CHAPTER EIGHT

8. ACCOUNTABILITY AND CORPORATE CONTROLS

8.1 Introduction

Earlier chapters of this research study considered the assumption that cost-based measures of operational performance were the clearest way in which corporate investment in library and information services could be justified. Chapter seven then briefly considered a second assumption, namely that the demonstration of value of a business support service should be viewed as the return on corporate investment. In this regard there was an attempt to identify the operational activities on which a return on capital employed could be expected. This study suggested, however, that while library and information services might contribute to the profitability of the organisation, they were not involved per se in the business of profit generation.

This chapter proceeds to report a third assumption with regard to evaluation of library and information services in a private South African law firm: that value of the corporate investment was demonstrated with reference to accountability to corporate management.

8.2 Statutory requirements and corporate governance

8.2.1 Statutory requirements for financial accountability

South African public listed companies and incorporated organisations were obliged by statutory law to prepare a set of audited financial records for shareholders. In South African legislation sections 284 to 309 of the Companies Act 61 of 1973 regulated financial reporting and accountability requirements of incorporated business entities. The annual statements of financial records had to comply with generally accepted accounting practices and deviations from these standard practices had to be disclosed (Henochsberg, 1994 (2000): 552).

The legal status of the South African law firm and the position of practice directors as shareholders were discussed earlier (2.3). The incorporated practice was subject to
an annual external audit. There was no evidence that support services like library and information services were expected to supply unit reports for the company audit.

8.2.2 Definition and scope of corporate governance

The King Committee Report on Corporate Governance 1994, like the 1992 Cadbury Report on the Financial Aspects of Corporate Governance in the United Kingdom and the 1987 Treadway Commission in the United States of America, complemented the interpretation of statutory requirements for corporate accountability. Corporate governance was defined in both the Cadbury Committee Report and the King Committee Report as the way in which companies were directed and controlled (Barlow, Helberg, Large, & Le Roux 1995: 25; King Report, 1994: 1).

Corporate governance was understood to embody financial accountability and ethical business practices (King Report, 1994: 3). In the context of this research study the term corporate governance was applied to the principle of stewardship of corporate resources, where managers of information services were answerable to other stakeholders.

The principles of corporate governance extended beyond the confines of financial reporting in public listed companies.

- In the United States of America the Government Performance and Results Act of 1993 was a statement of commitment to improvement of internal management of the Federal Government by systematically holding Federal agencies accountable for achieving program results.

- In her address to the delegates at the Second Northumbria Conference on Performance Measures, Cullen (1998: 13) reported on the culture of accountability and transparency through cost attribution that was in evidence in New Zealand public service. She warned that this trend towards accountability at every operational level would filter down to public-funded tertiary institutions and she urged information managers to be ready for the challenge of public scrutiny.

proposed a regulatory framework for performance at local government level (General Notice 1430 of 5 June 2001). Both at national and local government level governance was seen to incorporate development, review and reporting of performance.

Regulatory mechanisms regarding corporate governance were applied to public service library and information services (Junowicz, 2001). There was, however, no evidence that support services like library and information services in incorporated South African law firms were expected to comply with corporate governance directives.

8.3 Accountability of information services in South African law firms

8.3.1 Introduction to financial accountability

Anecdotal evidence suggested that most information professionals in South African law firms were involved in financial accountability to the extent that they managed the acquisition of information resources and certified that invoices were correct before passing these for payment. Many of these information professionals maintained some record of financial transactions and were able to generate reports regarding acquisitions. Some information professionals were involved in preparing detailed budgets. These information professionals were in the habit of collecting data that could be compared year on year to assist in the preparation of library budgets (Ward, 2001).

At the beginning of 2000 very few information professionals were willing to participate in the Infospend study that captured data regarding the cost of supplying information services to legal practitioners in South African law firms. The reasons for this reluctance to commit to such a study were never articulated, but it appeared that there was very little incentive for information professionals to participate in such a benchmarking activity. This would suggest that there was very little pressure in many South African law firms for their information support services to be subject to such intense scrutiny. It might be inferred that those firms that did permit their information professionals to participate in the study were those where the practice of
accountability was part of the corporate culture, or where there was a serious attempt to initiate such a practice.

The situation with regard to formal reporting of performance in organisations that were not subject to statutory or regulatory reporting requirements was unknown. It was suspected that information professionals in private law firms were unfamiliar with formal performance measurement and this was tested in an informal electronic survey in November 2000.

8.3.2 Determination of formal evaluation in South African law libraries

Information professionals at twenty-six organisations were sent a short questionnaire by email in which they were asked to comment on some aspects of performance measurement (Appendix 9). The purpose of the informal survey was to confirm or refute the assumption that local law libraries did not have regular, formal evaluation procedures in place. The recipients were all information professionals who belonged to the professional support group, OSALL. The majority of information professionals to whom the questionnaire was sent worked in private law firms, but five law librarians working in other organisations were also approached in order to establish a control group. All those approached were informed that the survey was to establish a base line for subsequent investigations into current practice.

8.3.3 Results of the questionnaire

Thirteen information professionals responded to the questionnaire. Of these three were from the commercial sector, two from the public sector and the remaining eight from private legal practices.

None of the information services in the responding private law firms indicated that they were subjected to regular, formal evaluation procedures although many were familiar with appraisals as part of salary review procedures. The three respondents from the commercial sector and the two from the public sector showed that they were familiar with the practice of formal evaluation and performance measurement. In each of these instances organisational management structure was seen to be
hierarchical, and the respondents were accustomed to working within clear operational guidelines.

The most interesting and useful information was obtained in response to Question 4: "What type of data is reviewed for evaluation purposes?"

Respondent number three from a law firm indicated that she had conducted an internal survey in 2000 to establish patterns of usage and user satisfaction (Pitts, 2000).

Respondent number five, also from a law firm, listed four types of data that were used for evaluation: book holdings and subscriptions; research time; interactions with information technology personnel; and staffing (Cousins, 2000). It did not appear that the statistics relating to acquisition were brought into a relational context. There was, for example, no evidence that the data on book holdings and subscriptions was related to any other measure, cost for example, or requests for material, or loans, in order to measure the value of the output to input, or to outcome. Research time was measured in relation to the client profile in order to determine the charge out rate, but there was no indication that satisfaction rate was measured, or that the statistics relating to requests that could be charged out were viewed as a percentage of total requests. It was not clear how the encounters with information technology personnel and staffing issues were used as measures of performance.

The use of measures in concert with each other was the basis for the management of performance indicators that was more fully explored in chapter two of this research report.

Respondent number seven's answer to question four included three examples of performance indicators that applied to Internet searches undertaken on behalf of internal clients in a private law firm. The indicators supplied were the average time taken to satisfy queries from the Internet; whether Internet searches were successful; and whether more of interest was found on the Internet than requested (Wisenberg, 2000). These suggestions were useful attempts to measure both quantitative and qualitative value in a service.
Respondent number one from the banking sector listed the following measures for which an account was given in her organisation (Basson, 2000):

- Number of reference queries;
- Number reference queries not satisfied with in-house material;
- Speed with which the enquiry was completed; and
- Quality of information provided. [It was not clear how data was collected for this last-named measure].

Respondent number four, also from the banking sector, maintained a record of queries received as the basis for service level agreements with (internal) clients (Graham, 2000). She indicated how the information unit was considering charging for information services in order to become self-funding.

The public service respondents indicated that they submitted statistical reports relating to acquisitions, circulation, number of photocopies and faxes made, number of queries and online searches (Blake, 2000; Junowicz, 2000).

8.3.4 Findings regarding formal evaluation in South African law libraries

The low number of respondents, particularly from the larger South African law firms impacted negatively on the statistical value of the survey. This was attributed in part to the impersonal nature of a mailing list. It was also felt that respondents may have been inhibited by the fact that email responses did not protect anonymity. On the other hand a response rate of 50% was not statistically invalid, and the fact that these thirteen colleagues responded gave this researcher a clear indication of the degree to which the study was supported.

It was clear that the questions were not clearly understood, particularly what was implied by the phrase “regular, formal evaluation.” One respondent for example answered that all departments at that particular organisation were subject to evaluation procedures, but then stated that the library was exempt. It was also clear from the responses that were received that few information professionals in law firms were familiar with the practice of performance auditing. It was perceived by some to be something separate from standard operating practice and was therefore considered to be time-consuming. Related to this was the concern that performance
measures could be construed to be irrelevant. One of the respondents suggested that performance evaluation was seen to be a personal appraisal that effectively challenged professional competence.

The control group of law librarians in commercial organisations and the public sector appeared to be more comfortable with the practice of performance evaluation.

These results, scant as they were, confirmed the view that the information services in South African law firms were not generally subject to formal evaluation procedures. This was not unexpected. In a study of accounting practice in 125 organisations Portugal (2000:14) found that few conducted formal service evaluation. In Matarazzo and Pruzak's study of library and information services in 103 American organisations they found no single standard of measurement of value (Matarazzo & Pruzak, 1995: 8).

8.4 Development of corporate accountability mechanisms

In the apparent absence of formal performance standards and mechanism to demonstrate accountability, this researcher considered two international practices for the determination of value. These were accreditation in line with the International Organization for Standardization's ISO 9000 standard, and the practice of internal auditing.

8.4.1 Quality management systems: ISO 9000

Corporate governance exerted pressure on organisations to give public account of their dealings, and to commit to ethical practices. At the same time globalisation created its own demands for compliance with operating specifications and standards. The International Organization for Standardization was established in 1947 for the compilation of technical specifications or other precise criteria to be used consistently as rules, guidelines, or definitions of characteristics, to ensure that materials, products, processes and services were fit for their purpose (ISO Online: About ISO: What are standards).
The ISO 9000 suite was the first ISO standard to be concerned with process rather than with product (ISO Online: ISO 9000 / ISO 14000: The basics). It was published in 1987 as a guide to quality management systems. In December 2000 the system standards in ISO 9001, 9002 and 9003 were merged into a single requirements standard ISO 9001: 2000 (ISO Online: FAQ: ISO 9000).

The ISO 9000 quality management system was understood to be the means by which an organisation enhanced customer satisfaction by meeting customer demands while at the same time satisfying regulatory requirements. Compliance with the standards developed as part of the ISO 9000 suite indicated a commitment on the part of organisations to conform to certain operating practices. It also indicated the corporate intention to commit itself to continual improvement in quality management. The ISO standard ISO 9001: 2000 6.1 identified both the resources needed to support the quality system as well as those resources needed to improve it (Praxiom, 2000). Provision of quality personnel (ISO 9001 2000 6.2) required attention to be paid to appropriate levels of training and mastery of skills. ISO 9001 2000 6.3 recognised that infrastructure requirements in support of quality systems needed to be identified and provisioned.

South African law firms did not appear to seek conformity assessment in terms of ISO 9000. In 2001 only one South African law firm was known to have complied with the standards recommended in ISO 9000 (Kuper, 2001).

8.4.2 Internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

IIA: The IIA: About the profession

While the external audit was the subject of statutory provision, the internal audit was identified as a mechanism for voluntarily evaluating internal systems.

The scope of internal auditing could be defined in relation to both system control and operational performance. Specifically these incorporated examination and evaluation of the systems of internal control with regard both to quality of performance and
management effectiveness (Barlow et al., 1995: 389). In this context quality was understood to be the potential of a product or service to satisfy a customer's needs. The work of the internal audit was seen to be diagnostic as it was undertaken in order to expose areas where quality control was absent or ill-defined. The purpose of the internal audit was to establish whether mechanisms existed to safeguard the corporate investment.

The Institute of Internal Auditors (IIA) was established in 1941 to offer professional support to members and affiliated national institutes involved in internal auditing and corporate governance (IIA: The IIA: At a glance). National affiliation to the IIA through the Institute of Internal Auditors South Africa (IIA SA) ensured that international standards and ethical practices were upheld in those organisations where internal auditing was practised. There was, however, no indication that South African law firms practised formal internal auditing in line with IIA standards, or more specifically that the information services were subjected to internal audits.

8.4.3 The information audit and the information services audit

The information audit was a practice that exhibited strong similarities to the practice of internal auditing outlined above. It was not, however, a practice that was regulated by a professional body such as the IIA.

Burk and Horton, the early authorities with regard to information auditing ([Infomap; a complete guide to discovering corporate information resources], 1988) approached the exercise from the perspective of inventory. Their methodology identified and mapped information resources in an establishment. Orna's information flow analysis ([Practical information policies: how to manage information flow], 1990) extended the scope of inventory to account for those processes where value was added and information created. Buchanan and Gibb ([The information audit: An integrated approach], 1998) devised a strategy to co-ordinate these diverse approaches.

The information audit was typically undertaken in order to assess the value and potential value of corporate information to an organisation. It was considered to be useful in the determination of management systems as well as in the identification of risk. A sound knowledge of the flow of information in a sensitive operational area, for example, was essential to the development of security procedures.
The information audit was seen to be an activity for which a consultant could be contracted and it was not regarded as a procedure that required to be repeated annually. It could be considered a useful exercise for a business unit contemplating reengineering. When the five metropolitan councils in the greater Cape Town area were reunited in the Unicity at the end of 2000 a consultant was appointed to inspect the information resources at each of the legal advice offices. The purpose of the information audit was to recommend and implement a strategy for overcoming duplication, maximising the effectiveness of the separate information resources and advising on new or alternative resources and information services (Burger, 2001).

In the context of corporate accountability, however, an information services audit rather than an information audit was identified as an appropriate means to monitor the quality of operational processes on a regular basis. The mapping of information, its flow through the organisation and the interaction with the user were important aspects of the audit. This researcher recognised also, however, that accountability and governance required the development of internal reporting structures that were compatible with the external auditing procedures.

The internal audit governed by IIA standards was a diagnostic procedure, typically carried out by agents who were not responsible for the system development (Barlow et al, 1995:11). This gave an objectivity that mirrored the same objectivity of independent external auditors. An information services audit was identified as an appropriate mechanism for operational control and the creation of a framework for complying with such an internal audit was addressed.

An information services audit framework was proposed for the South African law firm of the early 21st century in accordance with the ten-step management plan outlined by Barlow et al (1995:138):

Step 1: Understand the unit's business
Step 2: Establish what needs the unit is or should be satisfying
Step 3: Define the unit's mission
Step 4: Identify the key activities required to achieve the mission
Step 5: Establish performance objectives for these key activities
Step 6: Assess the risk relating to these performance objectives
Step 7: Decide what control strategies to pursue
Step 8: Implement appropriate control strategies
Step 9: Monitor and evaluate actual performance.
Step 10: Review performance objectives.

The resulting statement of intent was seen to be the product of observation, published guidance in the literature, and collegial input. The response was seen to be specific to the responding organisation and was presented as a statement that was subject to scrutiny by the internal auditor.

8.5 Conclusion

It was observed that corporate governance was not necessarily implemented at the level of support services. Surveys suggested that few information professionals in South African law firms were familiar with formal system evaluation procedures.

Only one South African law firm was known to be accredited in line with the international quality management standard ISO 9000 at the beginning of the 21st century and this was the only information professional who appeared to be familiar with the practice of formal auditing. No South African information professionals acknowledged that they were subjected to internal audits conducted under the aegis of the IIA SA.

An information services audit framework was conceived for the South African law firm of the early 21st century in accordance with the ten-step management plan outlined by Barlow et al (1995:138). The information services audit was perceived to consolidate and embody the result of this research investigation into the determination and demonstration of value of corporate information services.

Chapter eight presents the information services audit as a full statement of the conclusion of this research study.
8.6 Summary

This chapter proposed that the value of the corporate investment in information services was demonstrated by accountability to corporate management. The purpose and scope of corporate governance were introduced. International quality management standard ISO 9000 was introduced as a formal means of evaluation where policies and practices, including those of support services, were inspected and measured against system standards.

The internal audit was introduced as another management practice to develop standards of accountability. The information services audit was then proposed as an initiative by the information professional to comply with principles of accountability.