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New accounting information system: An application for a basic social benefit in Spain

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ABSTRACT

Accounting information on social benefits is included, in accordance with the scope of its management, in the general Social Security budget. The information contained in the budget may be relevant, but it is likely to be insufficient to enable comparisons to be made with an entity's financial statements for previous periods and with the financial statements of other entities. Thus, IPSAS 1 proposes the presentation of additional information. On the basis of the New Public Management theory, this paper proposes an aggregate accounting model for accounting expenditure as a multi-annual information system which complements and expands information on a potential basic social benefit. This system reports in detail on the trends in the items that fund it, with the aim of achieving maximum transparency and accountability in public administrations by ensuring timely provision of quality information.

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Un nuevo sistema de información contable: Una aplicación para la prestación social básica en España

RESUMEN

La información contable sobre prestaciones sociales se incluye, de acuerdo con el ámbito de su gestión, en el presupuesto general de la Seguridad Social. La información que contiene el presupuesto puede ser relevante, pero es probable que sea insuficiente para permitir comparaciones con los estados financieros de una entidad de períodos anteriores y con los estados financieros de otras entidades. Por tanto, IPSAS 1 propone la presentación de información adicional. Sobre la base de la teoría de la «Nueva Gestión Pública», este documento propone un modelo de contabilidad agregado para el gasto contable como un sistema de información plurianual que complementa y amplía la información sobre una posible prestación social básica. Este sistema informa detalladamente sobre las tendencias de los temas que la financian con el objetivo de lograr la máxima transparencia y responsabilidad en las administraciones públicas para asegurar la provisión oportuna de información de calidad.

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Introduction

Together with the necessity of cover for basic needs, remedying the lack of transparency and accountability in the management of social aid has become a common aim all over the world. Thus,

we propose a possible basic social assistance benefit (BSAB), which is a universal pension able to cover the minimum survival needs of citizens. It is based on the idea of Basic Income, a universal, unconditional, individual aid that involves giving the same amount of money to each citizen. However, BSAB is calculated taking on board expenditure on basic needs rather than a citizen's income. Moreover, it is not unconditional because it considers the synergies of living together and the fact that citizens may share some basic expenditures (Peña-Miguel, De La Peña, & Fernández-Sainz, 2015). The aid proposed would be supported by the public sector

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and more precisely by the social security system. The funds to support it could be raised from Social Security by slightly increasing the percentage of contributions made by employers and employees and from current state contributions (Peña-Miguel & De La Peña, 2017).

To reduce the lack of transparency and accountability and take on board the cost of such aid the right management tool needs to be created. We propose an information system that would report in detail on trends in the items that fund it, with the aim of achieving maximum transparency in accountability. Moreover, citizens demand more financial information from the public sector, including details of its performance on economic, social and environmental issues. In fact, they demand efficiency in the allocation and use of public resources and transparency in management for the sake of accountability. Thus, maximum transparency needs to be attained in accountability for basic social assistance benefit.

The aim of this paper is to offer a multi-annual information system that complements and expands information on a possible basic social assistant benefit (BSAB). It can help to achieve the desired levels of transparency and accountability. This system is based on the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.

Indeed, IPSAS 1 proposes that financial statements should show information to ensure comparability both with an entity's financial statements from previous periods and the financial statements of other entities. To that end, in our system financial statements are prepared on an accrual basis, providing information about past transactions and other events but making forecasts for the future which are updated when events occur and not only when cash or its equivalent is received or paid.

Management accounting already uses some instruments which build information systems that are used for annual budget management, and this information must be shown to stakeholders. Moreover, refinement is required because it not only has to be limited to a particular economic period but must also take into account the economic situation and economic policy objectives in the long term. Dillard and Roslender (2011) proposes heteroglossic accounting as a way of addressing the different perspectives and information needs of alternative constituencies. Thus, we propose a multi-year framework for funding the BSAB budget in the long term. Otherwise, the BSAB proposed may not be sustainable due to the lack of funding and will fail to fulfil its intended purpose.

There are various models that can be used to search for this multi-annual information system (generational accounting, aggregate accounting, microsimulation, etc.) but aggregate accounting stands out. Aggregate accounting models make it possible to give sufficient information, at the desired level of disaggregation, up to where one stands with expenditure and where income comes from. Their design means that they can be projected long enough into the future to avoid the influence of politics on public management.

This paper makes two important contributions. First, it shows a novel application for a hypothetical, uniform social benefit for all Spanish citizens, where social contributions are raised to deal with a benefit that focuses on the needs of all citizens by keeping the commitments of the various administrations on financing (local, regional and state). At income level, different revenue sources are taken into account, taking at least those which existed in 2010. The application of funds is initially been broken down into levels by type, i.e. active, retired, unemployed and other beneficiaries. The second contribution is that the model has been created using an accrual criterion instead of the cash criterion currently used in budgets and public accounting. This means that it takes on board the commitments needed and the obligations accrued.

The article is structured as follows: Section Two highlights the influence and importance of the theory of New Public Management (NPM) and New Public Financial Management (NPFM), which seek accountability and transparency, as a basis for creating an aggregate

accounting model that helps to improve the management of public assets and services. Section Three analyses the conceptual framework and the budgetary principles of financial information and the legislation that regulates accounting information in Spain, as Spanish legislation has adapted to international demands on emitting budgetary principles for financial reporting by public bodies. Section Four sets out the accounting information model, based on the needs set by NPM, NPFM and IPSAS 1 and existing accounting regulations. The paper ends with an outline of the contributions made and the limitations of the model, some conclusions and a list of bibliographical references.

The aim of this paper is to offer a multi-annual information system that complements and expands information on a possible basic social benefit. This system would report in detail on the trends in the items that fund it, with the aim of achieving maximum transparency in accountability.

Theoretical framework

Transparency is defined as the availability of information to the public and clarity on government rules, regulations and decisions (Hood, 2006; Kondo, 2002). Transparency is also defined as reliable, relevant, and timely information about the activities of government (Kondo, 2002). Interest in transparency is increasing worldwide (Albalade, 2013). All countries have been required by the World Bank to implement specific projects to enhance transparency in order to reduce the number of cases of corruption. However, there are still some problems with the information provided to the public, such as availability, reliability and timeliness.

Government transparency is increasing worldwide and political rhetoric assumes a strong positive link between transparency and accountability (Meijer, 2014). The word 'accountability' is often used when considering fair and equitable governance (Bovens, 2005). With regard to the public sector, various types are normally mentioned by researchers (Bovens, 2005; Day & Klein, 1987; Romzek & Dubnick, 1987; Sinclair, 1995; Stewart, 1984), such as public, political, managerial or administrative, organisational, professional and personal accountability. Moreover, some types can be classified into sub-types.

In the private sector, managerial accountability can be classified as fiscal/regularity accountability, process/efficiency accountability and programme/effectiveness accountability (Day & Klein, 1987). In the public sector there is evidence of the impact of New Public Management (NPM) reforms in enhancing public accountability. Drawing on the paper by Broadbent and Guthrie (1992), Hassan (2015) posits that, under the umbrella of NPM, public sector bodies have transformed their financial statements to incorporate accrual accounting principles, in what is broadly regarded as an attempt to improve transparency and accountability. Thus, public financial statements are based on the Theory of New Public Management and New Public Financial Management on the basis that transparency and expenditure control enhance the information and timely submission of financial statements.

The new philosophy of public management is "a marriage between New Institutionalism and professional management" (Hood, 1991). New Institutionalism considers that public institutions are relevant in understanding and explaining the interactions between individuals, as they are equipped with their own logic which conditions individual preferences (Lapsley & Oldfield, 2001). Professional management, defined primarily from the ideas of the neo-Taylorists (Pollitt, 1993), focuses on studying the internal bureaucratic organisation of the administration, advocating the shattering of the myth of differences in management between the private and the public sectors (Arellano, 2002).

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