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Digital Accountability and Transparency Act: Towards Digitising the State

Vinod Rai

Summary

The form and manner of keeping accounts in the government have more or less remained unchanged in India since Independence. With the government mandating early transition to digital operations, the Comptroller and Auditor General has suggested the introduction of the Digital Accountability and Transparency Act (DATA) for a three-phased transition to mandatory digital payments, accounting and transactions for the central government. The introduction of DATA will ensure accuracy of accounting, transparency for citizens as well as easy and leakage-free delivery of beneficiary targetted schemes. It is hoped that the central government will introduce the Act early.

Challenges bring forth their own responses. A progressive and enterprising society with positive support from the government utilises crises or calamities to innovate and emerge strengthened and advanced. Demonetisation of ₹1,000 and ₹500 denomination notes in 2016 led to the rapid adoption of e-wallets, as well as credit and debit cards as a means of payment. Such digital payments have, in a large way, replaced cash transactions at least in urban areas. In the process, technology helped to lower the costs of storing, sharing and analysing data. This process has changed how consumers behave, industrial activity is organised and governments operate.

The present COVID-19 pandemic has taken a bitter toll on the economy. It is, however, catalysing digital transformation across business models, channels and touch points. Banking and payments, critical pillars of the economy, are among the core areas that have seen a major uptick in digital offerings and adoption. The pandemic has significantly accelerated the adoption of digital technologies, with far-reaching implications for the future of not only the banking sector, but also the larger financial ecosystem.

While, the government has been encouraging, even mandating, digital transactions for the public, digitisation must first apply to governmental transactions themselves. There has to be a standard for the public, and an equally transparent and accountable system for the government. The 'Digital India' programme envisages a vision to transform India into a digitally empowered society and knowledge economy. This is being driven by building digital infrastructure as a core public utility, providing transformative e-services to the citizen and digitally empowering the citizen to easily access all such e-services. A lesser appreciated fact is that transformative change in financial governance is critical to the success of 'Digital India'. It is important today to meet the requirement of reliable, accessible, and searchable data related to government revenue and expenditure.

There has been progress in digitising financial transactions in the last decade. For instance, implementation of the Integrated Financial Management System allowed for the capturing

of many additional attributes of financial transactions like the names of recipients, addresses, bank account numbers, sanctions backing the funds transfer/expenditure, etc., in one location. Such information was maintained in separate registers in the manual system. However, the usability of the above data is restricted as it is generated and/or collected by different government agencies and departments across all tiers of government in separate and disparate databases primarily for their own purpose. Data is difficult to link, compare and analyse across the government due to the lack of common data standards. The transactions are not digitised end-to-end, which leads to low operational efficiency and routine breaches of financial rules, and makes government-wide visibility of transactions impossible.

Mandate of the Comptroller and Auditor General

The form and manner of keeping accounts have, more or less, remained unchanged in India since Independence. The construct of the 'form of accounts' and classification system were premised on transactions being carried out and accounts being kept manually. Over the last two decades, as technology changed, government financial management systems also began to be converted from manual to digital. Unfortunately, these are still in the nature of standalone systems from which the entire chain of transactions cannot be traced because they are neither across organisations nor organically linked. Data is entered manually at different stages on different systems. For example, the original aim of the Goods and Services Tax (GST) network is to have 100 per cent electronic invoicing. Once this is achieved, not only will there be complete transparency in the GST transactions, it would also lead to extreme simplification to the extent that 'assessment' in the sense understood in the manual system, may not be necessary, and returns would be generated by the system, rather than filed.

State governments have undertaken computerisation of treasury operations. However, this has only involved manual feeding of data rather than any improvement of processes. Many times, doubts have often been raised about the unreliability and incomparability of government data, which distort fiscal and financial reporting. This has triggered the need to ensure the credibility and reliability of government data. Article 150 of the Constitution of India provides that the form of Accounts of the Union and of the States shall be prescribed by the President, on the advice of the Comptroller and Auditor General of India (CAG). Under this mandate, recognising the need for early digitisation of government accounts, the CAG has recently advised a three-phase transition to mandatory digital payments, accounting, and transactions for the central government under a proposed project involving the passing of a law called the Digital Accountability and Transparency Act (DATA).[1]

Introducing DATA

This advice is about an enabling legislation called DATA that aims to bring transformative change in financial governance. It is based on the principle of 'accountability by design' where all spending and receipts information is required to be made available using an 'open data' and 'data standards based' approach. It advises end-to-end digital transactions in the

[1] Comptroller and Auditor General, https://cag.gov.in/.

government resulting in complete and reliable data, which, in turn, will support the establishment of budget baseline, data driven cost estimates, performance comparison of departments and agencies. It aims to ensure completeness of data capture by prescribing 'data standards' for recording and reporting of expenditure and receipts by the government and all agencies or entities including corporations, autonomous bodies, etc., which perform functions on behalf of the government. It is proposed as an enabling legislation that aims to make spending and receipt information of the government available on a centralised portal data which is machine readable, granular, comprehensive, non-repudiable and purpose linked.[2] The suggestions recognise the need of digital public utilities. It will encompass all e-services and digitise government revenue and expenditure data, thereby making it reliable, accessible and traceable. The requirement for digitisation is a 100-per cent end-to-end electronic data capture. This includes all receipts and expenditure transactions including demands, assessment, and invoices to be received, processed, and paid electronically.

Benefits of DATA

Today, the 'form and manner' of accounts has to be driven by a data standards approach which is rooted in technology. Underlying this information is DATA. India needs a proper framework and dictionary to help capture, record, report, publish and analyse this data consistently and accurately across entities that perform functions on behalf of the government by bringing these transactions and entities under an information technology (IT)-led financial reporting framework. Such an approach would have several advantages.

Firstly, if the lT systems are correctly built and security-related issues properly addressed, this would imply that transactions would be absolutely non-repudiable and become the single source of truth.

Secondly, by prescribing data elements for each type of transaction, whether a loan, grant, purchase order or receipt, data standards will ensure standardisation of definitions, classifications, terms, formats and structures for hundreds of data elements. The concerns of financial data being obscure, non-transparent and incomparable would be efficiently addressed.

Thirdly, data standards will help in building linkages across systems and databases run by different entities, thereby capturing government assistance or grants to autonomous institutions, corporations as well as other bodies and authorities, and reporting the resultant expenditure. This will enhance accountability of the many parastatal bodies that operate in the governance sphere. It will also help tackle the issue of recognising and reporting off-budget transactions which potentially jeopardise any efforts towards fiscal transparency and consolidation.

Fourthly, unlike files or other paper records, electronically kept records cannot be lost or misplaced. Thus, DATA will allow for the capturing of almost the entire spectrum of information attributes on public financial operations and make it available on a centralised portal. It will facilitate financial reporting in a variety of ways for meeting information

[2] Advice to the President, 29 May 2020, Comptroller and Auditor General. https://cag.gov.in/.

requirements of different stakeholders. It can potentially simplify classification and presentation of budget.

The implementation of DATA standards will ensure that accurate, consistent, reliable, and searchable government-wide spending and receipts data is available to policy makers and other stakeholders. As all spending and receipt information would need to be in the standard format, data will become usable to more than just the project or person that created the data. It will clarify ambiguous meanings, minimise redundant data and ensure data integrity. It will ensure that information is available and published in machine readable and open formats, capable of being downloaded in bulk and available for automated processing, auditing and analytics.

Linking government contracts, tenders, awards, loans, subsidies and grant spending information to programmes of agencies would enable policy makers to track government spending more effectively. The CAG reports and audit procedures provide an assurance to the parliament of the financial prudence and integrity of government spending. Digitisation of such accounts will not only enhance that assurance, but also provide reports with a much reduced time gap.

Digitally Empowered Citizens

The citizen today would like to hold the government accountable on how it is managing its finances and spending public money collected as taxes. The question in every discerning taxpayer's mind is: how efficiently is the government spending their money? With the implementation of DATA, anyone can see and analyse the government's revenues and expenditures. In a manner of speaking, it would lead to a democratising of audit by opening all expenditure statements to the public at the click of a button. It would lead to a real democratisation of the government's developmental projects as any citizen could, on a real-time basis, ascertain what the government is doing in terms of physical infrastructure, education, health, etc. DATA could enable any citizen to ascertain the stage of implementation of any government project, whether it be in terms of budgetary provision expended, physical targets achieved or stage of completion. Such public scrutiny would place a huge responsibility on the government to deliver on time.

Providing Easy Access of Financial services up to the Last Mile

Government, banks and microfinance institutions lend to people at the bottom of the pyramid mostly by leveraging self-help group (SHG) models. Quite often, due to non-availability of structured and standardised data, these citizens remain ignorant of government schemes/subsidies/subvention or any such other facility. Digitisation of all information would enable easier and cheaper access to funds by such borrowers. They would get quick access to government schemes without the involvement of middlemen thereby obviating the scourge of informal borrowing at high rates of interest. SHGs could easily disseminate accurate information to borrower groups thereby ensuring that they are not duped on terms of borrowing or rate of interest.

Usually, products purveyed by financial Institutions are rigid and cannot provide flexibility in amount that can be drawn or timing of drawal, which is linked to the need of the borrower. With the assistance of the information available through DATA, financial institutions can create new products that can give maximum benefit to the last mile borrower who may be a fruit vendor needing a higher loan to buy fruits from the *mandi* (big market) on a particular day (say *Mahashivratri*) or a trader stacking merchandise for the festive season. Financial Institutions can build these kinds of customised products on real-time basis after getting access to such standardised data.

Direct Link between the Government and Citizens

Another major benefit accruing to citizens after implementation of DATA is the direct linkage between the government and citizens. There would be no need to create a custodian at a village or block level. The government can reach out directly to each individual through a unique identifier that can eliminate the need for a custodian. The custodian can play the role of citizen auditors who audit the transparently available data in order to see the impact.

In a pandemic kind of situation or during displacement of people due to floods or droughts, a displaced person needing free or subsidised rations should be able to get it by virtue of having his identity linked to a universal system which will have record of his entitlement. People should also be able to sign up for a cash relief transfer with minimal paperwork. Digitisation has created efficiencies that can be leveraged to expand the welfare net. The vast amount of leakage in the welfare system would not have been due to fraud by beneficiaries but by lacunae in the accounting system. Implementing the *Jan Dhan-Aadhaar* Mobile trinity has helped lower transaction costs, reduce leakages and reach beneficiaries quickly. Aadhaar can prevent identity frauds.

A sophisticated DATA infrastructure would further enable direct benefit transfers. It would make the government's announcement of a 'One Nation-One Ration Card' project a reality in double quick time.[3] Such centralisation of digital data will make dealing with health or natural calamities much easier. It can facilitate the tracking of infected persons, keep an inventory of medicines and medical equipment, availability of hospital beds and ambulances and such other essential items.

The biggest challenge facing farmers today is finding the best price across the region and the right platform to sell his produce. With the help of DATA, farmers can leverage this information transparently to get the right price for their produce. They will also get a fair price automatically as the transaction between them and the buyer happens digitally. We can further enable artificial intelligence tools to auto-enable the price, based on the current standard and give a real-time notification to the concerned department/farmer in case of under-pricing.

[3] Roopa Kudva, 'Digitisation makes welfare schemes possible. It can be discontinued when pandemic', *The Indian Express*, 13 July 2020. https://indianexpress.com/article/opinion/columns/pradhan-mantri-garib-kalyan-yojana-pm-kisan-ujjwala-jan-dhan-6502619/.

Conclusion

To take the DATA project and legislation forward, appropriate structures for data governance, including creating a Data Governance Authority and a mechanism for checks and balances, would have to be put in place. Considering the fact that the policy planner in the government will probably be the biggest beneficiary, since the availability of real time data will lend so much ease and credibility to policy formulation, it would be in the best interest of the government to ensure the early implementation of this project.

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Mr Vinod Rai is a Distinguished Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He is a former Comptroller and Auditor General of India. He can be contacted at isasvr@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.