.

**Table 1.** Worldwide Governance Indicators in UK in 1998-2016

Indicators	1998	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>United Kingdom</b>											
Control of corruption	96.56	94.63	92.23	91.87	92.38	92.42	92.89	93.36	93.27	93.75	94.23
Voice and accountability	87.50	92.31	92.31	91.94	91.94	92.02	92.49	92.49	90.15	92.12	90.64
Government effectiveness	94.63	94.63	93.20	90.91	91.87	91.94	92.72	90.52	92.79	94.23	92.79

Source: authors' own elaboration based on Worldwide Governance Indicators.  
Available at: <http://info.worldbank.org/governance/WGI/#reports>

As can be seen from Table 1, the United Kingdom shows a stable high score in control of corruption, voice and accountability, and governance efficiency (90% to 100%). As mentioned earlier, government management in the United Kingdom follows high ethical standards based on strong principles of rule of law, which is possible only in a society with a high level of transparency. Financial information about government activity is highly transparent and widely available. This is a key to the high level of government accountability and control of corruption.

Belarus, the Russian Federation and Ukraine were chosen as countries with a common background and low economic freedom (Table 2). Also, these countries have had

to implement accounting standards in government and public sectors to prevent the misuse of investor capital. Those standards have still not been fully implemented, and it has created opportunities for government bureaucracy and oligarchs to manipulate financial information for their own benefit. For example, all state assets after the collapse of communism did not reflect the real market value. This means those assets had to be revalued, because their value was irrelevant to market decision making (Black, Kraakman, Tarasova, 2000). The process of revaluation was not transparent, which is why many assets were undervalued. It helped some people in power to acquire state assets basically for free. This situation is a good example of “partial reform”, when government financial accounting standards are partially implemented, IFRS (International financial reporting standards) are partially implemented, too, IAS (International auditing standards) are implemented, and INTOSAI are not implemented. The result of this situation is good conditions for manipulating accounting information. The other result of poor governmental financial accounting and accountability is a lack of transparency, which is a key factor in high corruption and low government efficiency (Table 2).

**Table 2.** Worldwide Governance Indicators in Belarus, the Russian Federation and Ukraine, 1998–2016

Indicators	1998	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Belarus</b>											
Control of corruption	41.75	23.90	32.04	29.19	27.14	27.01	36.49	39.81	48.08	46.63	47.60
Voice and accountability	27.36	3.37	6.73	7.11	7.11	5.16	6.10	5.63	7.88	8.37	10.34
Government effectiveness	27.98	12.75	12.62	10.53	11.48	13.74	19.91	20.38	34.62	37.98	36.06
<b>Russian Federation</b>											
Control of corruption	16.49	21.95	12.14	11.00	13.33	15.17	14.69	15.64	17.31	15.38	18.75
Voice and accountability	36.82	27.40	22.60	23.22	23.70	24.41	19.25	18.78	20.69	20.20	15.27
Government effectiveness	23.83	37.75	43.69	42.11	39.71	40.28	41.23	44.08	48.56	47.12	44.23
<b>Ukraine</b>											
Control of corruption	5.15	25.85	19.90	15.79	16.19	15.64	12.80	11.37	14.90	14.90	19.71
Voice and accountability	43.28	39.42	50.48	50.24	45.02	44.60	40.38	37.56	43.35	43.84	47.29
Government effectiveness	18.13	23.35	27.18	21.53	24.40	21.33	32.23	31.28	39.90	34.62	31.73

Source: authors' own elaboration based on Worldwide Governance Indicators.

Available at: <http://info.worldbank.org/governance/WGI/#reports>

Voice and accountability indicators in Belarus and the Russian Federation are very low, which leads to a low level of control of corruption and low government effectiveness. In this case, Ukraine has a most interesting situation. As can be seen from Table 2, governance scores in Ukraine are improving slowly. The indicators of voice and accountability and control of corruption are low. The Ukrainian government took a stand on the importance of democratic principles in 2004–2005 (after the Orange Revolution), but control of corruption decreased from 25.85 in 2005 to 15.79 in 2009, and governance effectiveness decreased from 23.35 to 21.51 in the same period, helping Yanukovich become president in 2010. It should be noted that government accounting at that time was in very poor condition, and the available financial information was contradictory. The next step in implementing democratic principles in Ukraine was made in 2013. After the Revolution of Dignity, the Ukrainian government increased credibility within international society, and the indicator of governance effectiveness increased from 31.28 in 2013 to 39.90 in 2014. Unfortunately, the Ukrainian government somewhat betrayed the trust of the Ukrainian and international societies, and in 2015 the governance effectiveness rating fell to 34.62. The main reasons were weak control of corruption, the lack of transparency and accountability, and the lack of qualitative and open information about the financial activity of the government.

Steps towards improving the transparency of information in Ukraine were made in 2003, when Ukraine adopted IMF transparency standards (The Special Data Dissemination Standards), which obliged government authorities to openly provide financial and economic information.

The initial sign of proper financial accounting is open financial information. Unfortunately, in Ukraine, information about government financial activity is not completely disclosed. For example, details about government expenditures are not available, and the financial situations of government officials became open only in 2017 and only for one year. This lack of financial information creates uncertainty and mistrust of government, and forms the basis for the growth of the shadow economy, low guarantees of property rights, etc. Regarding government accountability, it should be noted that the results of government financial accounting are useful not only for economists, but they have also a significant social meaning in the wider community. Bad governance and lack of accountability affected countries' economies badly (Table 3).

**Table 3.** GDP per capita in countries that were chosen for comparative analysis in 1998–2016, USD

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016
United Kingdom	37698.65	35795.80	36195.87	36456.00	36678.75	37130.28	37983.13	38509.21	38901.05
Belarus	14972.27	15035.70	16235.17	17166.70	17479.93	17656.12	17944.21	17229.55	16742.26



**Table 3.** GDP per capita in countries that were chosen for comparative analysis in 1998–2016, USD (*cont.*)

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016
Russian Federation	23048.00	21406.00	22639.00	24267.00	25604.00	26468.00	27130.00	26643.00	26926.00
Ukraine	8739.69	7479.34	7824.50	8281.87	8322.17	8338.92	8243.47	7464.94	7668.06
Romania	19653.36	17855.02	17817.97	18094.96	18292.20	19008.66	19666.95	20537.88	21647.81
Poland	20391.88	20952.77	21770.62	22850.48	23217.66	23554.79	24346.21	25299.05	26003.01
Czech Republic	29313.65	27735.87	28289.89	28797.42	28527.14	28379.75	29119.62	30380.59	31071.75
Serbia	12915.87	12563.70	12688.03	12367.83	12898.61	13294.87	13122.82	13277.71	13720.09

Source: Eurostat Database available at <http://ec.europa.eu/eurostat/data/database>

As can be seen from the Table 3, the United Kingdom has the highest GDP per capita compared to the countries examined. Belarus, Ukraine and Serbia have the lowest GDP per capita compared to the countries examined. Bad government financial accountability is one of the issues that inhibit economic development, because it creates good conditions for “state capture”. According to the World Bank, state capture is a type of systemic political corruption in which private interests significantly influence a state's decision-making processes to their own advantage. First of all, it affects the redistribution of taxpayers' money; secondly, it decreases the efficiency of the use of public resources; finally, it decreases the efficiency of government regulation. All of these are possible mainly because of the possibility of manipulations in financial accounting and reporting. This creates enormous informational asymmetry in the economic environment.

Romania, the Czech Republic and Poland were used in this paper as examples of former communist countries which have become EU members. Serbia is used as an example of a former communist regime, though not an EU member, and as a country still affected by war (Table 4).

**Table 4.** Worldwide Governance Indicators in Romania, Poland, the Czech Republic and Serbia, 1998–2016

Indicators	1998	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Romania</b>											
Control of corruption	31.96	50.24	53.88	49.76	52.38	52.61	48.82	53.08	53.85	57.21	58.17
Voice and accountability	60.70	61.06	62.02	60.19	59.24	58.69	57.75	57.75	60.59	63.55	63.55
Government effectiveness	30.57	45.10	45.15	44.50	45.93	44.08	45.02	51.66	54.81	51.44	48.08

**Table 4.** Worldwide Governance Indicators in Romania, Poland, the Czech Republic and Serbia, 1998–2016 (*cont.*)

Indicators	1998	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Poland</b>											
Control of corruption	79.38	63.41	69.90	70.81	71.90	72.04	72.99	71.09	72.60	73.56	76.44
Voice and accountability	81.09	78.37	75.96	80.09	80.09	80.28	82.63	79.84	82.27	81.77	72.41
Government effectiveness	76.17	68.14	69.90	70.81	71.90	72.04	72.99	71.09	72.60	74.52	73.56
<b>Czech Republic</b>											
Control of corruption	73.20	68.29	66.99	69.38	66.67	67.77	64.33	63.51	66.35	63.51	67.79
Voice and accountability	75.12	75.96	81.73	81.04	78.67	79.81	77.00	77.93	78.82	82.27	80.79
Government effectiveness	75.13	76.96	79.61	77.03	78.47	77.73	77.25	76.78	80.77	80.77	79.81
<b>Serbia</b>											
Control of corruption	9.28	42.93	46.60	45.93	47.62	50.24	46.45	46.92	51.44	49.04	45.67
Voice and accountability	19.40	43.27	56.73	57.35	55.92	56.34	56.34	57.28	55.67	55.17	53.20
Government effectiveness	17.10	43.63	47.57	54.07	52.63	52.61	51.18	51.18	58.17	56.73	55.77

Source: authors' own elaboration based on Worldwide Governance Indicators. Available at: <http://info.worldbank.org/governance/WGI/#reports>

Serbia and Romania have very close governance indicators, as do Poland and the Czech Republic. The same dynamics can be seen from the GDP per capita indicators for those countries. It should be noted that Serbia is not a member of the EU and governance scores have improved very slowly due to the low transparency of government activity. Romania was compelled by the EU to improve government financial accounting and accountability, and to provide more open information about government activity. Despite EU pressure, this process is moving very slowly. Baltador and Budac (2014) wrote, "Open Government can be understood as the possibility offered by IT&C that allows information to be available for all citizens, so that they can be informed and, thus, able to be directly involved in the legislative process. Of course, there has to be some limits: some regarding the protection of personal data, but also the selection of the really 'useful' information. Regarding the first issue, namely budget transparency, Romania is facing problems with insuring citizens with information and, by doing so, with the participation of them in public decision making". So, there are two main problems in Romania: non-transparent information and citizen apathy.

Poland has made the most successful transition from a communist economy in Europe. It achieved the strongest recovery of GDP after the communist system collapse. Polish indicators have shown significant improvement since 1998. For example, the government effectiveness in the Czech Republic increased from 75.13 in 1998 to 79.81 points in 2016. The main reason for this situation is proper financial accountability and decentralization (Wetzel and Dunn, 2000). The Czech Republic had a very good transition from centrally planned economy to free market economy, similar to Poland. Both Poland and the Czech Republic implemented accounting standards in the government and private sectors in 1998-2005.

It should be noted that post-communist countries which implemented principles of government accountability and transparency have already achieved better results in economic development (for example, Poland and the Czech Republic). Countries which continue to follow the traditions of non-open information about government activity have worse economic results (for example, Romania, Serbia, Ukraine). As can be seen from Table 3, Serbia's indicators of government efficiency are higher than those of Russia or Ukraine, but lower than those of pro-active EU members. Serbia has made the decision to subscribe to international accounting standards in government and the private sector. This harmonization process was started later than in Poland and the Czech Republic because the country was involved in military conflict. Though the implementation of international standards of accounting was started later, it helped the country to achieve relatively high results of government efficiency. It proves that good government financial accounting is needed to make information about government financial activity transparent, thereby reaching higher standards of accountability.

As Premchand (1999) mentioned, the net result is that accountability is now a multifaceted phenomenon that involves three distinct segments – general accountability, fiscal accountability, and managerial accountability (Premchand, 1999). The main instruments of financial accountability are periodic detailed data about government revenues and expenditures, annual accounts and reports, investigative and other reports prepared by independent agencies, research institutions, and individual researchers. Among the institutions that provide information products and services of financial accounting are:

- specialized financial news agencies (Reuters Group, Bloomberg, Cbonds etc.) – specialized financial publications (The Financial Times, The Wall Street Journal, Finance of Ukraine, etc.);
- credit rating agencies (Fitch, Moody's, Standard & Poor's, etc.);
- audit/consulting firms;
- specialized information and analytical departments of corporations (such as exchanges, banks, non-bank financial institutions);
- specialized information and analytical departments of government authorities;
- professional associations;
- research institutions;
- others.

A retrospective analysis of government financial accounting development showed that it took place largely in response to market economy requests for information openness on financial entities and households, and simultaneously with the progress in information technology. Earlier, financial accounting was associated only with business, but now it also covers public and local finance and all financial information about government activities. This financial information can be configured as absolute amounts of certain currencies, indexes, ratios, percentages, ratings, rankings, formulas, financial models, tables, charts and graphs (including modern infographics, which allow quick and accurate provision of complex information), text descriptions and other forms.

The main feature of well-organized government financial accounting is transparent financial information which is available and understandable for everybody. For example, the official website of Missouri (USA) is a good example of government transparency and accountability to its citizens. Using that website, anyone can see and analyze every dollar of state government spending against its budget<sup>1</sup>. This example could be used by all post-communist countries which want to improve their level of accountability.

The essence of the initial task of government financial accounting is the open disclosure of government activity information, giving users unlimited access to information, clear in all respects. The essence of the second task of government financial accounting is minimizing uncertainty. This means that government financial accounting provides users with data on current financial issues, thereby increasing their credibility, expectations, and contributing to effective management of financial and economic risk. The essence of the third task of financial accounting is creating knowledge – knowledge about financial activity increasing the financial literacy of society, with a readiness to accept financial data as is, giving effective disclosure of relevant information and risk management.

### 3. Discussions and suggestions

The results of the comparison of the level of government financial accountability and the development of states have shown that those countries that have a higher level of government financial accountability are developing more successfully. Many scholars believe that government accountability is higher in those societies where citizens have more opportunities to review policies, program results, keep track of their money (as taxpayers) etc. (Aggestam, Chow, Day, Pollanen, 2014; Premchand, 1995a, 1999b). This is one of the main problems in post-communist countries. On the one hand, government is not interested in openly disclosing information about its activity, and on the other hand, citizens are not acting very actively to force government to disclose information. Many citizens still believe that they will not be able to understand that information or they believe that nothing can be changed. To have citizens involved in

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<sup>1</sup> Transparency & Accountability. (n.d.). Retrieved from <http://www.mo.gov/government/transparency-and-accountability/>.

government accountability transparency, clear information about government financial activity is needed.

There is a connection between government financial accounting, reporting and accountability. Firstly, the organization of accounting and reporting in a single format allows users to compare information about different countries. Secondly, the introduction of international financial accounting standards simultaneously in both the public and private sectors allows users to provide more reliable information and prevent inefficient use of resources. Third, the link between accounting and accountability is provided by the ability to cross-check public and private organizations to identify conflicts of interest and risks of corruption. In fact, the financial accounting that provides truthful information for financial reporting allows ensuring constant public control over the financial state of the government, but in this case financial statements should be published on a regular basis. For example, in New Zealand, government financial statements are published every year for six weeks after the end of the reporting month. This means that the society is aware of any favorable or unfavorable financial consequences of the government's decision. With closer public attention, the government takes a more responsible approach to its decisions

In present society, government accountability provides more than just information about government revenues and expenditures. A society is not interested in knowing about an aggregate amount of money. Rather, it is interested in the costs of raising government revenue, the effectiveness of the money spent, and alternative government revenues or expenditures. It means that accountability is broadened to include the success achieved in ensuring economic sustainability. Society will be satisfied when it is sure that government activity enhances the strengths of the economy and that the financial balance of society is not jeopardized. In order to meet the new needs of citizens, financial accounting and reporting will gradually change, providing the necessary financial information for users.

## Conclusions

In the process of the research, the hypothesis that the success of a country's development depends on the financial accountability of the government was confirmed. In post-communist countries, where the process of implementing international standards of financial accounting in the public and private sectors is faster, the level of financial accountability of the government is higher. GDP per capita in these countries is also higher. In post-communist countries where the process of implementing international standards of financial accounting in the public and private sectors is slow, the level of financial accountability of the government is low. Indicators of government performance and GDP per capita are also low.

A mandatory aspect of government financial accounting and accountability development in post-communist countries must provide users with the most qualitative, and

therefore, the most useful information. However, at present, economic agents do not always have such information. They cannot derive benefit from inadequate or unimportant information. Effective financial and economic information must meet basic quality characteristics – relevant, significant, objective, comprehensive, neutral, without error.

Government financial accounting in post-communist countries such as Ukraine, Belarus, and Russia significantly lags behind the demands of modern society, affecting all members and levels of the national economy. Overcoming this problem is common to almost all post-communist countries. Some of them, such as Poland and the Czech Republic, have achieved significant success in this and they have a better economic situation compare to other examined countries. All economic agents need detailed, operational, comparable and relevant data, such as GDP, balance of payments, state and local budgets, and the state of the economic system in terms of different types of activities. This lack of information forces businesses to plan their activity and develop financial models through peer reviews, which significantly reduces their accuracy. In our opinion, the necessary technology and consolidated legal requirements exist now for the provision of accurate information, but political will is deficient. If this changed, it would be possible to receive the same quality of information as is currently done in leading countries.

Post-communist countries which are not EU members must consider the important role of open financial information in the successful development of state and business spheres, increasing competitive advantage and attracting investors. In particular, the market value of the assets of corporations is largely determined by how participants are familiar with its products and activities. However, the disclosure of macroeconomic and macro-financial indicators of national economic development and methods of their calculation remains inadequate, inappropriate, and they are sometimes delivered late. This is especially true regarding budget deficits and internal and external public debt levels.

This research has some limitations. For example, there is a lack of detail of governmental accounting in EU and non-EU countries and a lack of quantitative analysis. Future research on the topic of government financial accounting and accountability will be focused on those limitations.

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