

# Changes in the Public Accounts Committee of a Less Developed Democratic Country: A Field Study

SAJJAD HOSSAIN KHAN AND ZAHIRUL HOQUE\*

**Abstract:** This paper complements prior studies on the public accounts committees (PACs) by considering the notions of ‘agency’ and ‘structure’ of institutional theory in tandem in understanding the changes in structures and activities of the PAC of a less-developed democratic country – Bangladesh. While prior studies examined ‘external’ institutional pressures on the development and operation of the PAC in various settings, the role of internal and external institutional agents in this context has not been their primary focus. Our empirical evidence from a qualitative field study indicates that over the past two decades, Bangladesh’s PAC underwent significant changes to its internal governance structures and administrative processes. While these changes were indirectly driven by pressures from international donor agencies, PAC members and the national audit office played a key role as institutional agents in initiating and institutionalising the changes in PAC governance and operation.

**Keywords:** public accounts committee, institutional theory, less-developed country, Bangladesh

\*Sajjad Hossain Khan is a lecturer and course coordinator in Accounting at Charles Sturt University Study Centre in Melbourne, Australia and Zahirul Hoque is Head of the Department of Accounting and Professor of Management Accounting/Public Sector at La Trobe Business School, La Trobe University, Melbourne, Australia. He is also the Executive Director of the La Trobe University Centre for Public Sector Governance, Accountability and Performance. The first-named author gratefully acknowledges the financial support provided for this study by La Trobe University, Australia and the University of Dhaka, Bangladesh. The authors owe a debt of gratitude to Professor Kamran Ahmed for his support during this research study. The paper also benefitted from comments of the participants at the 2012 European Annual Congress in Ljubljana.

**Address for correspondence:** Zahirul Hoque, Department of Accounting, La Trobe Business School, La Trobe University, Melbourne, Victoria, 3086, Australia.  
e-mail: z.hoque@latrobe.edu.au

## INTRODUCTION

Over the past two decades, there has been a shift of paradigm in public-sector management and accounting worldwide, with increasing emphasis on private-sector type governance modes, accountability<sup>1</sup> and performance measurement for government entities (Hood, 1995; Lapsley, 2008; and Watson, 2004). Good governance with its principal attributes of accountability and transparency is receiving increasing attention from policy makers, legislators, funding agencies, and other stakeholders across nations regardless of the level of development in their public sectors (Groot and Budding, 2008; and Lapsley, 2008). One of the important institutions involved in this governance process is the Public Accounts Committee (PAC). It is one organisational form of the parliamentary infrastructure through which parliament ensures the accountability of the government and its agencies that deliver services to the greater community (McGee, 2002; and Wehner, 2003). A study group of the Commonwealth Parliamentary Association<sup>2</sup> in 2002 suggests that the PAC is an essential component of a democratic accountability.

In recent times, there has been considerable research in exploring the structural/legal aspects of the PAC in various settings suggesting that PACs often choose to adopt particular governance modes and accountability practices to meet the demands of external constituents such as government regulatory bodies and 'external' resource providers (Degeling, et al., 1996; Jacobs and Jones, 2009; Jacobs et al., 2007a; Jones, 2006 and 2007; Jones and Jacobs, 2006; and Power, 1997). These studies have mainly concentrated on a democratic environment, particularly in developed nations. Yet we still lack evidence on how PACs operate in less-developed environments. The literature has identified marked differences in socio-economic and political environments between developed and less-developed democratic countries (Gilman, 2003; Hoque and Hopper, 1994; Leys, 1996; and Uddin and Hopper, 2001). In general, a developed country possesses a good level of economic activity, a generally organised government, and is wealthy. On the other hand, a less-developed country lacks good economic resources and infrastructures, has a low level of economic diversification, low standards of living, high population growth, high dependency on foreign assistance, political instability, corruption, etc. Clearly, under-developed socio-economic, political and legal institutions have significant influence on the operations of a PAC. The power of civil and military bureaucracy over political institutions is significant in leading to recommendations not being implemented by ministries in less-developed economies.

This paper contributes to the public sector literature in the following manner. First, it highlights how the PAC's governance modes and accountability processes operate in a less-developed democratic country such as Bangladesh. Second, the findings reveal how a PAC in a less-developed country imported PAC features from its external environment and gradually formalised these into institutionalised structures and processes. Third, the study points to the

importance of the roles of powerful stakeholders or agents such as international donor agencies, political leaders, PAC members and the national audit office in the institutionalisation of PAC practices. Fourth, the findings will be useful to the academic community as they will help researchers grasp both the potential external institutions and internal agents that are likely to influence PAC structures and activities. Fifth, the insights offered by the Bangladeshi PAC will also be useful to parliamentary bodies and governments in other commonwealth countries implementing similar changes to PAC structures and practices and facing similar socio-political environments.

In the next two sections, we present an overview of prior relevant research into PACs and of our theoretical basis, respectively.

### PRIOR RESEARCH

A number of researchers investigated the establishment of PACs and their roles in promoting good governance and performance for government entities in various settings (Degeling et al., 1996; Jacobs and Jones, 2009; Jacobs et al., 2007a; Jones, 2006 and 2007; Jones and Jacobs, 2006; KPMG, 2006; Malhotra, 2000; McGee, 2002; Pelizzo et al., 2006;<sup>3</sup>Smith and Corbett, 1995; and Watson, 2004). Jacobs et al. (2007a) investigated organisational practices and responsibilities of PACs across ten Australasian jurisdictions. Their study found that PACs differ substantially with respect to their basis of establishment, roles and responsibilities, size, staffing, the type of reports each jurisdiction produces, and performance evaluation practices.

Similarly, McGee (2002) provides a descriptive account of how PACs work in an effort to identify good practices across the Commonwealth. In a similar vein, Degeling et al. (1996) provided a description of the changing accountability focus of the work of the Joint Committee of Public Accounts (JCPA) and concluded that the work of the JCPA shows little evidence of instrumental purpose or volition but rather such organisations and structures are inevitably a product of social and political processes. Further, they suggested that future studies of the linkages between accountability, accounting practice and PACs should be grounded in an analysis of the social and political processes in which issues pertaining to each of these has been apprehended and defined.

Pelizzo et al. (2006) investigated whether and under what conditions PACs were able to scrutinise government accounts. They suggest that the success of a PAC depends on institutional design, the behaviour of committee members and on the functioning of the committee itself. Loney (2004) argued that the competence and skills of the individual committee members are crucial for the success of the PAC, besides the powers and resources needed by it. McGee (2002) suggested that the ability of PACs to function could be improved by providing staffing and resources, training and access to information. Similarly, Jones and Jacobs's (2006) study indicates that the requirement for personal qualities of PAC members complements the institutional roles of committee members as

PACs are made up of individuals and their individual capacity is at least as important as institutional capacity.

In another study, Jacobs et al. (2007b) examined the impact of vertical approaches to accountability deriving from marketisation and managerialism, and how they have impacted on existing horizontal processes of parliamentary accountability associated with parliamentary financial oversight and the PAC in Australia and New Zealand. Their study found that while there has been growth in vertical modes of accountability associated with market contracting and with managerialism, processes of parliamentary oversight are now being promoted as a powerful form of anticorruption and good governance. In another related study, Jacobs and Jones (2009) investigated the rationales for establishing the Victorian Committee of Public Accounts (VCPA) and the JCPA. Their empirical evidence suggests that the ideas of legitimation and mimetic isomorphism (DiMaggio and Powell, 1983) provide a more convincing explanation for the nature and work of these two PACs than the idea of accounting colonisation. In New Zealand, Newberry and Pallot (2005) pointed out negative relationships between elements of accounting practice, parliamentary accountability, and the PAC. They claimed that the Public Finance (State Sector Management) Bill significantly undermined parliamentary scrutiny and control of public expenditure in New Zealand.

These studies suggest that whilst the trend for governments' accountability is reported to be international, the pressures encountered could arguably be specific to the socio-political needs of a specific country. Further, prior studies investigated PAC practices at a point of time, paying little attention to any changes over time. We complement prior PAC studies by addressing the following three primary research questions: (1) *What changes took place in PAC practices in a less-developed economy - Bangladesh?* (2) *Why did these changes take place?* (3) *What were the effects of the changes?*

#### THEORETICAL BASIS

Scott (1995) suggests that institutions consist of cognitive, normative and regulative structures and activities that provide stability and meaning to social behaviour. Viewed from this institutional theory, institutions ride on various conveyances and operate at multiple levels – from the socio-political and organisational field to subunits of organisations (Scott, 1995). To substantiate our findings, we rely on the notions of structural institutionalism and agentic institutionalism.

Structural institutionalism posits that rationalised ideas of organising are socially valued and confer legitimacy on organisations that make steps in adopting them, leading to coercive, mimetic, and normative isomorphism within an organisational field (DiMaggio and Powell, 1983). Green Jr. and Li (2011, p. 1667) remark that:

the goals of structural institutionalism are to explain institutional order and in particular similarity and homogeneity across organizations.

Researchers using structural institutionalism claim that:

in order to survive, actors and organisations pursue legitimacy because they are embedded in fields of relationships where important social and material resources are exchanged (Green Jr. and Li, 2011, p. 1667).

Structural institutionalism recognises that the organisation(s) might be adopting a new practice not merely because of its technical efficiency, but as a result of isomorphic pressures coming from external stakeholders such as governments, political parties, donor agencies, external consultants, regulatory agencies, and accounting professions. Meyer and Rowan (1977) suggest that organisations take on the institutionalised shape and form of their environment rather than developing their own individual shape and form to enable the performance of their day- to- day activities. Thus institutional theory suggests that via various routes, organisations may import features from their external environment and gradually formalise these into institutionalised structures and processes (Scott, 2008).

Jacobs and Jones (2009) used coercive and mimetic isomorphism in their study of the two PACs in Australia. However, in Bangladesh (being a less developed democratic country), the sources of isomorphism might be different. Donor agencies could play an important role in PAC practices where the former (stronger party) is able to influence the field of policy-making in the latter (weaker party) largely because of its control of economic capital (Gilman, 2003; and Rahaman et al., 2007).

DiMaggio (1988) suggests that:

in order to develop persuasive accounts of the origins, reproduction, and erosion of institutionalised practices and organisational forms, institutional researchers need to focus on how both external and internal institutional actors operate as agents acting upon their interests (Green and Li, 2011, p.1669).

DiMaggio (1988) introduced the idea of institutional entrepreneurship, whereby these agents deploy the resources at their disposal to create and empower institutions. He argued that:

new institutions arise when organized actors with sufficient resources (*institutional entrepreneurs*) see in them an opportunity to realize interests that they value highly (DiMaggio, 1988, p. 14; emphasis in original).

These actors create a whole new system of meaning that ties the functioning of disparate sets of institutions together (Battilana, 2006; DiMaggio, 1988; Garud et al., 2002; and Lounsbury, 2008). In our study, PAC and CAG individuals act as institutional agents who are able to disembody themselves from the existing structures/institutions and are able to offer/initiate/force new ideas and structures to replace older ones. In this case, the PAC chairman and the

auditor general as institutional entrepreneurs may take an active part in the implementation of changes in PAC governance and accountability processes. Political parties or politicians may also exert influence on PAC governance and operations. Battilana (2006) suggests that:

individuals' social position is a key variable in understanding how they are enabled to act as institutional entrepreneurs despite institutional pressures (p. 653).

In this paper, we aim to address such an unexplored area in the current literature.

Lawrence et al. (2002) examined the journey of one organisation's collaborative relations and suggest that strong ties with other organisations shape the path and nature of resultant changes. Carpenter and Feroz (2001) argue that individual's self-interest motives lead to changes in institutional rules which, in turn, result in changes within public sector organisations. If accounting bureaucrats lack sufficient organisational power to initiate change at the intra-organisational level, they may participate in the professional political process at the inter-organisational field level in order to create institutional rules that reflect change interests (DiMaggio, 1988, pp. 3–22). Thus, external institutions serve as agents of legitimacy supporting the development of 'new' practices that they deem to be appropriate in a certain environment. These external institutions such as international donor agencies have the resources and hence the power to shape the character of organisational processes and institutional change.

In summary, institutionalised structures and processes can be employed in an organisation to project a public image of professionalism, rationality and compliance with external expectations, thereby eliciting approval and support from key stakeholders that the organisation values and considers important to its future. Researchers (e.g., Giddens, 1984; and Garud et al., 2002 and 2007) suggest that both organisational and external agents are knowledgeable individuals with a capacity to reflect and act in ways other than those prescribed or taken for granted in social rules and technological artifacts. This view of institutional theory offers a significant enhancement to the application of structural theory to issues of organisational changes. It addresses and reinforces the linkages between political and cognitive elements in the development of new organisational arrangements, particularly via institutionally embedded praxis. Hence, in our study structural institutionalism focuses on whether and how external institutions influence changes in PAC governance and practices. Agentic institutionalism points to the way both internal and external agents such as political leaders, PAC chairman, auditor general and other professionals acting as institutional agents create a new organisational (PAC) form or change the existing one. Thus structural and agency perspectives that frame this study reflect and pay attention to many of these socio-political aspects, organisational field aspects, and factors from the organisation (the PAC) itself that potentially

condition the changes at the PAC of Bangladesh. This allows us to remain alert to both internal and external pressures on the PAC as outlined above.

#### METHOD

We employed a field-based qualitative research methodology that is aligned to our theoretical position. A qualitative research method allows us to understand events and actions and facilitates theoretical explanation of the complex phenomena within the organisation being studied (Patton, 2002; and Yin, 1994).

Our fieldwork lasted over five months during 2006 and 2007. We used sources including archival documents; formal and informal interviews with key informants; and observations of several PAC meetings. The interviews with key officials were open-ended and varied in length between thirty minutes to two and a half hours.

We attempted to conduct interviews with all members of the PAC including the chairman. However, interviews were conducted with thirteen members (out of fifteen) of the PAC. In addition, the former chairman of the PAC of the 7<sup>th</sup> parliament was also interviewed. Three interviewees had been members of the PAC for both terms (7<sup>th</sup> and 8<sup>th</sup> parliaments). The principal researcher also conducted six additional interviews with personnel from the CAG office, including the present Comptroller of Auditor-General (CAG) and three former CAGs, as well as the current and one former Deputy CAG for accounts and reports. Together, a total of 23 interviews were conducted as listed in Appendix A.

In all cases interviews were tape recorded with the prior consent of the interviewee. Translation and transcription from Bangla (the native language) to English were carefully scrutinised against the tape recordings and amendments made where necessary. As per the University Human Ethics guidelines, every interviewee was given a Participant Information Statement, an Individual Consent form and a Withdrawal of Consent form. Interviewees were informed that their responses would be kept confidential and no real names have been published.

The topics addressed in interviews include relationships with other stakeholders and their responses to each other's recommendations; governance issues and their (changing) role over the periods; conflict and challenges faced; influences of various external institutions and agents or actors on PAC practices; extent of accountability; resource needs; reforms and their role; and the influences of the transnational organisations. Confirmation of responses was also facilitated through discussion with other interviewees based on the same questions, by interviewing people from different levels, by observing meetings and through a review of several archival documents. Organisational records and archives provided the historical context of the changes. Appendix B contains a full list of documents sighted in the field study.

The principal researcher attended several PAC meetings, which helped understand the 'actual' functioning of the PAC. Thus, triangulations across data sources and methods provided an opportunity to detect any inconsistencies and to make corrections if needed (Hoque et al., 2013).

We set out a number of the comments provided by the interviewees in the results section. These examples were considered to be reflective of the opinions and experiences of the interviewees and hence the provision of the quotes allows us to provide a good understanding of events and practices under study. The following sections present our findings followed by our conclusions.

#### CHANGES TO BANGLADESH'S PAC

Bangladesh began with a parliamentary system patterned on the Westminster model in 1972, which lasted until 1975. From 1975 to December 1990, military and quasi-military regimes ruled the country with a presidential form of government. Then through a constitutional amendment in August, 1991 Bangladesh again adopted a Westminster style parliamentary form of government with the prime minister as the head of the government and the president as the head of state being elected by the parliament. In 1996 the Constitution made a provision for a caretaker government to hold a free and fair election for the country which was in place until the Awami League government abolished it in 2011.

The first four parliaments (1973–1975, 1979–1982, 1986–1987 and 1988–1990) apparently made no major change to the PAC rules. The parliaments elected in the 1990s made some notable efforts to modify the procedures, and made changes to the role and functions of the standing committees that shadow different ministries and the two main financial committees: the PAC and the Public Undertakings Committee. Some changes in the legislative process were also made in the 1990s. The financial committees have also been granted wider powers. It is important to note here that parliaments elected in the 1990s made changes not only in procedures and practices but also in other substantive areas. This included the restoration of the parliamentary system of government by the fifth parliament in 1991. Both parties perceived common benefits from a change in the system of government and exerted such strong pressure that it was difficult for the government to resist (see also Ahmed, 2000 and 2001). The fifth parliament thus amended the constitution and restored the parliamentary system in August 1991. Due to political crisis, there were no PAC activities during the sixth parliamentary period which lasted for only 12 days. Hence, we focus only on PACs of the seventh and eighth parliaments, where most changes in PAC took place. Table 1 presents the tenure of the PACs and their activities during the period 1974–2006.

The PAC undertakes hearings on the audit reports submitted to the parliament. On the basis of the hearings and review of the observations/comments of the audit reports, the Committee members take decisions and make

**Table 1**  
Tenure of the PACs of Bangladesh Parliament and Activities at a Glance

Parliament	Formation of Parliament	Date of Formation of PAC	Date of Dissolution	Actual Term of PAC	No. of Meetings of	No. of Sub-committees	No. of Reports Prepared	Total PAC Members	No. of Members from the Ruling Party
First	April 7, 1973	July 10, 1974	November 6, 1975	1 year 4 months	3	None	None	11	9
Second	April 2, 1979	April 30, 1979	March 24, 1982	2 years 11 months	9	3	1	15	12
Third	July 10, 1986	No PAC	December 6, 1987	-	-	2	3	-	-
Fourth	April 25, 1988	June 15, 1988	December 6, 1990	2 years 5 months	6	4	2	15	12
Fifth	April 5, 1991	July 8, 1991	November 24, 1995	4 years 5 months	52	4	4	15	8
Sixth	March 19, 1996	No PAC	March 30, 1996	-	-	-	-	-	-
Seventh	July 14, 1996	November 20, 1996	July 31, 2001	4 years 8 months	103	1	5	15	9
Eighth	October 28, 2001	May 12, 2003	October 27, 2006	3 years 2 months	46	10	1	15	12

recommendations on the irregularities mentioned in the CAG's reports. By tradition and administrative practices, although not legally, these recommendations are binding on the executive agencies and the ministries are responsible for implementing the recommendations made by the PAC. The PAC publishes its own reports and submits them to the full house of the parliament incorporating meeting proceedings, compliance achieved, analytical comments and recommendations. The committee brings the legislative and executive organs of the government to bear on important issues. It promotes good governance, accountability, transparency and responsiveness of the government agents, and works as a watch-dog on the Bangladesh Government. Above all, it combats corruption in public offices.

Our field study revealed substantial changes to a number of PAC areas during the seventh and eighth parliamentary period. Table 2 provides a summary of these changes.

#### *Changes in the Terms of Reference of the PAC*

Bangladesh inherited systems of public financial management that had changed little since partition from the British colony in 1947. During the 1980s and 1990s the public sector in Bangladesh, as elsewhere around the world, was subject to increasing demands for modernisation. A large number of reform initiatives, covering a wide range of public sector activities including public sector financial management, were targeted for change in Bangladesh. One PAC member reflected:

(The) Bangladesh government with assistance from the World Bank and the Asian Development Bank set up a number of enquiry commissions in the period 1973–2000 to remodel the public sector in line with the global trend of reinventing government.

An official report of the Public Administration Reform (PARC) in 2000 noted that Bangladesh constituted sixteen administrative reform commissions and prepared five reports with the assistance of development partners such as international donor agencies in the period 1973–2000 in order to adopt institutional, structural and functional reforms in its public financial management system and to improve its performance in terms of efficiency and accountability. A senior PARC member recalled:

The clamour for radical change in public administration in Bangladesh was raised in the early 1980s by international donor agencies as part of their engagement with the Bangladesh Government for structural adjustment programmes.

There is also the view (Rahman et al., 1993) that international donor agencies took the onus and funded a few studies in 1993 by the United Nations Development Program (UNDP) and in 1996 by the World Bank (Rahman et al., 1993). The most important recommendations of the public administration sector study by the UNDP included introducing strategic management in all public

**Table 2**  
Summary of Changes to PAC Structure and Practices

<i>Area/Activity</i>	<i>Pre-change (During First-Fourth PAC)</i>	<i>Post-change (During Fifth – Eighth PAC)</i>
Term of the PAC	1 year to 3 years	3 years
Number of meetings held	3 to 6	2 months to 4 years
Administration	No independent office (Secretariat)	8 months
Human Resource	No own staff (borrowed from the CAG office)	Set up own Secretariat Office
IT support	No computing facilities	New positions created and filled in
Crash program	Huge pending audit observations from CAG; Little initiatives to clear off backlogs.	Introduced IT support with computers and new staff Collaboration from CAG sought to clear off huge backlogs; Highly active in operational activities
Performance audit	Non-exist	Introduced performance audit during the seventh parliament
Overseas training	Non-exist	Commenced with the help of the World Bank – Regular trips of PAC members and CAG officials to La Trobe University for residential training on PAC with members from other developing nations

offices, integrating planning and budgetary systems and the establishment of result-oriented management systems through setting of objectives and measures of outputs and impacts. As part of the government's structural adjustment programs, substantial changes were made to the terms of reference of the PAC after the election of the fifth parliament in 1991. As shown in Table 1, the composition of the PACs since 1991 has varied according to the proportion of representatives from the different political parties in the different parliaments. Further, since the 7th parliamentary period (1991–1996), for the first time the PAC was empowered to report on the irregularities of government agencies and to suggest measures for rectification of those irregularities.

### *Change in Administrative Structure*

The Bangladesh constitution empowered parliament to set up its own secretariat. But the first four parliaments failed to do so. The members of the fifth parliament, however, did. However, the PAC could not perform its legislative duties due to a shortage of manpower. Because of this, in 1997, a senior officer from the CAG office was placed in the PAC to deal with issues reported in the CAG audit report that required urgent attention and discussion. Since then this officer has acted as a key liaison person between the PAC and the CAG. In November 1998, the PAC of the seventh parliament requested the CAG to take steps to create the position of at least one officer of Grade 5, two officers of Grade 6 and two computer operators. According to a PAC report:

An active PAC and the resulting fruits of administrative accountability are adequate justifications for creation of these new posts.<sup>4</sup>

On the basis of the recommendations of the 7<sup>th</sup> PAC, the CAG sent a proposal to the Ministry of Establishment (now the Ministry of Public Administration) through the Finance Division to obtain approval for creating a division (locally known as Cell) to assist the PAC with three officers from the Audit and Accounts cadre. The Ministry of Establishment required the CAG office to abolish two grade 6 posts in order to get approval for the proposal. However, the CAG office informally created the Cell in 1997 to assist the parliament to carry out their functions effectively. One PAC member remarked:

An officer of director level has been posted in PAC to identify the reports of immediate importance to be discussed and issues related to CAG office for discussion. His work is to bridge between the PAC and the CAG.

Further, the members of the PAC committee interviewed observed that the responsibility to 'follow-up' recommendations given by the PAC had broadened the scope of activities of the PAC. Members of the committee interviewed felt the need to strengthen the secretarial support to the PAC on an emergency basis. To achieve this objective, the committee recommended taking the necessary steps to set up a permanent office under the parliamentary secretariat proposed by the

World Bank under the 'Strengthening Public Accounts Committee' project. The committee formally held two meetings in July and September, 2006, to review the progress of their recommendation. The committee had been informed that the project would start immediately upon receiving the funding. The committee expressed dissatisfaction for failing to start the project during their tenure.

### *IT Support to the PAC*

The 5<sup>th</sup> and 7<sup>th</sup> parliaments had drawn attention to the need to enhance the technological support of the PAC given the committee's increasing workload. Despite repeated requests, the PACs of these two parliaments observed that no additional technological supports had been supplied to the committee. The committees urged the installation of one high tech computer, printer, and photocopy and fax machines. The PAC requested the parliament secretariat to examine whether this decision could be absorbed under any ongoing project.<sup>5</sup> The Ministry of Finance used the UNDP project to fund this logistic support. The PAC of the 8<sup>th</sup> parliament in its first report extended thanks to the 'Strengthening Parliamentary Democracy Project' funded by the UNDP and Financial Management Reform Program under the Ministry of Finance for providing the above technological support to the PAC.

### *'Crash Program' Initiatives*

Our review of PAC and CAG internal management reports indicate that the PAC took initiatives on 16 February, 1997, to resolve all pending audit observations. The PAC issued directions to carry out a crash program to settle the huge number of unsettled audit observations through bipartite and tripartite meetings with the relevant auditee organisation by the respective audit directorate. One member of the PAC remarked:

The PAC understands that once an audit report is placed in the parliament, the audit objections included in the audit report cannot be settled without the committee's decision. However, the PAC believes that this process will help them to get agreeable comments from the audit department during PAC meetings.

Majority members of the PAC interviewed were of the view that the PAO and the CAG must work together and not consider one another as an opponent, as they both play a significant role in promoting accountability and good governance in the public sector. One PAC member went on to say that:

Once the CAG and the PAO find any financial or procedural irregularities, they should be able to resolve them with acceptable solutions.

The PAC instructed all ministries to expedite review of all audit-related issues tabled in Parliament up to 1987 through bipartite/tripartite meetings with the audit directorates.<sup>6</sup> The outcome of the meetings were reviewed and discussed in

the PAC and further instruction had been given in the 10<sup>th</sup> meeting on 31 July, 2004, of the PAC of the 8<sup>th</sup> parliament to settle a large number of undiscussed audit observations covering the period 1989–1990 within six months.<sup>7</sup> Depending on the success of this program, the committee (40<sup>th</sup> meeting) later extended the scope of this program up to 1999–2000 and requested the CAG to submit a report during the first meeting of the next PAC for consideration.

The PAC, in its first meeting on 23 December, 1996, decided to set up an action taken committee to monitor the implementation of decisions taken by it, but could not implement this decision because of lack of staff support and the time constraints faced by members. However, the committee directed the relevant ministries/departments to take necessary steps to implement the recommendations given in the last ten PAC reports within the following three months.<sup>8</sup> The committee formally held five meetings to review the progress of the implementation of its recommendations. The PAC members also took a keen interest in implementing their recommendations and there was a regular follow-up agenda in the PAC meetings to see whether the executive agencies were implementing the PAC recommendations.

The PAC noted with concern that the responsible authorities were not sufficiently implementing the recommendations and decisions of the committee. The committee believed that the decisions and recommendations are the formal expression of the will of the people. Therefore, the PAC instructed all the ministries to provide the committee and the CAG's office with a report on the implementation of the decisions and recommendations of the current and previous PACs in December every year.<sup>9</sup> Several interviewees from the PAC reveal that this practice influenced the relevant ministries to become more responsive in responding to audit objections.

#### INSTITUTIONAL PHENOMENA IN THE CHANGE

Interviewees at the PAC suggested changes in the PAC's structures and practices came from the PAC members' quest for achieving good governance and political outcomes such as transparency. The ruling government at the time made notable efforts to modify the procedures and made changes in the role and functions of the standing committees that shadow different ministries and the two main financial committees: the PAC and the Public Undertakings Committee. PAC members interviewed believed that the changes initiated in PAC structures were a positive step by the government. The changes had enabled the Executive to achieve an enhanced PAC profile in the broader international communities like the Commonwealth Parliamentary Association. This suggests that the changes in PAC structures and practices are manifestations of an indirect influence on the PAC in Bangladesh making it a better parliamentary oversight body. This evidence tallies with some prior PAC studies (see for example, Degeling et al., 1996; Jacobs et al., 2007a; and McGee, 2002) that showed how PACs work in an effort to identify good practices across the Commonwealth. Importantly,

most interviewees believed that the Commonwealth Parliamentary Association's influence on the PAC in Bangladesh has not been 'coercive' as put forward in institutional theory (DiMaggio and Powell, 1983).

DiMaggio and Powell (1983) argue that coercive isomorphism comes in various forms including the provision or withholding of resources to ensure the desired behaviour. DiMaggio and Powell argue that nations, in an effort to realize joint gains, agree to bind themselves to international regimes that subsequently limit their freedom of action. This appears to describe the relationship between the World Bank and less developed countries where the former is able to influence the field of policy-making in the latter largely because of its control of the much-needed economic capital (Rahaman et al., 2007).

With regard to Bangladesh, senior PAC officials revealed that while international donor agencies stressed the need for strengthening the parliament by reforming the PAC committee system, its influence appeared to be rather 'indirect'. However, some senior PAC officials believed that the parliament and the PAC in Bangladesh could not remain immune from these international influences. Our review of archival records and interviews with PAC officials revealed that in 1996, the World Bank undertook a comprehensive study, entitled 'Government that Works' (GTW, 1996), and provided a candid assessment of the Bangladesh public sector, highlighting its achievements, weak spots, and the imperatives for reform. It also made suggestions to introduce a competitive and market-based public administrative system in Bangladesh based on three surveys – covering civil servants, the ordinary citizens and businesses. GTW mapped the glaring inefficiencies and waste in public administration, service delivery, regulation and the management of utilities and state owned enterprises. It called for redefining the frontiers of the public sector (expanding the scope of operations for the private sector and non-governmental organisations); enhancing the level and nature of accountability and responsiveness; streamlining regulations, laws and processes, and overhauling the rules and processes and maintaining an efficient, committed and professional public service to achieve value for the taxpayers' money. One of the recommendations was to strengthen parliamentary oversight committees and improve logistical and research support for Members of Parliament. We, however, heard mixed reactions from some interviewees when asked about the influence of donor agencies on the changes in PAC structures and practices. For example, one interviewee commented that:

International donors do not have any direct influence on the working of the PAC. Donor agencies provide Bangladesh government substantial funding for the country's development plans and activities. Consequently, they would like to see that there is no illegal, irregular, wastage or leakages in spending the money and whether the money is spent for the intended purpose.

In a related issue, another PAC member went on further to remark that:

In that way by taking the holistic approach of the government it could be said they do the work of auditor in essence.

Another PAC member commented:

They (donors) have always been helpful and come forward wherever there has been any reform to strengthen the PAC's operations.

Notwithstanding the above, several interviewees also revealed that donor agencies emphasise the accountability and transparency of government expenditures and they realise the importance of the PAC in this regard. This evidence is consistent with the view that donor agencies understand that if the PAC can be made stronger and effective, the transparency and accountability in a country will be very much improved (see also Jacobs et al., 2007b).

The mimetic notion of structural institutionalism suggests that some organisations tend to incorporate new organisational structures and practices to increase their external legitimacy and survival prospects, independent of the immediate efficacy of the acquired practices and procedures. Public sector accounting studies also found that government organisations often imitate best practices used elsewhere in their institutional field or environment (Modell, 2001). Our interviews with several PAC members revealed a similar behaviour in PAC practices in Bangladesh. Most interviewees believed that the changes made to PAC structures and practices were also influenced by the fact that other commonwealth countries, especially Australia, Canada and the UK had already undertaken reforms in PAC governance and practices including performance auditing.

Interviewees believed that, in recent years, overseas training for members of parliament, PAC members and CAG officials played significant roles in the changes in PAC structures and practices. Our study revealed that every year since 2006, two to three PAC and CAG members attend the Summer Residency Program run by Australia's La Trobe University Public Sector Accountability and Governance Research Centre. Every year about 40 PAC and CAG members from developing countries participate in the training program that focuses on issues related to parliamentary financial scrutiny. The program has been funded by the World Bank Institute in association with the Commonwealth Parliamentary Association. Our interviews with PAC members suggest that they learnt a great deal from their counterparts and course contents on best practices from western democratic nations. In particular, the PAC members of the fifth and seventh parliaments emphasised performance auditing, PAC governance and secretarial support for the PAC following their training in Australia.

Political parties also play significant roles as institutional agents in PAC practices. However, in Bangladesh, politicians tend not to share a broad consensus on national issues. As a result, members of the PAC are unlikely to agree on any important issues. In other words, where different parties define their role in a mutually exclusive way, committee members are unlikely to behave in a non-partisan way. Specifically, committee members may agree on issues providing common benefits to themselves and their constituencies, but are unlikely to agree on those issues that have strong policy implications.

Thus, the existing political culture discourages inter-party collaboration both in parliament and in committees. Pellizzo et al. (2006) argued that strong disagreement between political parties can be damaging to the effectiveness of the PAC. One of the interviewees at the PAC remarked:

The issues in which, say the opposition party is interested; the members from the ruling party in the PAC have a tendency to suppress them. So, instead of having a collaborative joint action to make the government accountable, they have not been able to formulate a teamwork approach in this regard.

Further, in Bangladesh, political parties not only play an important role in assigning members to different committees, but also seek to regulate their behaviour in many ways. In particular, the party head exercises widespread discretionary powers including the authority to nominate candidates to parliamentary seats. This centralized power makes backbenchers vulnerable and susceptible to manipulation. The ubiquity of the party is thus an important factor limiting the (potential) influence of parliament and the effectiveness of the PAC.

Responsibility for assigning the members to different committees rests with the party leadership, especially the whips and chief whips of the major parties. Conventionally, members are consulted before being assigned to a particular committee, but it is not mandatory. Selectors often take into consideration the previous professional background of members while nominating them for different committees. Some PAC members believe that parties often nominate members to the committee not according to experience and knowledge but according to seniority and their influence in the parties.

According to some PAC senior officials, changes in PAC practices were initiated by the former PAC chairman and some members of the PAC to ensure that the committee could complete parliamentary follow up on the CAG's audit reports on government agencies. This evidence is consistent with McGee's (2002, p. 31) finding that 'historically PACs were created to ensure parliamentary follow up on CAGs' reports'. Our case study reveals that the PAC has delegated authority to the CAG office and the secretaries of the various government departments to take initiatives to resolve the huge number of pending audit observations.

The agency notion of institutional theory suggests that powerful institutional entrepreneurs acting as agents force their immediate relational institutions to adapt to their structures and relations and also attempt to build their goals and procedures directly into society as institutionalised practices. The evidence in this study demonstrates that senior officials of the PAC and CAG have built relationships with each other for their smooth operations and have been able to institutionalise PAC practices jointly, being powerful agents. Interviews with several PAC members revealed that self-interest, effort, position and power and the leadership quality of its Chairman influenced the PAC to adopt several strategies for these changes (for a similar view, see Khalequzzaman,

1999). One opposition politician had also referred to the presence of skilled parliamentarians as members of the PAC and the good understanding between the parliamentarians and the other members of PAC as one of the important reasons for the PAC's success.

#### THE EFFECTS OF THE CHANGE

Interviewees suggested that changes to PAC practices outlined above brought about significant change in operational activities of the PAC when dealing with financial and managerial accountabilities of government agencies. The interviewees also believed that the rules and routines that are in place due to the changes at the PAC now dictate the actions and thoughts of PAC members and staff, thereby creating a sense of stability.

The PAC had been especially active in recent parliaments and had formally held a large number of meetings compared to its predecessors. Further, it started to discuss the current audit reports along with the old audit reports. Consequently, regular and effective PAC meetings helped to promote accountability. The PAC of 7th and 8th parliaments appeared to have had greater success than its predecessors in influencing the behaviour of recalcitrant officials and agencies. Following the recommendation of the PAC, a significant amount of money had been recovered to the exchequer and a significant amount of money had been adjusted. This PAC of 7th parliament was able to recover TK. 2,270 million (about US\$ 41 million) and adjust TK. 9,290 million (about US\$169 million). Due to committee pressure, the PAC of the 8th parliament was also able to recover TK 637.7 million and adjusted TK 616.6 million in its first 25 committee meetings and till the end of the term, the committee recovered TK 16.9 million and adjusted TK 92.0 million. No record, however, had been found as to the amount of recovery and adjustment by the previous PACs. This seems to be an extraordinary success, according to most interviewees. Further, interviews reveal that in-depth studies on various issues by the sub-committee of the PAC made the executives more accountable for their activities. It had been noted that officials were now more diligent at implementing the PAC recommendations due to regular follow-up meetings. In one of its reports, the PAC had observed that two secretaries of the government, who, according to the Rules, are principal accounting officers of their ministries, apologised in writing for their inability to attend meetings of the committee. Never before in the past in Bangladesh's history did any senior official do such things. The PAC chairman remarked:

Some changes have taken place over the years. The executive branch has been made to realize that there is a PAC and they are answerable to this committee. This recognition has come across the government and given the machinery with the PAC this is going to play a very important role. The government, the parliament, everyone together realises that implementation of the recommendation is very important.

The committee had given directives to settle a large number of undiscussed audit observations. Till the end of the term, the PAC of the 8th parliament settled 165 audit observations involving taka 102 million through tripartite meetings and settled 1,051 audit observations involving taka 16,128 million as a result of the recommendations made by CAG. The committee recognised this initiative as a great success as the officers and employees associated with the objections had benefited.

### CONCLUSIONS

The major empirical conclusions of this study are this. First, the changes in the PAC are mainly a function of the organisation's external institutional environment. The study provides evidence of some influences on the PAC in Bangladesh by international funding agencies such as the World Bank and the UNDP, which is not the case for developed democratic countries. On the other hand, in less-developed countries, donor agencies tend to play significant roles in development activities by providing financial assistance to the government. Second, as suggested by Battilina (2006), in this study, individuals' social position (in our case, high profile senior members of the PAC including the chairman of the PAC) played an important role in the institutionalisation of the changes in the PAC. Third, the study suggests that a major force that motivated the PAC's decision to invoke changes in the first place was to achieve better accountability and governance and social outcomes similar to other Westminster PACs such as Australia, Canada and the UK. Fourth, the findings indicate that the PAC has drawn attention to all relevant government authorities to implement their recommendations in promoting accountability and transparency in the public sector of Bangladesh and has sought interaction of respective institutions, such as the national audit office, in these processes to shape the public accountability issues. Fifth, the evidence in this study suggests that the performance of a set of role prescriptions in the case of the PAC of Bangladesh depends on the extent to which they are mobilised by both institutional agencies at the socio-political level, which have standing and power and find it in their interests to do so (Degeling et al., 1996; and Lounsbury, 2008). Lastly, by investigating the changes in the PAC of Bangladesh, this study adds to the limited knowledge of PACs in less developed economies – a neglected area of research. It highlights that government accountability processes are heavily implicated in the politics of organisational change, particularly in the PAC with their multiple stakeholders, diverse operations and complex relationships with government and local and international communities such as donor agencies and the Commonwealth Parliamentary Association in the UK.

This study has both academic merit and important practical relevance to PAC practices. First, given our focus upon a PAC of Bangladesh, it is useful to reflect our findings against prior PAC studies in other settings. The organisational structure, operational processes and the associated 'external' forces observed in

the Bangladeshi PAC corresponds closely to that observed in similar studies by Degeling et al. (1996), Jacobs and Jones (2009) and Power (1997). Second, it has also been revealed in this study that the changes in the PAC were undertaken for enabling government agencies to become more efficient and effective with the use of publicly generated resources.

While the current study is constrained to the Bangladesh context, the evidence presented in this research will provide researchers with an opportunity for conducting a cross-country study in different international settings to explore the roles of public accounts committees and national audit offices in making governments accountable to various internal and external stakeholders including the greater public. Further, a future study could attempt to investigate the features of unstable democracies alongside the PAC's governance modes and accountability processes. Given the changing role of governments' governance and accountability mechanisms around the world, such an attempt will strengthen the research results revealed in the current study.

## APPENDIX A

**List of Interviewees with Interview Date and Duration**

<i>Position</i>	<i>Date</i>	<i>Duration</i>
Chairman, Public Accounts Committee (PAC)	02/10/2006	1 ¼ hours
Chairman (former), PAC	29/09/2006	1 hour
Member, PAC	12/10/2006	1 ½ hours
Member, PAC	18/10/2006	1 hour
Member, PAC	09/10/2006	40 minutes
Member, PAC	04/10/2006	30 minutes
Member, PAC	28/09/2006	50 minutes
Member, PAC	23/09/2006	1 hour
Member, PAC	22/09/2006	45 minutes
Member, PAC	26/09/2006	1 ¼ hours
Member, PAC	10/09/2006	55 minutes
Member, PAC	09/09/2006	1 ½ hours
Member, PAC	09/09/2006	50 minutes
Member, PAC	07/10/2006	40 minutes
Private Secretary (PS), Chairman, PAC	27/10/2006	45 minutes
Officer deputed at PAC cell from CAG office	22/10/2006	2 ½ hours
Officer deputed at PAC cell from CAG office	19/09/2006	45 minutes
Comptroller and Auditor General of Bangladesh (CAG)	03/01/2007	1 ½ hours
Former CAG	30/11/2006	2 hours
Former CAG	18/10/2006	1 hour
Former CAG	03/11/2006	2 ½ hours
Deputy CAG, Accounts and Reports (A&R)	15/11/2006	1 ½ hours
Former Deputy CAG, A&R, and PS, Chairman, PAC	02/12/2006	2 ½ hours
Total number of interviewees = 23		29 hours

**Documents and Reports Sighted**

1. The Constitution of the People's Republic of Bangladesh (As modified up to 17 May, 2004), Ministry of Law, Justice and Parliament Affairs, Government of Bangladesh.
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3. The Comptroller and Auditor-General (Additional Functions) Act, 1974 (Act No. XXIV of 1974), Government of Bangladesh, Dhaka.
4. Government of the People's Republic of Bangladesh, Treasury Rules and Subsidiary Rules Made Thereunder, Ministry of Finance, Finance Division, August, 1998.
5. Government of Bangladesh, Bangladesh Economic Survey, Ministry of Finance, 2008.
6. Annual Report, Office of the Comptroller and Auditor General of Bangladesh (from 1997 to 2006), Dhaka.
7. Report of the Committee of Public Accounts of Bangladesh Parliament, Parliament of Bangladesh, Dhaka (reports issued by the PACs of 7<sup>th</sup> and 8<sup>th</sup> parliaments).
8. Performance Audit Manual, Office of the Comptroller and Auditor General of Bangladesh, Bangladesh Government Press, Dhaka.
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11. Reforming Governance in Bangladesh, an Institutional Review, World Bank, March, 2002.
12. Bangladesh Public Sector Accounting and Auditing, A Comparison to International Standards, Country Report, The World Bank, South Asia Region Financial Management Unit, May, 2007.
13. World Bank (1996), Government That Works, Reforming the Public Sector, University Press Limited, Dhaka, Bangladesh.
14. Bangladesh: Financial Accountability for Good Governance, Washington DC, World Bank, 2002.
15. Bangladesh: Report on the Observance of Standards and Codes – Fiscal Transparency Module – Update, IMF Country Report No. 05/328, September, 2005.

16. Transparency International Bangladesh (2002), The TIB's Fact –Finding Report on the Office of the Comptroller and Auditor General (CAG).
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## NOTES

- 1 Accountability is the requirement that people explain and take responsibility for their conduct and the decisions they have made (Roberts and Scapens, 1985). In the public sector context, accountability is confined to the elected representatives of the public and any other group directly involved in matters affecting the stewardship of public resources (Sinclair, 1995).
- 2 The Commonwealth Parliamentary Association is consisting of 170 parliaments and legislatures and more than 16,000 members in 51 of the 54 countries in the Commonwealth. It has a long-established practice of bringing together small gatherings of Parliamentarians to take an in-depth look at an aspect of democratic and parliamentary processes. For more information, visit [www.cpahq.org](http://www.cpahq.org).
- 3 For several working papers on PAC related issues produced by Riccardo Pelizzo and his associates, visit the website of the World Bank Institute of the World Bank, Washington DC: <http://wbi.worldbank.org/wbi/>
- 4 PAC, Third Report, Dhaka, November, 1998.
- 5 PAC, First Report, Dhaka, July, 1997.
- 6 PAC, Second Report, Dhaka, March, 1998.
- 7 BJS, First Report of the Public Accounts Committee of the Eighth JS, Parliament Secretariat, Dhaka, 2005.
- 8 PAC, First Report, Dhaka, July, 1997.
- 9 PAC, Fourth Report, January, 2001.

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