The accountability function of supreme audit institutions in Malawi, Uganda and Tanzania

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Malawi, Uganda and Tanzania
### Abbreviations

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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>Aford</td>
<td>Alliance for Democracy</td>
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<tr>
<td>CCM</td>
<td>Chama Cha Mapinduzi</td>
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<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>INTOSAI</td>
<td>International Organisation of Supreme Audit Institutions</td>
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<td>IA</td>
<td>Internal Audit</td>
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<td>IFMS</td>
<td>Integrated Financial Management System</td>
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<td>LAAC</td>
<td>Local Authorities’ Accounts Committee</td>
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<td>MP</td>
<td>Member of Parliament</td>
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<td>PAC</td>
<td>Public Accounts Committee</td>
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<td>PEAP</td>
<td>Poverty Eradication Action Plan (Uganda)</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>SAI</td>
<td>Supreme Audit Institution</td>
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<td>UDF</td>
<td>United Democratic Front</td>
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Executive Summary

1. In the context of poverty reduction strategy paper processes in sub-Saharan Africa, the accountability function of supreme audit institutions has increased in importance and relevance. Despite the important accountability functions assigned supreme audit institutions, little is known about their actual functioning and we have scant information about how SAIs interact with other stakeholders in the budget process such as the legislature, civil society and donors. This study compares the supreme audit institution in Malawi, Uganda and Tanzania. It compares the institutional capabilities of the audit institutions, linked to the institutions’ mandate, capacity and autonomy. Second, the report assesses the relational resources of SAIs, through their interactions with parliament, civil society, and the donor community.

2. The findings suggest that there are weaknesses in the supreme audit institutions’ mandate in Tanzania and Uganda. Executive dominance is a particular threat in the reporting procedures in Tanzania as it reports to parliament through the ministry of finance. New legislation has increased the scope of auditing and reduced the level of expenditure outside the mandate of the supreme audit institution in all three countries. The large amount of expenditure labelled ‘classified’ and kept outside the jurisdiction of the SAI, is a greater concern in Uganda than in Tanzania and Malawi.

3. Overall, the supreme audit institutions are not able to fulfil their assigned tasks due to lack of finances, infrastructure and human capacity. Capacity problems have improved in all countries by the introduction of integrated financial management systems in the government, performance audits and a multiplication of the number of auditees. However, the supreme audit institutions have been unable to keep up with the technical development. Initiatives within the general framework of the poverty reduction strategy process (i.e. public financial management reform) have been centred on government ministries, and audit institutions have been sidelined. The rationale behind introducing performance audits in countries struggling to carry out the traditional types of audits such as financial and compliance audits, needs to be critically examined. At the moment none of the three countries’ audit systems have the necessary expertise or financial resources to carry out adequate performance audits.

4. The audit institutions’ independence is compromised by lack of autonomy in relation to appointment and dismissal procedures, financial matters, and access to relevant and timely information. The auditor general is appointed by the president in all three countries. Whereas the appointment is dependent on the approval of parliament in Uganda and Malawi, this is not a requirement in Tanzania. This potentially enhances the presidential leverage over the auditor general. In all three cases the president may exert undue influence on the auditor general in issues of removal. In practice there is so far no evidence that this has led to unwarranted dismissals. The quality of the internal audit within spending units is weak and adds to the workload of supreme audit institutions. Internal audit is more developed in Tanzania than in Malawi and Uganda. In all countries we note that an insufficient budget forces the auditor general to spend time lobbying donors and the ministry of finance for money undermining his independence.

5. As for relational resources, the parliamentary stage of the audit cycle is hampered by lack of resources and leverage. Yet, the public accounts committees in Uganda and Tanzania have gained a modicum of strength in acting upon the supreme audit institutions’ reports. The Malawi public accounts committee is less active. This is in part explained by the support given to the committee system. The Malawi public accounts committee is more constrained by resource deficits than its Ugandan and Tanzanian counterparts. The relevant Ugandan committees perform best in terms of technical assistance and funding. Party (Movement) discipline serves as a constraint on the operations of the committees in all three countries and
the committees are largely unable to check and ensure that their recommendations are taken into account and acted upon.

6. Lack of cooperation with the media and civil society represents a missed opportunity to promote and improve the work of the supreme audit institutions.

7. Limited donor coordination adds to the workload of the supreme audit institutions, and places excessive demands on an already weak institutional capacity. In particular, the interaction between the Malawi government and the donors has been problematic. Donor harmonization is more developed in Uganda and Tanzania where an increasing amount of donor funds are channelled through the budgetary process. The problem with off-budget donor funds going straight to ministries remains, making it hard for the audit institutions to keep track of and audit these expenditures. This contributes to undermining the authority of the supreme audit institutions.

8. In terms of both institutional capabilities and relational resources, our findings suggest an informal ‘ranking’, in which the supreme audit institution in Uganda performs slightly better than its Tanzanian counterpart, with the Malawian auditor general lagging behind. The National Resistance Movement regime has placed great emphasis on poverty reduction, the fight against corruption and herein, oversight institutions. However, moving to a competitive and more conflictual political situation, the commitment of the National Resistance Movement government to the oversight institutions appears challenged. Overall, the study finds that the parliaments, civil society and donors increasingly show commitment to the oversight process. But serious problems exist on the follow up side: At the moment there are few incentives for the executive to follow up on committee recommendations. There are numerous instances of audit findings which have never been acted upon in the three countries. The failure to report to statutory deadlines in combination with non-compliance with international standards, diminishes the practical relevance of the audit report. Tanzania and Uganda have improved their performance with respect to this and outperform Malawi. But the same problems are repeated in the reports year after year reflecting lack of enforcement mechanisms and incentives to impose sanctions.

9. This report was commissioned by the Norwegian Agency for Development Cooperation (Norad). Responsibility for the views expressed and for any errors of fact or judgement remains with the authors.
1 Introduction

Ensuring that public resources are spent according to the electoral and administrative mandate; that funds are distributed in consistence with stated objectives, and that corruption is avoided, are key elements of economic accountability. Supreme audit institutions (SAIs), commonly referred to as the auditor general’s office, perform key functions in terms of checking governmental accountability over public funds. According to the International Organisation of Supreme Audit Institutions, auditing is performed in order to ensure (1) the proper and effective use of public funds; (2) the development of sound financial management; (3) the proper execution of administrative activities; (4) and the communication of information to public authorities and the general public through the publication of objective reports.

In the context of poverty reduction strategy processes (PRSPs) in sub-Saharan Africa, the accountability function of supreme audit institutions has increased in importance and relevance. The PRSP defines targets for resource allocation and outputs through pro-poor budgeting and implementation. Public financial management reforms are designed to provide governments with sufficient capacity to handle the new forms of aid. Audit institutions are an integral part of these processes. SAIs contribute to ensuring commitment to poverty reduction through the budgetary process as they audit the funds channelled through the Exchequer system. SAIs thereby serve an accountability function both towards its domestic population and donors as an increasing amount of aid is provided as budget support.

Despite the important accountability functions assigned supreme audit institutions, little is known about their actual functioning and we have scant information about how SAIs interact with other stakeholders in the budget process such as the legislature, donors and civil society. Against this background, this study compares the supreme audit institution in Malawi, Uganda and Tanzania. In order to understand how audit institutions function, we first evaluate the institutional capabilities of the audit institutions. To do so, we assess the mandate, autonomy and capacity of the supreme audit institutions. An adequate mandate, resources and human capacity to carry out the given tasks, and independence from the executive are necessary requirements for supreme audit institutions to actually perform their accountability function. But, for audit recommendations to be translated into effective policy, a supportive environment is required. We therefore proceed to analyse the supreme audit institutions’ relational resources i.e. how they interact with other institutions and agents in the political system and draw support from the environment.

In Malawi, Uganda and Tanzania parliament, mainly the public accounts committee and similar committees, are the primary audience of the supreme audit institutions. The ability of the parliamentary committees to hold the executive accountable is in turn influenced by the general political climate and the political parties represented in the legislative assembly as well as a vocal civil society. In addition, in aid dependent countries such as Malawi, Tanzania and Uganda, donors exert a significant influence on the audit cycle. In order to analyse the actual impact of supreme audit institutions in terms of checking the use of state funds, we assess the interactions between SAIs and the parliament, civil society, and the donor community.

1 According to the Lima Declaration of the International Organisation of Supreme Audit Institutions (1977).
2 This work has benefited greatly from the in-depth comments contributed by Dr. Siri Gloppen. Thanks also to the other members of the political scientist group at CMI for useful inputs to previous versions of this report. The conceptual framework used in the report is based on the CMI Working Paper “Checking the state. The role of special institutions of restraint in Africa’s new democracies” (Gloppen and Rakner, forthcoming).
Comparing Malawi, Tanzania and Uganda

The SAIs are examined in the context of the poverty reduction strategy processes which are ongoing in all three countries. These processes provide the basis for assistance from the World Bank and the International Monetary Fund, debt relief under the Heavily Indebted Poor Country initiative, and also largely guide the aid provided by the other members of the international aid community (both multilaterals and bilaterals). The three countries are at different stages in terms of integrating poverty reduction measures into the budget cycle. With a ‘home grown’ PRSP (the Poverty Eradication Action Plan - PEAP) from 1997, Uganda ranks among the countries in sub-Saharan Africa that has come the furthest in implementing poverty reduction strategies. The country has adopted the poverty reduction strategy paper as the overarching policy document for the eradication of poverty for three budgetary years, and a new PEAP was implemented in 2004.\(^3\) In Tanzania the complete PRSP has been in place since October 2000, but the links to the budgetary process are still in process of development. Malawi is a ‘latecomer’ in the context of PRSP and did not get a complete PRSP until 2002 (Foster et al. 2002). The process suffered from a rushed timetable, and the PRSP is still not properly linked to the budget process (Bwalya et al. 2004).

The countries also differ with respect to their systems of governance. Uganda stands out with its so-called no-party democracy, a system that may be transformed into a multiparty system before the March 2006 presidential and parliamentary elections. Both Tanzania and Malawi introduced multiparty systems in the early 1990s, but so far no major political shifts have taken place in Tanzania. The transition was steered from above under the guidance of the ruling party Chama Cha Mapinduzi (CCM), and the CCM has enjoyed an overwhelming majority in parliament since the first multiparty elections in 1995. In contrast, the three democratic elections in Malawi (1994, 1999 and 2004) have not resulted in a dominant party system. The United Democratic Front (UDF) defeated ‘president for life’ Hastings Banda and the Malawian Congress Party in the first multiparty elections in 1994. While UDF has retained power in the two subsequent elections, they have had to rely on support from the opposition through various coalitions. This has necessitated negotiations with sections of the opposition to facilitate the passing of legislation.\(^4\)

The accountability function of supreme audit institutions in Malawi, Uganda and Tanzania

The analysis utilises a comparative, qualitative case study approach and its findings are based on three different sources: Key informant interviews with stakeholders in the budget process in the three countries\(^5\), government documents and reports.\(^6\)

\(^3\) In general, a country needs to write a PRSP every three years, but changes can be made to the content in the annual progress report on the PRSP.

\(^4\) In the parliamentary elections held on 20 May 2004, the UDF experienced a setback. Its presidential candidate Bingu wa Mutharika won, but according to the announcement of the Electoral Commission, UDF only won 49 of 193 parliamentary seats, a significant reduction from the 91 seats in the 1999 election. In the postelection period negotiations with independent MPs and a number of opposition parties, assured UDF a working majority in parliament. However, when president Mutharika in February 2005 left UDF to form his own party, the Democratic Progressive Party, the position of UDF declined further.

\(^5\) All the interviews in Tanzania and Uganda were conducted in the period from 29 June to 29 July. Altogether 57 key informant interviews were carried out with policy makers, representatives from the private sector, the Government, civil society, and the donor community. The fieldwork in Malawi was carried out during the first half of 2004 in relation to two projects neatly tying in with this study – “The institutional context of the 2004 general elections in Malawi” (CMI/CSR) and “The Political Economy of the Budget Process in Malawi” (DFID). Both key informant interviews and focus group discussions were conducted. Numerous people helped us during these visits. Deserving of special mention are Donna Bugby-Smith, Martin Wilcox and Carl Åke Gerdén.
Our findings suggest that the institutional capabilities of the supreme audit institutions to carry out their economic accountability function are limited in all three countries. In terms of mandate, the scope of responsibilities (jurisdiction) of the audit raises issues of concern. While now de jure comprehensive in each of the countries, it remains to be seen how the audits of classified expenditure will transpire in practice. Limited access to information and a considerable part of spending categorised as classified expenditure seem to be a greater concern in the case of Uganda than in Tanzania and Malawi. The power of the supreme audit institution in Tanzania is compromised as it reports to parliament through the ministry of finance, whereas the Uganda and Malawi SAIs report directly to parliament.

Overall, we have seen that the Malawi, Uganda and Tanzania SAIs are not able to carry out their assigned tasks due to lack of resources and capacity. The organizational structure and capacity has not been sufficiently adjusted in order to cope with an increased scope of responsibilities and the computerization within the governments. Against this background, we question the rationale behind introducing performance audits in countries struggling to carry out the traditional types of audit such as financial and compliance audits. At the moment none of the three countries’ audit systems have the necessary expertise or financial resources to carry out adequate performance audits. We note with concern that the SAI’s in all three countries so far have had little or no access to the integrated financial management systems schemes which opens up for computerised record keeping of transactions for audit purposes. Added to this, the workload of the auditing institutions has increased significantly due to the local government reforms and a restructuring of the financial framework adding the responsibility of auditing statutory corporations and local authorities. Although recent adjustments have taken place within the Malawi SAI it lags behind both Uganda and Tanzania in terms of ensuring that its staff receives formal training enabling them to complete the audit plan. Overall, the capacity problems appear far greater in Malawi than in Tanzania and Uganda.

Supreme audit institutions in Malawi, Uganda and Tanzania lack autonomy in relation to appointment, dismissal, financial matters, human resource management, and access to information. The fact that the president appoints the auditor general in all three countries represents a challenge to their independence. In the case of Tanzania, the appointment does not even require parliamentary approval. In all three cases, the president is able to exert undue influence on the auditor general in issues of removal, but the process is somewhat less open to executive influence in Tanzania than in Uganda and Malawi. In practice, there is so far no evidence that this has led to unwarranted dismissals or unwillingness to renew the auditor general’s contract. The role and functioning of internal audits appear more developed in Tanzania than in Malawi and Uganda. Overall, however, our findings suggest that internal audits hamper rather than facilitate the work of the supreme audit institution. In terms of funding, our findings also suggest that the Tanzanian auditor general enjoys more autonomy than its counterpart in Uganda and Malawi. Despite a cash budget system, payments are released every six months to the SAI making for a reasonably predictable cash flow. In both Uganda and Malawi we observe that payments to the auditor general’s office are habitually irregular and less than estimated. In all three cases insufficient budgets have meant that the auditor general spends time lobbying donors and the ministry of finance for additional funding, thereby subduing the independence of the institution.

In terms of relational resources, or the ability of supreme audit institutions to utilise and draw support from the environment, the study indicates that the capacity of the legislature to act upon the reports of the auditor general varies considerably between the three countries. While the relevant parliamentary committees in all cases report that they are constrained by lack of resources and leverage, the situation is most alarming in Malawi. The government of Malawi only provides funds for plenary sessions. In the last four years, donor support has allowed some committees to meet on a regular basis, most notably the budget and finance and public accounts committees.

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6 Most of the documents and part of the reports were collected in Tanzania, Uganda and Malawi by the authors.
While this has improved the oversight function of the legislature, we note that this form of donor dependency may create a legitimacy problem as it becomes unclear who the committee really is accountable to.

The Ugandan parliament and committees appear to be better capacitated to follow up on audits. Its oversight committees, particularly the Uganda public accounts committee (PAC), appear to have exploited the opportunities to hold the executive accountable to a greater extent than in Malawi and Tanzania. An explanation of this may be the considerable openness of committee proceedings. PAC sessions are open to the press, officials from the supreme audit institution, the accountant general’s office, and the criminal investigation department. The Uganda PAC and to some extent the Tanzania PAC, have gained a modicum of strength in acting upon the SAI reports. However, party discipline and executive dominance constrain the accountability function of parliament in all three countries.

Relations to media and civil society are underdeveloped in all three countries. Neither of the SAIs has developed functioning media strategies and relations to civil society are in turn hampered by weakly developed media coverage of audit findings. The interactions between SAIs, civil society organisations and the media seem best developed in Uganda. We also note that members of the public accounts and budget and finance committee of the Malawi parliament emphasised its working relationship with civil society in terms of analysis and follow up of audits and the budget process.

A considerable external engagement in domestic policy processes is witnessed in all three cases. Limited donor coordination and off-budget donor funding remain a concern as this undermines the budget as a tool to coordinate and determine the distribution of limited resources. Our analysis suggests that with respect to the interaction between SAIs and donors, this relationship is particularly problematic in Malawi. This is partly due to an inconsistent and turbulent process of general budget support. In Tanzania and Uganda donor harmonisation is well developed, with the poverty reduction budget support/poverty reduction support credit in Tanzania generally considered as particularly well-functioning. The share of direct budget support and support on a “basket” and sector-wide basis is increasing especially in Tanzania and Uganda and more projects are registered within the medium term expenditure framework.

Overall, our study suggests that both aspects of institutional capability and relational resources constrain the ability of supreme audit institutions to perform their economic accountability function in Malawi, Tanzania and Uganda. While we find that the parliaments increasingly show commitment to the oversight process serious problems exist on the follow up side: The legislatures in all three countries are mostly unable to check and ensure that their recommendations are taken into account and acted upon. At the moment there are few incentives for the executive to follow up on committee recommendations. There are numerous instances of audit findings which never have been acted upon in the three countries. The same problems are repeated in the reports year after year underscoring the limits of enforcement mechanisms and lack of incentives to impose sanctions.

Our findings suggest an informal ‘ranking’, in which the supreme audit institution in Uganda performs slightly better than its Tanzanian counterpart, with the Malawian auditor general lagging behind. However, the Ugandan oversight institutions and functions have been established within the movement system, where presumably ‘everyone agreed on the basic principles’. Now moving to a competitive and more conflictual political situation, government commitment to the oversight institutions is challenged. Lately ownership of the poverty reduction agenda is challenged by growing politics of patronage (Hickey 2003:10). Piron and Evans (2004:25) point to tackling corruption in the public sector as a serious challenge and questions government commitment. Most observers of Ugandan politics link the lack of progress in the fight against corruption to the

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7 This argument was presented by Andrew Mwenda, The Monitor, at the CMI-Makerere University workshop: “The Institutional and Legal Context of the 2005 Parliamentary and Presidential Elections in Uganda”, Mukono, February 4-6, 2005.
upcoming 2006 parliamentary and presidential elections, presenting stakeholders within parliament, opposition parties, civil society, and the donor community with several challenging tasks.

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The study is divided into five parts. Following this introduction, part two presents the main characteristics of the Westminster model of audit institutions. In the third section, we assess the institutional capability function of SAIs through comparing their mandate, capacity and autonomy in the three country cases. Section four examines the impact of the supreme audit institutions on actual policy by comparing their relational resources linked to the parliament, civil society, and the donor community. The fifth section summarises the findings and compares the overall performance of the supreme audit institution in Malawi, Uganda and Tanzania.
2. The role and function of SAIs

The SAIs in our three case study countries belong to the Westminster model of external auditing. Public external audit are commonly divided into three main types: the Judicial (also referred to as the Napoleonic or court of accounts system), the Board and the Westminster (or Anglo-Saxon or parliamentary) systems all of which are associated with specific features setting the premises for the SAIs functioning.8

<table>
<thead>
<tr>
<th>Main characteristics</th>
<th>Type of Supreme Audit Institution</th>
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<tr>
<td></td>
<td>Judicial system</td>
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<tr>
<td>Type of audit</td>
<td>Compliance</td>
</tr>
<tr>
<td>Prevalence</td>
<td>Latin Countries of Europe, Turkey, South America, Francophone and Lusophone Africa</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>Court is integral of the judiciary. A judge acts as president but members are on an equal term</td>
</tr>
<tr>
<td>Staff qualifications</td>
<td>Lawyers</td>
</tr>
<tr>
<td>Tenure of office</td>
<td>Serve until retirement age</td>
</tr>
<tr>
<td>Follow-up of audit findings</td>
<td>The magistrates serving on the court impose penalties or corrections</td>
</tr>
</tbody>
</table>

The Westminster system10 is typically marked by SAIs interactions with the parliament. The SAI is a core element of parliamentary oversight and there is a close relation between the PAC (and equivalent parliamentary committees) that review the audit report and the SAI. The SAI is dependent on the parliament to act upon its reports for audits to be effective, implying that with an impotent legislature that do not fully discharge its duties the value of the SAIs work is considerably reduced. The office of the auditor general has no judicial function itself but its findings may be passed on to legal authorities for further action indicating another relational factor determining its functioning. There are strong safeguards of the tenure of the auditor general and generally s/he can only be removed by an act of parliament. The SAI is headed by an auditor general who is personally responsible for his or her office, generating a hierarchical organisational structure. The office has a professional staff (mostly) with accounting and auditing backgrounds as its traditional focus has

8 It should be noted that these models cover an extensive number of SAIs and there are naturally great intra-category variations as well as cases of overlap between the three types. Notwithstanding such systematization serves as a useful tool of providing an overview of the institutions and constitutes a basis from which contrasting characteristics can be pointed out.

9 For a more detailed outline of these models see DFID (2004).

10 During the colonial period the audit models were transported to new territories and as a result the type of SAI in many African countries is closely related to the country’s previous colonial history. The Westminster system is, as the name indicates, found in the UK and many Commonwealth countries including countries in sub-Saharan Africa.
been financial auditing but other types of audit such as compliance and performance audits are also carried out by the Westminster type of SAIs (see Box 1). The third type of auditing, performance audit (or value-for-money\(^{12}\)), has become increasingly popular among SAIs since its introduction in the 1960s-1970s in many industrialised countries. It represents quite a different approach to auditing than compliance and financial auditing and is cost demanding since time and resources must be invested in training and building of competence.

### Box 1 Types of audits

Financial auditing seeks to attest to, or verify the accuracy of the data contained in financial statements and reports. The objective is to ensure that the government's financial statements are reliable in the sense that they yield a correct picture of the financial activity and the condition of the entity.

In compliance auditing the auditor seeks to locate instances of illegal or irregular transactions. The purpose is to determine whether the accountable entity has conformed to the laws and regulations governing its operations.

Performance auditing developed partly in response to a demand from parliamentarians of advice on how to increase the efficiency of government and thus obtain better value for the taxpayer's money. A holistic perspective is applied and an entity, program or activity is examined in an effort to make sure that administrative procedures adhere to managerialist criteria. This type of auditing is therefore tightly knit to the 'new public management' tradition and requires different skills than the traditional methods of auditing.

### The cycle within the cycle – the audit cycle and the budget cycle

The budget cycle consists of four stages: (1) the preparation of the budget, (2) the legislative stage (deliberation, amendment and formal passage), (3) implementation, and (4) oversight (evaluating budget compliance with the stated intentions laid out in the budget), and auditing is part of the fourth and final stage. External auditing under the Westminster system is also cyclic in nature (as illustrated in a simplified form in figure 1): First the government accounts for the previous financial year are prepared by all government departments and public bodies and made available on a prearranged time for the SAI to audit. The SAI audits the accounts and produces its report(s) to parliament. In parliament the report is referred to the relevant parliamentary committees (most often the PAC or equivalent committee). The committees examine and debate the SAI report and normally conduct public hearings. Public officials and other relevant parties, including for instance SAI staff, civil society representatives, and officials from the ministries and departments are summoned to give evidence. When finalised, a report with recommendations and comments are handed over to the plenary and debated. Following the plenary stage the report is voted on and either rejected or approved. In the event of approval the parliamentary recommendations and comments are conveyed to the executive. Throughout, the process is to take place within certain timeframes.

\(^{11}\) A fourth type of auditing termed ethical audit is a newcomer in the field of audit and has quite recently been introduced by SAIs in the UK and Canada. As this type of audit is not practiced in Malawi, Tanzania or Uganda it falls outside the scope of this report. The conventional view is that over time these types of audit form a comprehensive audit framework that captures the wholeness of an organisation (INTOSAI, Paragraph 38; Dye and Stapenhurst 1998; Stapenhurst and Titsworth 2001)

\(^{12}\) ‘Value-for-money-auditing’ refers to the “three Es” i.e. economy (spending less), efficiency (spending well) and effectiveness (spending wisely) (Whener 2002:8).
The audit cycle in Malawi, Uganda and Tanzania is modelled on this system. In Tanzania, Malawi and Uganda the executive is also required to respond to the parliamentary report in the form of a treasury memorandum within a fixed date. If the executive decides not to address and act upon a certain issue raised in the report this should be accounted for in the treasury memorandum as well the measures taken to implement other committee recommendations.

**Figure 1 The Westminster audit cycle**

Why and when do supreme audit institutions succeed?

The degree of independence that audit institutions enjoy is stressed as a cornerstone to a successful audit exercise by most authors.\(^{13}\) It is also quite common to use the International Organisation of Supreme Audit Institutions’ 1977 Lima Declaration of Guidelines on Auditing Precepts as a point of departure.\(^{14}\) The latter has become an internationally accepted standard which SAIs generally apply as it contains a comprehensive list of all goals and issues relating to government auditing. Although the wording and categories used may be different, the literature largely highlights the same factors as conducive for successful audit institutions. We analyse the ability of the SAIs in Tanzania, Malawi and Uganda to carry out their accountability function on the basis of their institutional capabilities i.e. their mandate, capacity, and autonomy. The actual impact of the auditing exercise is discussed through comparing the SAIs relational resources; the relationship to parliament, media/civil society and the donor community. This analytical framework allows us to focus on the relational and dynamic aspects affecting the performance of SAIs. To a larger extent than the above listed literature, this analytical perspective is designed to avoid a static focus on institutional factors and stress the inter-linkages between SAIs and other actors. It captures the main

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\(^{13}\) See for instance Dewar (1988), Stapenhurst and Titsworth (2001) and Dye and Stapenhurst (1998).

\(^{14}\) See for instance Fiedler (2003) and Wojciechowski et al. (1999).
points stressed in the literature and at the same time allows us to focus on the functional characteristics of the SAIs i.e. to what extent the institutional mechanisms are operative.  

A SAI’s mandate refers to its statutory or formal independence as laid down in the legal framework such as the constitution, laws, and regulations. The nature of the SAI mandate involves who it itself is accountable to and reports to, that is, its cooperative relations (reporting procedures). It is also composed of other aspects e.g. scope of responsibilities (are there limits on the scope of audit?)

The capacity of a SAI refers to both its financial and operational independence. Of relevance in this regard are the organisational resources (human resources such as number of staff, professional skills and organisational structure), finance (resources at its disposal/overall scale of funding), and infrastructure (access to computers, offices, vehicles, travel, training etc.).

A SAI’s autonomy is partly a result of a clear mandate and sufficient capacity/resources as all the aspects of SAI power is mutually reinforcing (both in a negative or a positive direction). Institutional autonomy is here taken to point to the SAI’s ability to fulfil its watchdog role – its mandate. It is linked to the resource aspect (sources of funds, security for budgets, and the remuneration system of staff) and access to information (getting the necessary information on time and when needed). Moreover appointment, tenure and dismissal are factors that must be taken into consideration.

As a fourth factor, the SAIs relational resources will be looked into. Partakers playing into the audit cycle are parliament, donors, civil society organisations (CSOs) and the media. As already stressed, the the SAI particularly relies on parliament to be its primary audience. In highly aid dependent developing countries the donors are also indirectly and directly involved in the national budgetary process. Other actors are the media and CSO’s. Both the media and CSO’s can heighten the awareness about audit findings by for instance reporting on PAC debates and recommendations; raise issues for the SAI to investigate and even conduct initial investigations into financial misconduct or further investigate audit findings; and, assist in building audit literacy in the population. Moreover CSO’s can play an active part in the audit process by tracking expenditures, measuring program performance, and monitoring the follow-up to the SAI report (Krafchik 2003).

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15 For more on this analytical framework see Gloppen and Rakner (Forthcoming).
3. **The capability of supreme audit institutions to check public finance: Comparing mandate, capacity and autonomy**

### 3.1 Mandate

The key statute guiding the Malawi SAI is the *Public Audit Act No 6 of 2003*. In combination with other recent statutes such as the *Public Finance Management Act No 7 of 2003* and the *Public Procurement Act No 8 of 2003* it constitutes the legal framework directing the budgeting and public financial management functions in Malawi. The legal framework is generally held to be satisfying as it is largely based on the country financial accountability assessment guidelines developed by the World Bank and Strategic Partnership with Africa donors (Rakner et al. 2004:15). In Tanzania and Uganda recent developments regarding the legal framework governing the general financial processes including external auditing also have taken place. In Uganda the *Public Finance and Accountability Act* and the *Public Procurement and Disposal of Assets Act No 1* were adopted in 2003. A new audit bill intended to strengthen the independence of the Uganda SAI is underway but has not been tabled in parliament yet. The *Finance Bill of 2001* and the *2001 Public Procurement Act* are the main regulatory statutes in Tanzania. The establishment of the institutions as well as aspects concerning their independence are laid down in the constitution in all three countries.

**Reporting procedures**

The SAI in Tanzania submit audit reports to parliament through the ministry of finance (Rutashobya 2004:22). By not reporting directly to parliament, reporting procedures deviate from international standards. The legal framework of the Malawi and Uganda SAIs fulfils this requirement as audit reports are submitted to parliament (Muloopa 2003:41; Malawi Public Audit Act 2003, Art. 15). However, the scope of responsibilities of the audit raises other issues of concern. The Malawi SAI previously could not audit the president, the army, police and the embassies’ accounts (Khembo 2003:40-41). With the enactment of the 2003 Public Audit Act this has changed and the formal framework now allows for comprehensive audits. In Tanzania there is in the words of the auditor general “no confidential information where public finance is concerned”. This does not mean, however, that the audits of the Tanzania SAI in reality cover all government of Tanzania funds (see, Wilcox and Gerdén 2004). It only implies that de jure there are no limits placed on the scope of audits. Such limitations represent a way for the executive to by-pass SAI authority.

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16 A new public procurement bill entered the second reading stage in the Tanzanian parliament on 2 November 2004. The official parliamentary webpage reports that the grounds for the enactment of the new act are that: (a) The central tender board had in the former act (2001) been overwhelmed with a great range of powers which had made it susceptible to contravention of the principles of accountability and good governance. (b) A need to have a single regulatory body for the overall management of procurement in the public sector. (c) A need to establish a mechanism that will oversee public procurement processes and also provide for procurement audit. (d) There is a need for the establishment of a public procurement appeals authority to cater for settlement of tender disputes (see, www.parliament.go.tz).

17 Interview Auditor General, Tanzania 06/07/04.
The problem of auditing classified expenditure in Uganda

In Uganda audits have until recently not been comprehensive as they do not cover all government expenditure, such as classified expenditure which in practice means expenditures within State House, the President’s Office and the Ministry of Defense. As a result, the Uganda SAI has not been able to audit the expenditure of institutions that receive a significant amount of supplementary funds throughout the year. As an illustration, last budgetary year (Fiscal Year 02/03) the Ministry of Defense’s budget allocations were raised significantly and a part of the increase was labelled ‘classified expenditure’. Donors first rejected the budget before entering into negotiations with the government. In the end it was agreed that one-two representatives from the donor community should get access to the classified accounts to verify and get a grasp of what these expenditures actually involve. This arrangement was to start in 2004. With the adoption of the 2003 Public Finance and Accountability Act the Uganda SAI is allowed to audit classified expenditure as well, but only under specified conditions. Auditors need special authorization and the report will not be public, and will not be discussed by the PAC but most likely by a special committee composed of a limited number of members. No report on classified expenditure has so far been made so how this will turn out in practice is still unclear. Still, the question of who should decide whether a subject is confidential or not may be raised.

If required, issues relating to national security or other interests will be permitted to deviate from the Public Finance and Accountability Act after consultation with the secretary to the treasury. What amounts to ‘required’ is unclear and although exceptions should be consistent with best practice this is problematic as the auditees can be expected to protect their own interests and try to restrain the information they provide their auditors. As argued by a Ugandan parliamentarian:

“We must operationalise and categorise [information] so we know what kind of information is classified and which information is not. Until now practically everything has been classified. Accordingly it does not help much with research assistance when there is no access to information”.

Overall, it may be argued that there are weaknesses in the mandate in two of the countries. Executive dominance is witnessed in reporting in Tanzania. New legislation has increased the scope of auditing and the level of expenditure that is outside the scope of the supreme audit institutions has been reduced in all three countries. We will argue that – in terms of formal mandate - the problem of access to information and the still large amount of spending categorised as classified expenditure seem to be a greater concern in Uganda than in Tanzania and Malawi. In terms of organizational resources and infrastructure to carry out the mandate, the overall picture looks somewhat different.

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18 President Museveni announced an increase in defence spending during fiscal year 2002/03 after the budget had been approved by parliament which equalled a cut of 23% in non-poverty action fund expenditure (Piron and Norton 2004).
19 Interview donor representatives, Uganda 21/07/04.
21 In external auditing it is common to draw a line between secret and politically sensitive subjects, and in the case of the former this is decided by parliament. If a subject is considered politically sensitive such as the expenses of the head of state the auditor should act with reticence but should in principle have access to all the information s/he needs (OECD 1996). In Uganda no distinction is made between secret and politically sensitive information and it is a concern that more expenditure than necessary is likely to be subsumed under the heading ‘classified expenditure’.
22 According to Section 8 (2) Public Finance and Accountability (Classified Expenditure) Regulations, 2003.
23 Interview MP, Uganda 19/07/04.
Table 2 Summary of findings mandate

<table>
<thead>
<tr>
<th>Aspects of SAI power</th>
<th>Supreme audit institution</th>
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<tbody>
<tr>
<td>Tanzania</td>
<td>Uganda</td>
</tr>
<tr>
<td>Mandate</td>
<td>Audit reports submitted to parliament through min of fin. De jure, audits are comprehensive</td>
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</table>

Implications: There are potential weaknesses in the SAI mandate in Tanzania and Uganda. In Tanzania the executive is able to exert undue influence on the SAI in relation to reporting. The large amount of expenditure labelled ‘classified’ is a greater concern in Uganda than in Tanzania and Malawi.

3.2 Capacity

Scale of funding

For all three countries, it is evident that the scale of funding of the SAIs is inadequate and serves as a constraint on their capacity. In Malawi the national assembly is legally empowered to make sure the SAI receives sufficient funds to carry out its work. The approved budget is released through the Treasury which rather frequently is unable to provide the SAI with the funds the parliament has granted it. The budget of the SAI has in fact been decreasing relative to the overall budget of Malawi. In 2002 it was noted that the budget (in relative terms) was somewhere around a third of what it was seven or eight years ago (Cowater International 2002:40; see also MEJN 2002:1). The Malawi Economic Justice Network in its response to the proposed 2004/5 national budget reports that the government will still spend more on state residences than on the anti-corruption bureau, ombudsman, human rights commission, ministry of justice and the SAI combined. In 2004 the funding of the SAI, when considered as a proportion of total government expenditures, has further been reduced to approximately one third of what it was five to ten years ago (MEJN 2004:10).

As in Malawi, the SAI’s annual budget in Uganda is approved by parliament but the ministry of finance controls the actual amount released (OAG 2003:5). The auditor general observes that although the workload of the office has increased in terms of number of accounts audited this increase in work has not been sufficiently reflected in its budget. The resources allocated to the office have in real terms been reduced in the period from 1998 – 2002/3 and in its corporate plan it is specifically pointed out that insufficient amounts are spent on non-wage recurrent costs and that the ceiling stipulated by the medium term expenditure framework has been the same for several years (OAG 2003).

In Tanzania the SAI’s budget is prepared by the ministry of finance and decided by the Cabinet. It is thereby the auditee, the executive, that determines the resources provided to the office indicating financial dependency. The SAI’s operating budget has been enhanced in recent years to enable it to carry out its new roles. The SAI’s recurrent budget increased from Tsh. 1.9 billion in fiscal year 2001/02 to 2.6 billion in fiscal year 2002/03 to 4.4 billion in fiscal year 2003/04. Its development budget also increased from Tsh. 7.6 million in fiscal year 2002/03 to 9.9 in fiscal year 2003/04 (Rutashobya 2004:21). Whether this reflects an increase in real terms is, however, unclear.

Staff and training

The capacity of the SAI is further hampered in all three countries in terms of their organisational resources. On a comparative scale, Malawi has made less progress in ensuring that the staff receives formal training in accountancy than in neighbouring Tanzania and Uganda. The major constraint on
the SAIs capacity is lack of qualified auditors and although its mandate has been broadened with the adoption of the 2003 Public Audit Bill its capacity has not increased significantly (SNAO and MNAO 2003:9). In 2002 it was noted that the Malawi SAI was understaffed to the extent that it was unable to complete the audits which were meant to be carried out every year (Cowater International 2002:57). Currently the office has 300 employees.\(^{24}\) Revealing of the state of affairs at the office is the fact that it has only 5 qualified accountants while the Society of Accountants in Malawi, the only professional body of accountants in Malawi, had 306 members in March 2004.\(^{25}\)

The Tanzania SAI has an established staff of 563. At the moment there are, however, only 65 auditors and 320 examiners in post (Tax 2004:38). The present level of qualified staff is about 5% but more staff is about to be hired (PRBS/PRSC Review 2004:52). The office has focused extensively on staff training among other things to meet the expanded responsibilities of the office laid down in the Public Finance Act No 6 of 2001 (see NAO report 2004). Although the SAI has staff with professional qualifications and a few master degree holders mainly in business and management, it is in need of people qualified in engineering, procurement and legal issues (Rutashobya 2004:21).\(^{26}\)

The Uganda SAI has also since 1997 made progress in professionalizing the office mainly by sponsoring the training of its staff. In 2003 32 of its staff had qualified as professional accountants while 75 were at different levels of examination. The office employs a total of 300 audit staff and 66 administrative and support staff, including 17 qualified accountants and 15 professional graduates (OAG 2003:9). All the same the office is still in need of qualified accountants as well as lawyers in order to carry out the required audits.\(^{27}\)

According to the Ugandan auditor general the SAI has so far not experienced a lot of turnover of staff but he foresees that as more and more of his staff become qualified and gain experience this will become a problem.\(^{28}\) The Malawi and Tanzania SAIs have had problems retaining employees over the years and this is still a source of concern (Cowater International 2002:5; SNAO and MNAO 2003).\(^{29}\) Although the situation has improved the staff at the Tanzania SAI point out that it is a problem that the SAI cannot offer competitive terms of service.\(^{30}\)

From the above it is clear that financial and human constraints hinder all three SAIs in effectively completing their audits, but particularly the Malawi SAI has been unable to offer staff the necessary formal training. In addition there are also other challenges facing the SAIs. More specifically an integrated financial management system has been introduced in central (and local) governments whereas the SAIs have not had the opportunity to keep pace with the development. In addition performance audits have been introduced and there has been a general increase in the number of entities required to be audited mainly as a result of local government reforms. All of which could imply a need to modify the organizational structure to a changing environment.

**Access to technical equipment**

Weaknesses in the SAIs operations may be demonstrated in relation to basic facilities like access to computers, offices, vehicles, and travel which are all lacking. An integrated financial management system (IFMS) has been launched in government ministries and departments in Tanzania, Malawi and Uganda and the computerised accounting developments will only increase in the years to come. A common denominator is that the SAIs in all three countries have been unable to keep up with this progress in technical development and so far has had little or no access to the IFMS which opens up

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\(^{24}\) Interview Auditor General, Malawi 17/03/04.

\(^{25}\) Interview Society of Accountants personnel, Malawi 19/03/04.

\(^{26}\) See also interview Auditor General, Tanzania 06/07/04.

\(^{27}\) Interview Auditor General, Uganda 14/07/04.

\(^{28}\) Interview Auditor General, Uganda 14/07/04.

\(^{29}\) Interview SAI official, Tanzania 02/07/04; Interview SAI official Tanzania 02/07/04.

\(^{30}\) Interview SAI official Tanzania 02/07/04; Interview SAI official Tanzania 02/07/04.
for computerised record keeping of transactions for audit purposes. In Malawi the government has purchased and is implementing IFMS under the financial management, transparency and accountability project. By mid-2002 pilots at five sites in three ministries had been carried out, implementation in other ministries was near readiness and capacity building was ongoing (WB 2002). Since then the progress in implementing the project has slowed down. While it set out to target improved financial management, support to accountability institutions was also on the agenda and the SAI received technical support in the form of computers. The project also aimed at strengthening the accounting profession in the public sector as such (SNAO and MNAO 2003:7). The Tanzania SAI is fully aware of the challenges that lie ahead and have even moved offices to better be able to follow the technical development. In a 2003 baseline study of the Tanzania SAI it was reported that “All audit staff expressed concern that while the auditees are rapidly moving towards Computer Information System environment, they had virtually no experience using basic IT software or Audit software” (SNAO 2003:12). The Uganda SAI also struggles with poor operational logistics. The SAI has 10 regional offices where half of the office’s technical staff is employed and the auditor general calls for a centralized database that links the headquarters with the branch offices to ease information sharing and better manage the collected data. The office started an IT training program in 1999 and the SAI recognizes the need to continue this effort as the government of Uganda introduced the IFMS both at the central and local government from July 2003 onwards. Overall, accommodation, equipment, and transport are either not available or in short supply. The office has at its disposal 33 computers, 22 motor vehicles and 31 motorcycles (OAG 2003:4, 24). In this regard it is better off than the Malawi and Tanzania SAIs.

The IFMS has been part of the public financial reforms in the three countries illustrating that some of the initiatives within the general framework of the PRSP have largely ignored the SAIs and thus contributed to marginalise them.

The added responsibilities of performance audits

The issue of capacity and performance audit skills now constitutes a pressing need in the three countries. Performance audits were not taken into account when the institutional structure was established in any of the countries. The added responsibility of carrying out performance audits have recently been introduced in Malawi (the 2003 Public Audit Bill). A performance audit office and a parastatal audit section have been established within the SAI in order to better fulfil its new functions added in the 2003 Public Audit Act. The Malawi SAI’s institutional framework is still being revised after the public audit bill was passed in May 2003 and it is yet too early to see the effect of the restructuring. However, at the moment the performance audit section only has two employees and no performance audits have been carried out so far. In Tanzania performance audits were included in the office’s responsibilities in 2001, but the staff skills are still too limited to carry out performance audits of a good professional standard and the institutional development is inadequate (Wilcox and Gerden 2004). A performance audit mandate was added to the duties of the Uganda SAI in 1995. By September 2003 only one full performance audit had been carried out in Uganda due to lack of skills and resources (OAG 2003: 20). The Uganda auditor general comments that:

“I cannot fulfil my Constitutional mandate as I cannot hire the required expertise to help carry out these specialised audits, coupled by the fact that I remain financially

31 The financial management, transparency and accountability project focuses primarily on two of the pillars included in the Malawi PRSP, human capital development and promoting good governance. Its main components are strengthening accountability institutions, improving financial management systems and enhancing human capital development (WB 2002). The Malawi SAI no longer receives funding from this project.
constrained to operate within the ceiling placed by the medium term expenditure framework of Government” (OAG Report 2004:viii).

The challenge of local government reform on the capacity of SAIs

The workload of the SAIs has been steadily augmented in the wake of local government reforms and a restructuring of the financial framework. This has added to the responsibility of auditing statutory corporations and local authorities. Since 1996 (the Local Government Act was enacted in 1995) re-organisations and the creation of additional local authorities in Uganda have multiplied the number of auditees. Currently there are 10 regional offices which are responsible for approximately 5 districts each. The number of districts has been raised from 45 to 56 in only a few years. The districts also have town/city councils which are considered separate entities. Municipal councils and sub-counties also have to be audited. The latter now number approximately 900 (OAG 2003:18). This increase in accounts that require audit has underscored the capacity problems within the office and this is also the reason why, as indicated by the director of audit (local governments): “we have been unable to audit sub-counties which now number over 900 and we have had to rely on capacity building from the ministry of local government and the World Bank and these have to some extent relieved our effort but the problem remains, it is still there”. Lack of appropriate accounting skills at the local level are also part of the reason why these accounts have been difficult to audit. For the financial year 2000/01 only 113 sub-counties managed to produce accounts that could be audited (OAG 2003:14) while in 2002/03 336 sub-county accounts were audited. At the moment the Uganda SAI audit 65 statutory corporations (UNAO 2004: viii).

Since 1999, Tanzania has actively pursued local government reforms. The new Local Government Act was approved by parliament in February 1999. In October 1998 there were 111 local authorities in Tanzania (Fjeldstad 2001:3) while there are 119 Local Authorities (including district councils, town councils, municipal councils, and city councils) today thus the overall amount of external audit has increased considerably. As argued by the Tanzanian auditor general:

“There is a local government reform going on and what is more a lot of the donor community funds are channelled straight to the local government authorities. Now with a weak financial management system it is quite difficult for us to know what is happening in the local authorities. We are talking about 120 local governments, there are municipalities, district councils and city councils ...”

Irregularities in district council accounts are frequent and are also pointed out in the SAI reports, but the situation seems to be improving. A recent study of the local government finances in six Tanzanian councils noted that more councils were given a ‘clean certificate’ in the last audit report than what has been the case before. However, it is unclear whether this is coincidental or a trend (Fjeldstad et al. 2004: 16-17). A study by DAIMA Associates and the Overseas Development Institute also observes a positive trend in local authorities’ financial management (DAIMA and ODI 2004).

Malawi mirrors the Tanzanian and Ugandan development. In 1994 the local authorities’ level of administration was abolished. A new decentralization policy was agreed on in 1998 and following this a Local Government Act was enacted. This was the start of a 10 year program for decentralization and local authorities were reintroduced in 2000 (Khembo 2003; Hussein 2003), dramatically increasing the number of accounts to audit. At the moment Malawi has 28 administrative districts (Malawi Electoral Commission 2004) which all should be audited. The SAI was also mandated to audit parastatal accounts with the enactment of the 2003 Public Audit Act

32 Interview SAI official, Uganda 14/07/04.
33 Interview Auditor General, Tanzania 06/07/04.
Combined this has considerably added to the workload of the SAI. Financial indiscretions at the local level are prevalent and cases of misallocation of funds, financial mismanagement, and corrupt practices are reported. Several local governments have for instance been accused of diverting funds intended for development and spending them on ruling party (United Democratic Front) election campaigns (Khembo 2004:81). Most councilors have poor understanding of policy issues relating to finances and there is a general shortage of qualified staff in rural district assemblies, especially in financial management and accounting, and a lack of effective internal financial controls and auditing (Hussein 2003: 278-280). The situation is exacerbated by the shortfall in external auditing. At the moment the SAI simply does not have enough funding and capacity to cover all districts. The auditor general informs that: “Due to inadequate funding and capacity constraints the SAI has carried out few audits of [local government] assemblies”.

With the enactment of the 2003 Public Audit Act (Article 6 (2)) the audit of parastatals also falls within the mandate of the Malawi SAI. In Tanzania the audits previously carried out by the Tanzania Audit Corporation (i.e audits of parastatals) are also set to be transferred to the SAI. This development further contributes to widen the responsibility of the institutions. In Uganda the audit of 65 statutory corporations is already the responsibility of the SAI (UNAO 2004:viii). The audit of parastatals was defined as the responsibility of the SAI already in the 1995 Constitution.

### Table 3 Overview of increase in auditees

<table>
<thead>
<tr>
<th>Increase in auditees*</th>
<th>Tanzania</th>
<th>Uganda</th>
<th>Malawi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local gov.</td>
<td>Increase from 111 in 1998 to 119 today</td>
<td>From 45 in 1996 to 56 districts today</td>
<td>28 districts from 2000</td>
</tr>
<tr>
<td>Parastatals</td>
<td>To be handed over to SAI.</td>
<td>65 statutory corporations</td>
<td>Handed over in 2003. Number unclear.</td>
</tr>
</tbody>
</table>

*Note that the numbers exclude the increase in sub-units that also should be audited.

The ability to outsource audits in for instance executive agencies may help to relieve the additional workload of the SAIs. In Tanzania this has contributed to more timely audit reports (PRBS/PRSC Review 2004:50). The Malawi and Uganda SAIs are also empowered to contract out audits in order to ensure that its responsibilities are been carried out efficiently (see, Public Audit Act 2003 Article 10 (2); Public Finance Act 2003 Article 34 (1b)). The extent to which this actually takes place is not clear, but there are indications that this is a solution that is opted for rather frequently. The director of project audit and administration at the SAI in Uganda explains that the SAI contracts out audit “because at the moment we are so few people on the ground. Most often we audit the central government accounts ourselves because this is an area where we are competent. Private audit firms are used in relation to local government accounts and parastatals”. All the same, contracting out is expensive and is at times impossible unless for instance a project has a budget earmarked for audit (Muloopa 2003:42). In Malawi only audits of parastatals and donor funded projects are sometimes outsourced.

In terms of finances, infrastructure and human capacity, our analysis suggests that the SAIs in Malawi, Uganda and Tanzania all struggle to fulfill their assigned tasks, and the challenges lying ahead have only increased with the introduction of IFMS, performance audits and local government reforms. The Malawi SAI particularly lags behind in ensuring that the staff receives formal training and completing its audit plan, while the Uganda SAI has better basic facilities than the Malawi and Tanzania SAIs. The rationale behind introducing performance audits in countries struggling to carry out the traditional types of audit such as financial and compliance audits, should be critically examined. At the moment none of the three countries’ audit systems have the necessary expertise or financial resources to carry out adequate performance audits.

34 Interview Auditor General, Malawi 17/03/04.
Table 4 Summary of findings capacity

<table>
<thead>
<tr>
<th>Aspects of SAI power</th>
<th>Supreme audit institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>Uganda</td>
</tr>
<tr>
<td>Capacity</td>
<td>Suffers from lack of funding, budget decided by cabinet. Staff training emphasised, but lack qualified staff. Organizational structure and capacity not sufficiently adjusted to cope with increased scope of accounts to audit, computerisation within govt. and added responsibility of performance audits.</td>
</tr>
</tbody>
</table>

**Implications**

SAIs not able fulfil their assigned tasks due to lack of finances, infrastructure and human capacity. Malawi SAI lags behind in ensuring formal training of staff. Challenges exacerbated by introduction of IFMS in government, performance audits and a multiplication of auditees in all three countries. IFMS capacity building has been centred on government ministries and SAIs have been sidelined. Introduction of performance audits should be critically examined as the three countries’ audit systems lack the expertise and resources to carry it out.

### 3.3 Autonomy

The SAIs’ autonomy refers to the extent to which they are able to carry out their mandate without any interference. Critical factors include appointment, tenure, independent sources of funding and access to information. In part the observed capacity problem facing the national audit institutions may relate to limited political will to give priority and adequate funding to these important watchdog institutions.

Our findings suggest that in all cases the president potentially is able to exert undue influence on the auditor general in issues of appointment and removal, all though with respect to the latter perhaps less so in Tanzania than in Uganda and Malawi. In practice there is so far no evidence that this has led to unwarranted dismissals in any of the countries. Moreover, payments to SAIs are habitually delayed, irregular and every so often less than what has been estimated. In the cash budgeting systems operating in Malawi, Uganda and Tanzania, funds are allocated the public institutions according to revenue collections and disbursed by the Treasury (i.e. the executive). The Uganda and Malawi SAIs are subject to monthly disbursements, while the Tanzania SAI is in a more privileged position as money is released on a half year basis making it easier to plan ahead. The 2001 Public Finance Act secured the SAI greater security of budget as the money appropriated by parliament is paid into an audit revenue fund which is controlled by the Tanzania SAI. While secured greater budgetary consistency, the Tanzania SAI is financially dependent in the sense that it is subject to the budget ceilings set by the executive. This is also the case in Malawi and Uganda. The problem with receiving less funding than budgeted remains in Malawi and Uganda (Rakner et al. 2004; Khembo 2003; OAG 2003). The Malawi auditor general complains that cash budgeting makes its funding so unpredictable that it “actually means that planning is irrelevant. What we do depend on is what comes in [in terms of funds] that month”.

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36 Interview Auditor General, Malawi 17/03/04.
The Uganda SAI has to seek permission from the ministry of finance if re-allocations of funds are necessary. The proposed auditor general’s bill (which is still pending with the ministry of finance) stipulates that parliament through an appointment board should review the plans and annual estimates of the office to secure greater budgetary independence (OAG 2003:5, 7). Budget cuts may also come in the form of supplementaries.

The Uganda auditor general elaborates:

“the problem is that it is not very easy to organise on a monthly basis. You may find that you have to do a special audit somewhere and you need a lot of money up front to get staff out and you cannot exactly say that ‘I am going to portion part of my staff out for the next three months’”.

Appointment and tenure

In Malawi, Uganda and Tanzania, the auditor general is appointed by the president posing a challenge to their independence. Whereas the appointments are depend on the approval of the national assembly in Malawi and Uganda, such an approval is not even a requirement in Tanzania.

In Malawi and Uganda the auditor general serves on 5 year contracts which can be renewed once, while in Tanzania the auditor general serves until reaching the retirement age. The Tanzanian model in principle provides the best security of tenure. However, a problem may occur if the person in office turns out not to be of high moral standard and integrity. Serving on contracts as in the case of the auditor general in Uganda and Malawi may act as a safeguard against this. But, the two-term model may create a window of opportunity for the executive to exert undue influence, especially at the time of renewal of the contract. This concern was raised by the Uganda auditor general, (whose contract is about to expire):

“It would impact on ones independence during the appointment time if for example one was to enter into a conflict with the government and obviously the question that can be raised is the perception. It is a very important issue because the government can say that ‘no we do not interfere’ but the question is whether I am perceived to be impartial in my judgment if the government have the legal right to renew my contract”.

In this perspective a single, non-renewable term is favourable. But the tenure arrangements inevitably face a trade-off between independence, continuity, and the need to “guard the guardians”.

In Tanzania, Uganda and Malawi the grounds for removal of the auditor general are quite similar and include incompetence, misbehaviour and inability to perform the duties of the office. Parliamentary approval to dismiss the auditor general is not needed in any of the countries. In Tanzania a special tribunal appointed by the president investigates the matter and then advices him on whether to remove the auditor general or not. In Malawi and Uganda what amounts to misconduct and incompetence is solely at the discretion of the president. This poses a serious challenge to the independence of the SAIs in all the three countries, although perhaps to a lesser

37 I.e. the Uganda Ministry of Finance, Planning and Economic Development, but will be referred to as the Ministry of Finance in the text.
38 Interview Auditor General, Uganda 14/07/04.
39 Interview Auditor General, Uganda 14/07/04.
40 In Malawi the Public Appointments Committee is entitled to at any time enquire into the competence and financial probity of the person appointed auditor general.
41 See Article 144 Tanzania Constitution, Article 163 (10)Uganda Constitution, and Article 184 (6) Malawi Constitution
extent in Tanzania than in the two other countries. The effect of this hidden threat should, however, not be underestimated although so far there are no examples of unwarranted dismissals.

Budget constraints jeopardising autonomy of audit institutions

Auditor generals may either passively accept the limited resources or actively pursue alternative sources of funding. The Tanzania, Uganda and Malawi SAIs have opted for the latter strategy and spend time solicit donors and the Treasury for money. However, the auditor generals’ vigorousness also makes them susceptible to the informal sphere of politics, risking the independence of the audit office. The Malawi auditor general revealed that he habitually pleaded with the ministry of finance and then he often got more.\(^{42}\) The Tanzania auditor general claimed that as the relevant parliamentary committee will normally not raise the ceiling accordingly it is more profitable to target the donors.

“Personally I would plead to the ambassador of Sweden, I really pleaded with him. You cannot do this work on behalf of parliament if you are not up to the same standard [of computerisation]. It is impossible. So it is better to take it into your own hands.”\(^{43}\)

Access to relevant information

The autonomy of the SAI is further indicated by whether it has access to the relevant information – and on time.\(^{44}\) The functioning and quality of the internal audit (IA) within spending units is of relevance since there is tight interplay between the SAI and the IA – they both have central roles to play in enhancing public financial accountability. A weak IA adds to the workload of the SAI and diminishes the effect of external audit. It further may lead to inadequate follow up of audit findings as recommendations and corrective actions are not taken by the auditees, thus rendering the recommendations the SAI reports superfluous.

Starting with the latter the IA in all three countries requires considerable strengthening. Tanzania has in fact made some progress in IA as audit committees\(^{45}\) have been instituted in all ministries, departments and agencies to function as a support mechanism for accounting officers (PRBS/PRSC Review 2004:15), and the ministry of finance through the accountant general’s department has IA offices in all ministries (Rutashobya 2004:23).\(^{46}\) The formal framework has been reinforced and contrary to Uganda and Malawi IA is a statutory obligation in Tanzania. A new IA manual was just made and training of staff has started.\(^{47}\) The impact of the committees is not yet clear as they are newly established, but a review of the functioning of three such committees is to be undertaken by the ministry of finance in the near future (PRBS/PRSC Review 2004:52). Notwithstanding, the ineffectiveness and low quality of the internal audit system is frequently underlined (WB 2004; Simpson 2004; Rutashobya 2004). The Tanzania auditor general is not impressed “Internal audit is not there. If internal audit was there then our work would be easier, because then we could depend on them. Practically, internal audit is not there, it is not there”.\(^{48}\)

The Malawi government as well as donors recognize the need to improve the internal audit function in the country (see, SNAO and MNAO project document 2003:8). Our interviews in

\(^{42}\) Interview Auditor General, Malawi 17/03/04
\(^{43}\) Interview Auditor General, Tanzania 06/07/04.
\(^{44}\) Its interactions with donors and parliament are discussed in the last part of the report.
\(^{45}\) The committees consist of 3-5 people. At least one should not be an employee of the institution under audit (PRBS/PRSC Review 2004:15).
\(^{46}\) Also interview official, Office of the President, Tanzania 30/06/04.
\(^{47}\) Interview senior ministry of finance official, Tanzania 01/07/04.
\(^{48}\) Interview Auditor General, Tanzania 06/07/04.
Malawi suggest that IA is of limited value as IA reports are not taken into account by controlling officers. IA has since 2003 been situated in the Office of the President and Cabinet but is not statutory. The controlling officers hand the IA reports over to the Treasury for action and to the SAI for follow up. The Secretary to the President in Cabinet is empowered to take managerial disciplinary action but appears unwilling to effect sanctions. This basically means that little or no action is taken as the Treasury only can offer advice which the controlling officer is not obliged to take (Rakner et al. 2004:15). The director of IA laments that “since 2000 none of the audit reports written to permanent secretaries have been responded to”.

The IA function in Uganda is relatively new. It was established in 1997 and is statutory for local governments but not for government ministries. There are IA teams in all ministries and the IA has recently begun to produce reports and as part of the 2003 Public Finance and Accountability Law a system of audit committees is to be introduced. The audit committees are to assist accounting officers in fulfilling their duties as designated to them by the secretary to the Treasury (MOFPED 2002). The system was scheduled to be implemented from 1 July 2004. Only 2-3 committees are to be established at first and will have to deal with several ministries while the old system is phased out. As in the other two countries the IA is not sufficiently funded and thinly staffed. A ministry of finance official openly states that “As it is now it is not easy to see whether they [IA] do their job. So far there has been no way to control. The IA reports do come but not always”.

Delayed accounts hinders the independent reporting of SAIs

Late releases of accounts contribute to constrain and delay the work of the SAIs. The statutory national financial reporting deadline repeatedly is not met in Malawi, Uganda and Tanzania. The Malawi ministries and departments have not been timely in submitting their financial statements (Cowater International 2002:57; SNAO and MNAO 2003). Each controlling officer is supposed to respond to the auditor general’s queries but the SAI hardly ever receives the responses. The reports are therefore delayed and the SAI has no punitive measures available when this takes place. In Uganda the auditor general and his staff time and again run into difficulties in accessing the necessary information and documentation so that the national audit report can be completed on time. The auditor general calls for legislative changes in order to better secure the right of access to information (OAG 2003:7). For fiscal year 2002/03 24 out of 65 statutory corporations audits were not completed or handled because the management had not submitted their financial statements on time. The local government audits had not been completed in March 2004 due to non-submission or late submission of accounts (UNAO 2004:viii). In Tanzania a gradual improvement has taken place as accounts, especially central government accounts, now are available on time. But as argued by the Tanzania assistant auditor general:

“The required documents are normally available except those that are problematic and this is normally those who are not properly vouched for and go into the corruption process. Normally we have quite a number of documents like this”.

The analysis of the institutional capabilities of the SAIs in Malawi, Uganda and Tanzania indicates that there are significant shortcomings both in terms of the mandate, capacity and autonomy of the audit institutions. New regulations have increased the jurisdiction of audits in all countries. Furthermore, some efforts to increase the capacity of the institutions have been witnessed. But the combination of increasing tasks related to performance audits and local government reforms and the lack of priority to the SAIs in the budget weaken the overall capacity of the audit institutions. Insufficient budgets force the auditor generals to spend time lobbying donors and the ministry of

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49 Interview official, Office of the President and Cabinet, Malawi 16/03/04.
50 Interview ministry of finance official, Uganda 16/07/04.
51 Interview SAI official, Tanzania 02/07/04.
finance for additional funding subduing the independence of the office. Lack of access to timely information further undermines the SAIs’ autonomy and it may be argued that internal audit offices in Malawi, Tanzania and Uganda at the moment hamper rather than facilitate the work of the SAIs.

Table 5 Summary of findings autonomy

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<tr>
<th>Aspects of SAI power</th>
<th>Supreme audit institution</th>
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<tr>
<td><strong>Tanzania</strong></td>
<td><strong>Uganda</strong></td>
</tr>
<tr>
<td>Autonomy</td>
<td>AG appointed by president. Serves until retirement age. Tribunal appointed by president investigates matters of removal. President obliged to act on advice. Payments released every six months. More predictable cash flow than in Uganda and Malawi. AG spends time lobbying for more funding due to insufficient budget. IA needs strengthening. Audit committees in all min, dep and agencies. IA statutory. Central government accounts on time. Local government accounts often delayed.</td>
</tr>
</tbody>
</table>

**Implications**

Autonomy compromised by appointment procedures, insecurity of tenure, financial matters, and access to relevant and timely information. Presidents may exert undue influence on SAI in issues of appointment and removal. With respect to the latter perhaps less so in Tanzania than in Uganda and Malawi. IA hampers rather than facilitates the work of the SAIs but is seemingly more developed in Tanzania than in Malawi and Uganda. In terms of funding the Tanzanian SAI enjoys more autonomy than its counterparts in Uganda and Tanzania. In all countries, insufficient budgets force the SAIs to lobbying donors and the min of fin, impacting on its independence.
4. The impact of supreme audit institutions: The relationship to parliament, civil society and the donor community

To ensure that audit recommendations are translated into effective policy and behavioural change its relational resources are crucial. Within the Westminster audit system and parliament, mainly the public accounts committee (PAC), is the primary audience of the SAIs. The ability of the parliamentary committees to hold the executive accountable is in turn influenced by the general political climate and the political parties represented in the legislative assembly as well as a vocal civil society. Public confidence in the SAI and its findings is also important in this regard. In addition, donors exert a significant influence on the audit cycle.

4.1 Interactions with parliament

The relationship between the SAI and parliament in the Westminster system is characterised by symbiosis. Parliament needs informative and high quality audit reports to fulfil its function of ensuring that spending complies with the parliament’s expectations and standards and that policy has been carried out effectively, efficiently and economically. The SAI needs the parliament to bring about changes and hold the executive accountable - unless the audit findings are followed up and acted upon the problems will persist. Each of the case study countries has a PAC to scrutinize government ministries and departments. In Tanzania and Uganda separate committees have been assigned the task of dealing with the audit reports on local government accounts. Uganda is the only country in which a special committee has been established to examine the audited accounts of publicly owned companies (parastatals). All of the committees involved in scrutinising the auditor generals’ reports in the three countries are according to the legal framework empowered to summon officials to stand before them (conduct hearings) and all of them habitually exercise their right to do so. Nonetheless there are considerable differences in the way they are functioning.

The relative strength of the legislatures in acting upon SAI reports

The PAC of the Uganda parliament has summoned various departmental accounting officers and ministers to stand before it and has on occasions even locked accounting officers up in the parliamentary cell for showing contempt of the committee (Muloopa 2003: 41). The local authorities accounts committee (LAAC) and the committee on state enterprises have been less effective and visible in their work. This is partly explained by the fact that these are recent establishments being formed when the 7th parliament (2001-2006) was inaugurated.

In parallel to the Uganda PAC the Tanzania PAC has been complimented for its will to act, perhaps increasingly so under the leadership of Hamad Rashid Mohamed (Civic United Front). The latter is surprising as Mohamed is the only presidential appointee from the opposition. The LAAC is less high profile than the PAC but both committees commonly call people to stand before them. The

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52 The Nakasongola district chief administrative officer was imprisoned for not bringing the necessary documentation when summoned to stand before the committee. He was released after 8 hours and instructed to bring sufficient information the next day (Muloopa 2003). A member of the public accounts committee asserts that “we [the PAC] are very hard and everybody quivers when they have to stand before us” (Interview MP, Uganda 19/07/04).

53 In Uganda the official name is the committee on local government accounts, but the committee will here be referred to as the local authorities accounts committee.
deputy chair of the LAAC underscores that “The committees [the PAC and the LAAC] can summon anybody to answer questions so that the parliament can work well. The accounting officers, that is the permanent secretaries, are most often called as well as the district executive officers, that is the accounting officers in the districts”. According to Rutashobya (2004) the committees have gained a modicum of strength in matters of oversight. On a more negative note there are several mechanisms constraining the committees’ oversight function. The director of a parliamentary technical support program comments that,

“Due to the strong history of one-party rule and the strong one-party system…….. MPs are not sure of their own role and are not sure of how far they can push. They are aware but not of the scope and breath of oversight”.

The Malawi PAC is not as active and high profiled as its Tanzania and Uganda counterparts but do call officers to stand before it. The committee meets infrequently and on an irregular basis, limiting its activity. Its lack of vigour is also related to the fact that four years ago there was no functioning committee system in the Malawi national assembly, in practice meaning that the legislature was unable to perform any oversight function on the executive. Despite unfavourable working conditions, the PAC of the Malawi parliament has examined cases of top-level corruption. Indicating the level of executive dominance, the committee chair (from the opposition party Malawi Congress Party) was fired, allegedly because of ‘treading on sensitive ground’ (Khembo 2003:23). This particular case clearly points to diffusion rather than separation of the three branches of government in Malawi.

Comparing the support to the committee system

Without the necessary technical backing, funding and human resources parliament’s oversight function is diminished. The technical assistance provided to the Uganda committees has recently been improved as a parliamentary budget office was established in 2001 to provide assistance to the MPs in budget related work (came with the enactment of the Public Finance Act) and there is also a research department. Still there is a considerable backlog in the three committees dealing with the SAI reports. A member of the budget committee frankly states,

“He [the auditor general] has put a lot of effort into having timely reports. The problem now is rather with us in parliament. The reports have not been considered by us. We have not found an effective way to deal with the report. The chair of the PAC tries hard but we have a problem here. It is a difficult area”.

The PAC at the moment examines the 2001/2002 report, the LAAC is still working on the report for 2000/2001 but has not presented a report to parliament yet. One of the committee members explains that so far there has been no time to present it in the plenary. The committee on commissions, statutory authorities and state enterprises are currently looking at the SAI reports on the Uganda Revenue Authority from 1998/1999/2000. Some of the ineffectiveness in the handling of reports is due to lack of research assistance and other necessary facilities such as office space.

In Tanzania the relevant committees like the PAC and the LAAC seem to do less well than the oversight committees in Uganda, particularly in terms of technical assistance. The Tanzanian committees also have inadequate human and financial resources to the extent that they are unable to

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54 Interview MP, Tanzania 09/07/04.
55 Interview donor representative, Tanzania 06/07/04.
56 Interview MP, Uganda 16/07/04.
57 Interview MP, Uganda 26/07/04.
58 Interview MP, Uganda 20/07/04.
carry out proper oversight (Rutashoby 2004:28). Few of the MPs serving on the committees have the professional backgrounds and skills required to scrutinize the auditor general’s reports and their expertise is further weakened by the arrangement whereby committee membership only lasts for 2 1/2 years. The parliamentarians also suffer from a basic lack of researched information. The MPs do not have adequate working tools – they lack clerks, offices and access to computers. This clearly impedes the work of the PAC and the LAAC. The meetings of the committees are often held the week before a parliamentary session starts and they take place in Dar es Salaam (where all the ministries except one is situated), while the sessions are held at the Bunge building in Dodoma. The MPs are in other words spending much of their time commuting between Dar es Salaam, Dodoma and their constituencies. The time for committee meetings is also perceived as limited by the MPs although they are allotted more time than only a few years ago.

The Malawi PAC suffers from the same shortcomings as the oversight committees in Tanzania and Uganda, but is even more constrained by resource deficits. Government funding of parliament only covers plenary work resulting in a situation where the committee system is sustained by donor funding. Donor dependency has created a donor directed committee system where only the committees receiving funding meet (this amounts to 6/7 committees out of 17) (Patel and Tostensen 2004). The committees the donors consider most important keep up a certain level of activity while the others are more or less dormant. The speaker of parliament lamented that “Most parliamentary committees are failing to meet. Donors cherry pick which ones to fund, and they all pick the same ones”.59 The PAC and the budget and finance committee are the two most favoured. PAC reports to meet every month, the budget and finance committee about the same.60 The tenure of MPs on committees does not necessarily last for the entire term of the legislature as political parties want to maintain tight control over their members and therefore is not willing to grant the parliamentarians this security and confidence. Despite a certain upgrading of parliamentary facilities and support functions since 1999 the 17 committees only have 2 researchers and 4 clerks to assist them and no computer and internet facilities. They also lack meeting room (Patel and Tostensen 2004). In practice this means that the research assistance available is provided by donors. Coupled with weak capacity of MPs to understand the SAI reports, the oversight function of the PAC is significantly hampered. While members of the PAC and the budget and finance committee emphasised that the 2003 public audit act had empowered them to bring government officials in for questioning, they complained that reports were often late. These delays were often caused by controlling officers failing to respond to the auditor’s queries. As a result, the committee is not able thoroughly examine the SAI report. This means that parliament lacks capacity to go deeper into issues and, members of the budget and finance committee expressed frustration for having to rely on civil society and the government for information as they do not have capacity to source their own information.62

The effects of party discipline on the accountability function of parliament

The mechanisms of sanction at the committees’ disposal are of prime importance for parliament’s ability to follow up on audit findings and monitor the implementation of committee recommendations. The “party” groups of the ruling “parties” in Uganda, Tanzania and Malawi exercise considerable control over their respective parliamentarians. Uganda’s ‘no-party system’ of

59 Interview Speaker, Malawi 15/03/04
60 Focus group interview with members of the public accounts and the budget and finance committees of the Malawi parliament 18/03/04.
61 A decision by president Mutharika to move parliament out of State House has meant that since January 2005 parliamentary committees have met in hotels and all documents and other resources are stored in warehouses severely hampering parliament’s ability to check on the executive.
62 Focus group interview with members of the public accounts and budget and finance committees of the Malawi parliament 18/03/04.
politics means that there are no official party groups in parliament but there are a number of caucuses such as the Parliamentary Advocacy Forum, the Young Parliamentarians Association, and the Acholi, Teso and Lango parliamentary groups that have voiced criticism against the government (Moncrieffe 2004:22). Not least there is a very active Movement caucus which at times is hard to distinguish from a parliamentary party caucus (Piron and Norton 2004:26) as it is active and successful in disciplining and gathering support when important and prestigious legislation is about to be voted over in parliament. Irrespective of the coalition formation and lobbying going on in parliament, there is in general little suspense attached to the outcome of issues considered important to the executive. One of the members of the local authorities’ accounts committee asserts, “You are perhaps open minded in the caucus, but when an issue has been decided here you have to abide. There are so many groupings but the majority is of course set in advance since the Movementists largely outnumber the opposition”. An effective way of silencing critical MPs has been to co-opt them into the government (Piron and Norton 2004:26-27). The Movement is known to be selective in its sponsoring of candidates and expects loyalty in return for electoral support.

In Tanzania the CCM party group organization is considerably more institutionalised and advanced than that of the opposition. The whip system and the CCM party caucus have become forceful organs of making the CCM MPs toe the party line. A senior CCM MP puts it in this way:

“Parliament is not fulfilling its oversight role to the extent I would like. The relationship between the legislature and the executive, in general, I would say that there is no level of independence on the part of parliament. Definitely not to the extent I would like. A lot is still to be desired.”

The president has on several occasions made it clear in meetings of the CCM party caucus that MPs opposing particular pieces of legislation in parliament will not be able to stand for re-election and according to Tanzanian electoral law you cannot cross the floor in Parliament (Wang 2005). This in turn provides the parties with an effective disciplinary mechanism. Expulsion from the party in practice means that you have to resign your parliamentary seat. Since there is a lot at stake for an MP in such a situation, the incentive for acting according to party discipline is strong. The MPs from the ruling party is not expected to query party policy, at least not when it has been introduced in the plenary. The speaker of parliament Pius Msekwa when discussing the party discipline in the Tanzanian parliament is crystal clear in his statements;

“it is therefore absolutely naïve for anyone to expect that the majority ruling party members of parliament will do anything which might result in their government’s proposals being defeated. It is a moral obligation for them to support the government of their party on the floor of the House” (Msekwa 2000:76).

One of the parliamentarians (CCM and former member of LAAC) stated that:

“Toeing the party line is very important. You would not go against it because you are also serving the party. This is very detrimental to parliamentary oversight. You can see that this is wrong but what can you do? You have to serve your scheme!”

In contrast to Uganda and Tanzania there is shifting coalitions in Malawi and no dominant party. This has, however, proved to be a strong breeding ground for executive dominance as every vote

63 Interview MP, Uganda 13/07/04; Interview MP, Uganda 14/07/04; Interview MP, Uganda 16/07/04.
64 Interview MP, Uganda 16/07/04.
65 Interview MP, Uganda 16/07/04.
66 Interview MP, Tanzania 06/07/04.
67 Interview MP, Tanzania 09/07/04.
counts for the government – in fact one vote could be decisive for its ability to rule. This has reinforced a system of patronage and a number of the MPs claim that they are unable to deliberate freely in the House and they perceive the party caucuses as a means for the parties to enforce their views on them (Patel and Tostensen 2004). This is confirmed by our interviews with Malawian MPs who felt precluded from articulating national interests due to party loyalty. The Public Affairs Committee, a Malawi NGO focused on civic affairs, in relation to this comments that:

“the UDF and Aford continue to harass and intimidate MPs who are not in favour of third term Constitutional Amendment. … we are convinced that one major strategy the ruling party has embarked on is to perpetuate harassment and intimidation among those people who wisely reject the third term bid…. (PAC statement, October 22, 2002, Cited in Dulani and van Donge 2004:24).

From this it is reasonable to believe that not abiding by the party line could have severe consequences. Malawian MPs for instance refer to extreme reactions such as party expulsion or demotion to insignificant positions (Patel and Tostensen 2004:16-17; Khembo 2003:35). The coalitions between the UDF and the opposition have also strengthened the hand of the executive. Interviews with MPs revealed that both for MPs from government party and the opposition there were repercussions for speaking up against government as they risked reductions in developing funds to constituencies with ‘critical MPs’.

Follow up of audit findings

The greatest problem is, however, the lack of follow up of audit findings. In Malawi controlling officers are reported to “rarely bother to provide replies to the findings of the auditor general’s office” and PAC recommendations (Khembo 2003:47) and overall the auditees’ effort to comply with recommendations and required action is at best unreliable. According to members of the PAC, the main weakness is that the system provides few openings for sanctioning controlling officers. So far instances of disciplinary measures taken on permanent secretaries (controlling officers) are non-existent. Habitually, defaulting officers are moved to other ministries with no other legal actions. Since the committee does not itself effect sanctions, its recommendations can easily be ignored by those empowered to take such action. The MPs incentive to pressure and follow up on government action or inaction is also limited. Committee members interviewed complained that increased committee activity (resulting from donor finances) kept them away from their constituencies and that the oversight function of the office was in direct conflict with the direct (vertical) accountability function vis-à-vis the constituencies. Treasury memorandums are rarely received by the committee and even if these had been produced lack of capacity, time and incentives on the part of the MPs to examine them would most likely render them unimportant. At the moment what exists of follow up on enforcement of PAC advice takes place when a new audit report is scrutinised.

The story is by and large repeated in Tanzania. The PAC is hampered in its work by a lack of effective enforcement mechanisms and disciplinary measures for non-compliance (Naschold and Fozzard 2002:46; Rutashobya 2004:30). The committees have the possibility to go deeper into issues in the audit reports by means of establishing select or probe committees to conduct inquiries. In July 2004 a sub-committee of the PAC was in fact in London to investigate into allegations of misuse of public funds which included government shares in the Mwadui Diamonds mine (IPPmedia 09/04/04). However, forming a select committee entails a rather elaborate procedure. A

68 United Democratic Front
69 Alliance for Democracy
70 Focus group interview with members of the public accounts committee and the budget and finance committee of the Malawi parliament 18/03/04.
71 Interview MP, Tanzania, 09/07/04; Interview MP, Tanzania, 09/07/04.
private member motion has to be moved and the motions are frequently turned down. Part of the reason is lack of funding but the interests of the ruling party are also of relevance, “the party has to agree to the private member motion to establish such a committee. You must think about whether it will be detrimental to the government. The ruling party will often not accept... For the opposition there is no point in introducing private member motions – it will not go through anyway”.

As in Malawi there are few incentives on the executive to act in accordance with PAC recommendations. The committee meetings take place ‘in camera’ which is in contravention of internationally acceptable standards since it diminishes transparency and possibly also the effect of audit findings.

The available disciplinary measures are also inadequate. Already in 2002 it was pointed out that the permanent secretary of finance lacks authority (see, Naschold and Fozzard 2002:37). He is at the same level as other Ministries’ chief accounting officers, and has not been adequately empowered to ensure that they implement the changes recommended by the PAC and the LAAC (Wilcox and Gerden 2004). It should be noted, however, that public officials who are found guilty of financial mismanagement are normally punished, mostly involving forced retirement in the public interest (see, Rutashobya 2004:28). The executive’s reporting back to parliament in the form of a treasury memoranda is also a weak area (Rutashobya 2004). Only two of the Tanzanian MPs interviewed mentioned the existence of this procedure indicating that this is not an effective mechanism of follow up of corrective measures taken. Most of the MPs referred to the scrutiny of the SAI report as practically the only way to check on the implementation of committee recommendations.

The Ugandan oversight committees face many of the same problems identified in Malawi and Tanzania but possibly to a lesser extent. Particularly the Ugandan PAC has been able to better exploit the opportunities the committee has to hold the executive accountable. An explanation of this is that there is considerable openness of committee proceedings as opposed to in Tanzania. PAC sessions are open to the press and officials from the SAI, the accountant generals office, and the criminal investigation department. The latter is invited because, in the words of the committee chair “we would like to include prima facie cases in the event of embezzlement of funds to ensure prosecution”. This has ensured a quick response and that action is taken in cases of outright fraud. While the PAC has been reasonably effective in this regard the local authorities’ accounts committee has a less impressive track record. The committee has held some hearings and chief administrative officers have been taken to court as a result, but the committee has so far not presented a single report in the plenary, and the committee members seem rather puzzled by this. What is certain is that the report is not an issue of priority since the Speaker has not been able to find the time to discuss the report. One of the committee members explains “This is a weakness and I am not entirely sure what the reason is. Sometimes I think it depends on the chair’s ability to push the speaker. Now it is an issue between the chair and the speaker when the report shall be presented in parliament”.

In conformity with the committees in Tanzania and Malawi there is also a substantial problem on the follow up side in Uganda. Once again lack of sufficient enforcement mechanisms is a problem. The treasury memorandums are not on time and as a rule they are not made use of by any of the committees. The LAAC has not yet received a treasury memorandum, the committee on state enterprises does not pay much attention to them (if it receives them at all) – as the deputy chair of the committee reveals “I do not think we receive the treasury memorandums. To me I do not see the way we follow up. This one is missing”.

The PAC at least receives the treasury memorandums but do not have the time to examine them as is evident by this statement made by one of the committee members:

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72 Interview MP, Tanzania 09/07/04.
73 Interview MP, Tanzania 09/07/04; Interview MP, Tanzania 09/07/04.
74 Interview MP, Uganda 19/07/04.
75 Interview MP, Uganda 19/07/04.
76 Interview MP, Uganda, 20/07/04.
“Some ministries are actually getting a clean bill and the size of the treasury memorandum gets less and less so we are improving. But there is no time to analyze the treasury memorandum. We do not have enough time and resources to find out the effect of our recommendations and how much of the money lost or unaccounted for was recovered”.  77

Although non-compliance may be included in the coming SAI report waiting a whole year contributes to considerable delays and less effective follow up. The outcome is that enforcement ultimately depends on the will of the executive to take action which is hardly a recipe for success.

The Tanzanian executive is commonly held to experience little pressure from parliament (see, Frantz 2004:14, Wang 2005). A former PAC member simply states “In Tanzania you have separation of powers when it seems to serve the government’s powers and only then”.  78 The party discipline is so strong that it negatively affects parliament’s ability to hold the executive to account (Wang 2005). Although the Uganda legislature commonly is held to be rather potent the Movement caucus is very active when important bills are to be passed (Moncrieffe 2004:21; Piron and Norton 2004:27). MPs reputed for being critical have experienced opposition by the Movement and/or lack of support when standing for re-election. In the words of a member of the budget committee in Uganda,

“The Movement political system has a lot of problems […] When you get into parliament you are independent and the system worked like this maybe for one-two years. After this the Movement people started to favour certain people over others and the system of individual merit vanished. Those favoured have tended to behave in a manner where they support the policies of the government almost without question.”  79

Similarly, the Malawi national assembly has been seen as a rubber stamp of the executive’s decisions and there is little distinction between the government and the incumbent party UDF (Patel and Tostensen 2004; Rakner et al. 2004). Weak party identities and lack of ideological differences between parties have increased executive dominance (Rakner et al. 2004b).

In sum we have found that particularly the Uganda PAC but also to some extent the Tanzania PAC have gained a modicum of strength in acting upon the SAI reports. The Malawi PAC is less active than its Tanzania and Uganda counterparts. The committee performance is in part explained by the support to the committee system. The Malawi committees’ are more constrained by resource deficits than the committees in the other two countries. The relevant Ugandan committees seem to do the best in terms of technical assistance and funding while the Tanzanian committees take a middle position. Despite their different systems of governance a common denominator is that executive dominance, party discipline and weak opposition parties constrain the accountability function of parliament in all three countries. Overall the relative strength or weakness of the committees is reflected in the follow up of audit findings in the respective countries.

77 Interview MP, Uganda 19/07/04.
78 Interview MP, Tanzania 08/07/04.
79 Interview MP, Uganda 16/07/04.
Table 6 Summary of findings parliament

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<thead>
<tr>
<th>Aspects of SAI power</th>
<th>Tanzania</th>
<th>Uganda</th>
<th>Malawi</th>
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<tr>
<td>Parliament</td>
<td>PAC and LAAC gained strength in overseeing governmental processes. Suffer from inadequate resources, skills and leverage. Committee meetings not open to the public. Strong party discipline of the ruling party. Few enforcement mechanisms and penalties for non-compliance. Probe committees used with some success. Treasury memo often late and often not used for follow up.</td>
<td>PAC assertive, summons officials and locks accounting officers up in parliament cell. Technical assistance provided MPs better than in Tanzania and Malawi. Committee meetings open. Parliament caucus (NRM) forceful, inducing discipline constraining work of committees. PAC better able to exploit opportunities to hold executive to account than Malawi and Tanzania counterparts. Backlog of accounts in LAAC and the committee on public enterprises. Treasury memo rarely looked at by committee. Limited enforcement mech.</td>
<td>PAC calls officers to stand before it but not as high profile as Uganda and Tanzania PACs. Constrained by lack of funding and resources. Meets irregularly and dependent on donor funding. Lacks research and technical assistance and skills of MPs low. Shifting coalitions serve as breeding ground for executive dominance. Committees can only recommend and not affect sanctions. No cases of disciplinary measures taken on controlling officers, who rarely reply to the AG and PAC.</td>
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**Implications**

Parliamentary stage of audit cycle hampered by lack of resources and leverage. Particularly Uganda PAC, but also to lesser extent PAC in Tanzania, have gained a modicum of strength in acting upon the auditor general’s reports. Malawi PAC less active, in part explained by support given to committee system. Malawi PAC more constrained by resource deficits than Uganda and Tanzania counterparts. Ugandan committees do best in terms of technical assistance and funding. Party (Movement) discipline and executive dominance serve as constraint on operations of committees in all three countries. Problems on follow up—committees unable to check and ensure that recommendations are taken into account and acted upon. Outcome: follow up takes place when scrutinizing next year’s audit report. Despite grave weaknesses Uganda the best performer with respect to follow up. Malawi struggles the most.

4.2 The media and civil society

Overall, media coverage of audit findings is poor in all three countries studied—none of the offices have an explicit media strategy. Coverage mostly takes place when the PACs or similar committees debate the annual SAI reports. Then findings sometimes hit the newspaper headlines, but they are hardly ever used as a basis for further research. Part of the problem is a weak press. Even in Uganda which in the sub-Saharan context is renowned for its independent and vital press exposure of audit findings is low. One of the leading journalists in Uganda readily admits that “I would say that there is no relationship between the media the office of the auditor general” and goes on to add “As you know the media is event oriented so the coverage is not really thorough. The media is financially restrained which also means that we cannot investigate properly because we must be productive”. The minimal media coverage suggests that the SAI is not well known by the wider public (Bategeka 2004:17).

To the SAIs the lack of interaction with the media represents a lost opportunity to promote themselves and their work. The media could for instance aid in building audit literacy and suggesting sites for audit (Krafchik 2003). In Malawi press reports about corruption has functioned as important sources of information about corruption for the auditor general. The reports are

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80 Interview media representative, Uganda 26/07/04.
considered fairly reliable (Khembo 2003: 41). Audit literacy could be reached by approaching the media more actively and even establish some form of outreach program within the SAI. Cooperation with civil society organisations (CSOs) could also provide the SAI with an opportunity to expose itself. The Uganda Debt Network which is a coalition of civil society organisations has on occasions alerted the Uganda SAI of problems and perceived injustices. It has also helped to track expenditures and correct leakages in the transfer of funds. In Malawi and Uganda civil society groups (e.g. the Uganda Debt Network and the Malawi Economic Justice Network) has measured the performance of programs that are part of the poverty reduction strategy process. This can become a constructive contribution to the SAIs in their effort to conduct performance audits at the local level (UDN 2003; Krafchik 2003). But unless government is willing to enter into dialogue with civil society, it may be difficult for civil society to perform a role in relation to the SAI. A civil society representative holds that: “The problem is that civil society is viewed as an opponent of government, like the opposition. As a result, government will not accept our word, they will not listen. Our only hope is the donors, but they are not particularly helpful either”. In part, the relationship between civil society and government in Malawi is explained by a culture that does not readily accept opposing views and positions. A senior civil servant argues that if you question people in government, you are considered an enemy. Tanzania is seemingly lagging behind in CSO monitoring of public expenditure although civic organizations like the Tanzania Gender Networking Programme (particular focus on budgetary processes to address gender equality), the Hakikazi Catalyst (poverty reduction strategy monitoring, review and budget tracking) and Action Aid (poverty reduction strategy paper budget monitoring through institutional development of local organizations) gradually are getting more involved in budget analysis and monitoring (ARD Inc. 2003).

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<th>Table 7 Summary of findings civil society and media</th>
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<tr>
<td><strong>Aspects of SAI power</strong></td>
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<td><strong>Tanzania</strong></td>
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<td>Media and civil society</td>
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<tr>
<td>Implications</td>
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</table>

4.3 The relationship between supreme audit institutions and the donors

There is currently an ongoing international trend towards a shift in aid modalities from project aid to various forms of programme aid (sector wide approaches) and recently also general budget support. The latter signifies a reduction in tied aid and increased co-ordination of donor assistance.

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81 Interview civil society representative, Malawi 23/03/04.
82 Interview senior civil servant, Malawi 18/03/04.
83 See also [www.internationalbudget.org](http://www.internationalbudget.org).
This entails that a greater amount of aid being ‘on budget’ and thus allocated in the budget process and audited by the SAI. General budget support also enhances predictability since project support to a larger extent is subject to delays and uncertainty (due to a need for physical implementation of investments) (Odén and Tinnes 2003:31). In general terms general budget support is expected to enhance local ownership by strengthening accountability relationships within the government and eventually lead to improved service delivery and poverty reduction (Frantz 2004). A precondition for these aid modalities is that the recipient government and donors agree on the main framework and policies for allocating resources and that the government has sufficient capacity to implement and account for them.

An important element of the Malawi PRSP is the promise of a new and more streamlined relationship between donors, the government and civil society based on the principle of partnership rather than conditionality. A number of government officials and other observers of Malawi politics refer to a “command-and-control mindset” of international financial institutions (Jenkins and Tsoka 2003:142) and a relationship of distrust has built up between donors and the government. Quotes from public sector respondents and donors are telling. A cabinet minister refers to donor conditionalities in the following way “It is insulting; we should do it on our own,”84 while a ministry of finance official stresses that “donors come here and create new structures and institutions that are costly. Then they leave and government finds it difficult to support and maintain the institutional structures.”85 As opposed to this a representative from the donor community states that, “I do not agree that there is a lack of political will in Malawi, there is strong political will - to avoid change at any cost.”86

It has been suggested that donor agencies exacerbate and contribute to the weak financial management and accountability. Donor coordination has not yet become highly advanced in Malawi. This may in part be explained by the donor modalities implemented. General budget support and sector wide approaches automatically raise the demands on donor harmonisation. The general budget support process has for instance been at the core of improved harmonisation in Tanzania (Odén and Tinnes 2003:18). In Malawi the experience with general budget support has been erratic and has curbed harmonisation.87 General budget support was suspended in 2001 when the government had failed to demonstrate ability to implement pro-poor policies and to raise, allocate and account for public resources. This aggravated the problems caused by the high level of fiscal deficit and the government of Malawi in response increased domestic borrowing to bridge the gap. Donors have been hesitant to resume aid as fiscal discipline has been consistently poor but when the International Monetary Fund approved Malawi’s poverty reduction growth facility, general budget support was recommenced.

In contrast to the Malawi case, a growing amount of donor funds are channelled through the national budget in Uganda and Tanzania. Uganda was the first country to receive general budget support from the World Bank in the form of a poverty reduction support credit (PRSC) and in September 2002 it was granted a three year International Monetary Fund poverty reduction and growth facility (Piron and Norton 2004:22). Donors now provide over 52% of budget funding and all of this is targeted at Poverty Eradication Action Plan priorities88. Donor aid has been well coordinated in order to meet PEAP targets and priorities and a PRSC matrix serves as a mechanism

84 Interview government representative, Malawi 16/03/04.
85 Interview ministry of finance official, Malawi 16/03/04.
86 Interview donor representative, Malawi 13/03/04.
87 At the moment Malawi receives general budget support from the International Monetary Fund and the Common Approach to Budget Support group which is a composition of European donor countries including the European Union, Denmark, Sweden, the UK and Norway. The group conducts regular reviews and has agreed on their own matrix of measures. It attempts to link disbursements closely to progress in the implementation of the Malawi PRSP.
88 The UK, Ireland, the Netherlands, Norway, Sweden and the EU provide general budget support and performance assessment framework programme support. In addition some donors provide sector support (Moncrieffe 2004:37).
for creating dialogue between donors and the government on the implementation of the PEAP (Piron and Evans 2004). The ministry of finance is perceived to be highly independent as well as pragmatic in its relationship to donors. General budget support is stressed as the preferred aid modality and sector working groups are open to donor staff so that the ministry of finance can draw on their technical skills earlier in the process of developing standards and policies (Piron and Norton 2004:18-19). Recognizing that there will always be donors unable to provide general budget support or earmarked general budget support, the government of Uganda demands that all support, also project support, should be consistent with each sector programme’s priorities and makes clear that any offers of stand alone donor projects will be declined. All expenditure within the medium term expenditure framework should be registered in due time with the ministry of finance (Piron and Norton 2004:21). Donors have been willing to meet some of the demands and practices have been changed in order to cooperate - even USAID relates its programs to the PEAP. Despite being in sympathy with the government’s intentions some donors have lately perceived the government as being too rigorous in the implementation of the above rules.89 Donors also speculate that the government attempts to undermine their political influence, particularly over defence, by taking an excessively strong line on budget deficit (Piron and Norton 2004:39). A governance matrix has been established by a number of bilateral donors to allow the discussion of governance issues that are felt inappropriate to bring up in relation to the PRSC Matrix such as defence (Piron and Evans 2004:33).90

A poverty reduction budget support facility (PRBS) was started in Tanzania in 2000/01 (Frantz 2004:3). This facility existed prior to the World Bank PRSC. The PRBS is a budget support scheme with a single account into which eleven aid agencies at the moment channel their general budget support (Frantz 2004).91 The first PRSC was prepared for fiscal year 2003/04 and the government of Tanzania in 2001 strongly encouraged a merging of the PRBS and the PRSC to reduce its own transaction costs. The outcome was a partnership framework memorandum and a joint performance assessment framework. The final performance assessment framework discussions took place in March 2003 (Odén and Tinnes 2003). The partnership framework memorandum outlines the provisions of general budget support while the performance assessment framework is the chief basis for policy dialogue and it is the overall implementation of this framework that triggers disbursements.92 The PRBS/PRSC has been characterised a well-functioning and a model arrangement of donor-government “partnership” that could be copied in other countries where aid volumes are significant in relation to overall public expenditure (Aarnes 2004; Frantz 2004). This was also stressed by representatives from the donor community. One for instance stated that “Tanzania has come the furthest in integrating the donor community into the budgetary process through the [PRBS] group”.93

In parallel to Uganda and Malawi, the Tanzania ministry of finance strongly encourages donors to channel project funds through the Exchequer System and improve reporting so that project accounts can be accounted for. The preferred relationship to development partners are laid

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89 Interview donor representative, Uganda 15/07/04.
90 The public sector reform issues included ranges from the debate around a third term in office for president Museveni, defence expenditure, corruption, monitoring excessive use of force, unconstitutional trials by the justice sector to opening up the system for multipartyism. It is noteworthy that the conflict in the North is perceived to be so touchy that it cannot even be discussed in this forum (Piron and Evans 2004:33).
91 The countries are Canada, Denmark, the EU, Finland, Ireland, Japan, the Netherlands, Norway, Sweden, Switzerland, and the UK. As in Uganda it is only DFID, among the bilateral donors, that attempts to move most of its aid into the PRBS.
92 Donors have expressed interest in gradually phasing out this facility and rely entirely on the poverty reduction strategy planning and progress reports prepared by the Government. At the time being donors do not consider the quality of the progress reports as up to standard (Simpson 2004:53).
93 Interview donor representative, Tanzania 01/07/04.
out in the 2002 Tanzania assistance strategy. In the 2002/03 budget there was an increase in the coverage of project aid inflows but weaknesses in this area remain. In spite of this, the shift towards new aid modalities has generated deeper ownership in programme implementation by government agencies. Although improvements in reporting are slow (Evans and Ngalewa 2003: 264) projected donor disbursements have generally been on time and a large part of the PRBS funds are disbursed early in the fiscal year on the request of the ministry of finance (Odén and Tinnes 2003:14, 30-31). The rapid increase of programme aid modalities has, however, multiplied the number of new processes linked to the monitoring of the programmes, and this has created coordination and transaction cost problems. This has also affected the SAI. As argued by the Tanzania auditor general:

“Most of the donors consult us when they want to do their own auditing and we agree. Sometimes it is convenient for us to agree to the selection of a private audit firm but again you have particular areas where there is basket funding – it is not just one donor. There are various donors. Now, over there you really have a serious problem because each donor wants their own man.”

‘Off- budget’ donor funds

Even with the implementation of new aid modalities there is in all three countries a problem with off-budget donor funds to line ministries or other spending agencies, thus making it hard for the SAI to keep track of and audit these expenditures (Tanzania MOF 2004:4; Foster et al. 2002; UNAO 2003). In 2002 it was noted that Tanzania’s ability to impose hard budget constraints was limited by around half of all donor funds being off budget. In addition personal emoluments were negotiated separately (Foster et al. 2002:45). As pointed out by the Tanzania ministry of finance “project funding remains to be a major modality of external financing over the period of the medium term expenditure framework in most sectors” (Tanzania MOF 2004:5). In 2001/02 programme aid accounted for more than half of total grant assistance (Evans and Ngalewa 2003:264). Today an increased share of aid is recorded in the budget, related to the creation of an aid flows database within the ministry of finance in 2001 and the move from project aid to budget and sector programme support. Nearly all aid to central government is on budget, while all the support going directly to the districts is still not included (Odén and Tinnes 2003:14-15). More specifically this means that although 30-40 percent of public sector activities are funded by means of donor money only a small amount is on budget (Aarnes 2004:8). The report of the Uganda auditor general for the financial year ended in June 2003 observes that “a substantial number of donor funded projects still receive part of their funding directly from the donors without going through the government consolidated fund” (UNAO 2003:3). In 2002 40% of aid was off-budget in Malawi (Foster et al. 2002: 47) and the situation has not improved significantly. Formally all donor aid should be registered with the debt and aid section of the ministry of finance but donor projects are commonly

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94 Both parties’ adherence to their respective commitments in the Tanzania assistance strategy is evaluated in advance of consultative group meetings by an independent monitoring group (originated on the basis of the 1995 Helleiner Report which examined the relationship between donors and the Government and recommended ways in which the relationship might be improved). This type of institutionalised mutual review process, conducted by an independent body, is unique to Tanzania (Frantz 2004).

95 Exceptions exist. DFID on one occasion froze aid for some months in 2002 over a disagreement on GoT procurement of radar equipment. At the same time several bilateral donors postponed PRBS contributions and disbursement from other multilateral agencies were delayed. The outcome was low budget liquidity (Odén and Tinnes 2003:31-32).

96 Interview Auditor General, Tanzania 06/07/04.

97 In Tanzania ministries, departments and agencies have been instructed to report quarterly on expenditures from foreign projects, and the Ministry of Finance is to audit these reports so that capturing of the expenditure and accountability can be improved (Tanzania MoF 2004:4).
off-budget. An explanation is that there are strong incentives for line ministries to encourage project support as this provides funds for staff allowances, vehicles etc. Project implementation is patchy as failures to live up to conditionalities are common with a turn off in donor funds as a result (Rakner et al. 2004:12).

### Table 8 Summary of findings donors

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<tr>
<th>Aspects of SAI power</th>
<th>Tanzania</th>
<th>Uganda</th>
<th>Malawi</th>
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<tr>
<td><strong>Donors</strong></td>
<td>Donor coordination well developed and PRBS/PRSC facility seen as model arrangement. Rapid increase in forms of programme aid has led to transaction cost problems. Most central government aid on budget. In part support going directly to districts still not included.</td>
<td>Donor aid well coordinated in order to meet PEAP targets and priorities. Donors willing to meet several of the demands of min of fin. Some governance issues are perceived as hard to bring to government. Several donor funded projects still off-budget.</td>
<td>High degree of distrust between government and donors due to erratic general budget support, hampering harmonization. Shift in aid modalities, but problem with off-budget donor funds greater than in Tanzania and Uganda.</td>
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<tr>
<td><strong>Implications</strong></td>
<td>Lack of donor coordination adds to the workload of SAI and places excessive demands on weak institutional capacity. The interaction between the Malawi Government and donors has been problematic while donor harmonization is more developed in Uganda and Tanzania. The PRBS/PRSC facility in Tanzania is considered as particularly well-functioning, but the increase in programme aid modalities has led to transaction cost problems. An increasing amount of donor funds are channelled through the budgetary process - especially in Tanzania and Uganda – but donor funding going straight into off-budget funds or straight to ministries remain. As a result, SAI cannot track or audit these expenditures, undermining its authority.</td>
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5. Economic accountability and the performance of SAIs

A key element of economic accountability is to ensure that public resources are spent according to the electoral and administrative mandate; that funds are distributed in consistence with stated objectives, and that corruption is avoided. Weaknesses in the audit cycle may have serious implications for poverty reduction targets spelt out in a country’s poverty reduction strategy. The starting point of our investigation has been that supreme audit institutions play a key role in terms of checking governmental accountability over public funds.

Our analysis has pointed to several deficiencies in the mandate, capacity, autonomy, as well as the supportive environment of the SAIs in Uganda, Tanzania and Malawi. These weaknesses present stakeholders within government, parliament, opposition parties, civil society, and the donor community with several challenging tasks. Despite the ongoing public financial management reforms implemented in the wake of PRSP, we find that the significant role and function of the SAIs within these processes in Malawi, Uganda and Tanzania have not been taken sufficiently into account. Overall, donor initiatives focused on the audit institutions have largely been short-term and un-coordinated commitments provided by a number of donors. Most assistance has centred on technical assistance and some have not been particularly well adjusted to the needs of the recipient. The Malawi auditor general expressed his frustration by the situation: “Donors bring in a structure, then they disappear, you are left with the costs of maintaining buildings, employees, in reality these gifts are adding to the problem”.

Our findings indicate that the SAI reports can be relied on to identify instances of financial mismanagement, but within limits. The quality of the annual audit reports is unsatisfactory. Two years ago Cowater International (2002: 57) noted that the annual Malawi SAI report included “extensive amounts of listings of individual transactions which might be distracting from the main messages of the report”. There is little reason to believe that the SAI has considerably improved its ability to get the message across. The Swedish director of the institutional support program to the Malawi SAI refers to the Malawi SAI report as substandard according to the auditing standards prescribed by the International Organisation of Supreme Audit Institutions (INTOSAI) (Seminar Tanzania 05/07/04). The Tanzania and Uganda reports must be labelled the same. The INTOSAI standards set down that when a qualified (negative) certificate/opinion is given it must include a clear statement of the matter(s) giving raise to the qualification and if possible, financial qualification of the problem (SNAO 2003:11). A study of the national audit reports submitted to parliament in Tanzania showed that nearly 90% of the audit opinions reviewed had been qualified but lacked a proper explanation of which audit observations had led to the qualified certificate/opinion (SNAO 2003:11). Both the Uganda and Tanzania SAI reports contain few analyses of failures and recommendations for further action, little management information, and opinion are usually short rendering the reports of little use as tools to improve public financial accountability.

Despite improvements, supreme audit reports are habitually delayed in Tanzania, Uganda and Malawi. This failure to report to statutory deadlines diminishes the practical relevance of the audit report in the budget and financial management process. The Tanzania SAIs’ reports are delayed to the extent that they are irrelevant in the budget preparation (Wilcox and Gerden 2004). Presently the SAI report is finalised about 18 months after the end of the fiscal year while a proposed target is to produce the report within 12 months (PRBS/PRSC Review 2004:52). The Malawi SAI is a year behind in reporting to parliament (SNAO and MNAO 2003: 7; Rakner et al. 2004:18; Khembo

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98 Interview Auditor General, Malawi 16/03/04.
In Uganda the reports are now nearly up to date. The Uganda SAI is on time with its report on the central government accounts. The process of finishing the local government accounts and statutory corporations’ reports are more protracted but nearly on time (UNAO report 2004).

Box 2: The pervasiveness of disclaimers in the Uganda SAI report

The Uganda SAI report for fiscal year 2002/03 was by the donor community seen as particularly problematic. It gave a disclaimer* to over 82% of the total expenditures for the year 2002/03. A disclaimer means that the problems with the accounts were so severe that the auditor general could not make the necessary assessment of them. According to international standards the amount of errors should not exceed 2%. Allegedly part of the explanation of these potential misstatements was related to the shift from accounting on cash basis to accrual basis. Nonetheless the problem remains that there is substantial uncertainty in relation to the state of the public accounts of the Government of Uganda. The Uganda SAI report serves as conditionality for general budget support and other donor programs and its general value is clearly weakened by an excessive amount of potential misstatements.

* There are generally four different audit opinions that may be given. 1) Unqualified (accounts accepted), 2) Qualified (one or more items make the statements inaccurate but not necessary to render the total financial statements misleading), 3) Disclaimer, 4) Adverse (the auditor general declares the accounts wrong).

The real weakness in SAI performance is however to be found in the area of follow up. There are numerous instances of audit findings that never have been acted upon in the three countries. The same problems are repeated in the reports year after year underscoring a lack of enforcement mechanisms and incentives to impose sanctions, partly rendering the auditing a cosmetic exercise. In Malawi a number of auditees ignore audit findings and the follow up by the authorities is irregular (SNAO and MNAO 2003). There is, for instance, no evidence of disciplinary actions taken on permanent secretaries following SAI reports (Rakner et al. 2004:16). Authors continue observing that the serious deficiencies in implementation of follow up and enforcement of audit findings in Tanzania remain (Simpson 2004:38; Rutashobya 2004:26). Government agencies, local governments and parastatals are rarely held accountable for mismanagement (Rutashobya 2004). Similarly, Foster and Mijumbi (2002) stress that the executive’s response to audit queries and observations by the Uganda SAI is often poor and therefore an issue of continuing concern. Although the executive frequently act in response to the SAI report, “the general view is that such action is selective, only targeting those who have no patrons up in the hierarchy” (UDN 2004:10). The central government on its part is concerned about district and local level corruption (Moncrieffe 2004:41-42). More specifically, it is alleged that the heads of the district administration, the chief administrative officers, collude in corruption with politicians at the local level (Liebowitz and Kwagala 2004:27). As one of the directors of audit in Uganda readily admitted “I would say that about 30-40% of the process is cosmetic. The net cannot catch the big fish because of the positions they are in”.

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99 Interview MP, Uganda 19/07/04; Interview Auditor General, Uganda 14/07/04; Interview SAI official, Uganda 14/07/04.
100 Interview SAI official, Uganda 14/07/04.
Box 3: The Tanzania Paymaster General unable to take disciplinary action

Already in 2002 Naschold and Fozzard (2002: 37, 46) noted that PAC and LAAC recommendations in Tanzania were frequently ignored and that there was a general lack of effective mechanisms of sanction. One reason was that the permanent secretary of finance (in his statutory role the paymaster general) lacks authority since he is at the same level as the chief accounting officers in other ministries. This has thus for a long time been a well known problem and there is currently an ongoing process to increase the powers of the Tanzanian paymaster general. The aim is to empower him to take corrective action with respect to accounting officers who flout regulations and do not implement changes recommended by the PAC and the LAAC.

In terms of both institutional capabilities and relational resources arguably, the SAIs in Uganda perform slightly better than its Tanzanian counterpart, with the Malawian auditor general lagging behind. Few will be surprised by this conclusion as Uganda during the National Resistance Movement regime has placed great emphasis on poverty reduction, the fight against corruption and oversight institutions. However, it has lately been suggested that the ownership of the poverty reduction agenda is challenged by growing politics of patronage (Hickey 2003: 10). Piron and Evans (2004: 25) point to tackling corruption in the public sector as a serious challenge and questions government commitment. Several other observers of Ugandan politics link the lack of progress in the fight against corruption to the upcoming 2006 parliamentary and presidential elections. A representative from the donor community calls attention to the problem when he states that,

“The last three years there have been a decline in available resources to all sectors and a change in the atmosphere around corruption, now everything is about the elections, it is only these that are important. There is now a less than proper approach to corruption and this makes it difficult for us and the IGG [the Inspector General of Government] to deliver. This is an issue of political will and we just do not have control over it. At the moment there is no political will to fight corruption”.  

101 Interview donor representative 20/07/04.
Annex 1: References


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Gloppen, Siri and Lise Rakner. Forthcoming. “Checking the state. The role of special institutions of restraint in Africa’s new democracies” CMI WP.


Wojciechowski, Janusz. 1999. Recommendations concerning the Functioning of Supreme Audit Institutions in the Context of European Integration. Report drawn up on the basis of a request by the Presidents of the Supreme Audit Institutions (SAIs) of the Central and Eastern European Court of Auditors.

Annex 2: List of Interviewees

### TANZANIA

**Organisation/Institution**

**Public Sector**

**Ministry of Finance**
- Joel J. K. Mwanza, Assistant Accountant General
- Mr. Shallanda, Assistant Commissioner, Macroeconomic policy
- Mr. Khamisi, Commissioner for Budget
- Kjetil Lund, analysis division (Norw Min of Foreign Affairs)
- Kripali Manek, ODI fellow, external finance

**National Audit Office**
- Thomas M. Kiama, Auditor General
- Gregory G. Teu, Principal Auditor
- E.K. Shuli, Assistant Auditor General

**Office of the President**
- Mr. Msongole, Planning Commission

**Parliament (Fin and Ec Affairs)**
- Hon. Njelu Kasaka (CCM), chair
- Hon. Hassy Kitine (CCM)
- Hon. Masungo (CCM)

**Parliament (Comm on Infrastructure)**
- Hon. Prof. Henry Robert Mgombelo (CCM), member of Steering Comm

**Parliament (PAC)**
- Hon. Dr. Amani W. A. Kabourou (Chadema), former Chair of PAC and leader of opposition

**Parliament (LAAC)**
- Hon. Magapini, Deputy Chair

**Parliament (Comm on Environment)**
- Hon. Anne Semamba Makinda (CCM), chair, former member of PAC, member of Steering Comm

**Parliament (Social Service Comm)**
- Hon. Sophia M. Simba (CCM), Chair, former member of LAAC

**Parliament (Comm on Foreign, Defense and Security)**
- Hon. Thomas S. Nyimbo (CCM)

**Parliament (APNAC)**
- Hon. Dr. Zainab Amir Gama (CCM), chair
- Hon. Ireneus Nduguru Ngwatura (CCM), Deputy Chair

### Donors/NGOs/Academics

**SUNY**
- Donna Bugby, Country Director SUNY Program Tanzania

**Sida**
- Erik Jonsson, Counselor/Economist
- Eliah Mwakagali, Program Officer, public sector reforms

**Swedish National Audit Office**
- Martin Wilcox, International Division

**Consultant**
- Carl Åke Gerdén, Audit Director
- Geir Sundet

**TADREG**
- Dr. Brian Cooksey, Director
- Erasto Ngalewa, Project Administrator

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102 Seminar at the Swedish Embassy in Dar es Salaam, 05/07/04.
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<td><strong>ESRF</strong></td>
<td>Samuel Wangwe, Principal Research</td>
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<td>Associate, Director Daima Associates</td>
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<td>Alex Mwinuka, Director of Finance and</td>
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<td>Mgt. Services</td>
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<td>Stergomena Tax, Coordinator</td>
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<td><strong>MALAWI</strong></td>
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<td>ECAMA</td>
<td>Dr. Khwima Nthara, Chair Budget Committee</td>
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<td>SOCAM</td>
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<td>MEJN</td>
<td>Collins Magalasi, National Coordinator</td>
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<td><strong>Continental Discount House</strong></td>
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**Names of Individuals and Positions Held**

- Dr. Khwima Nthara, Chair Budget Committee
- Hendrix Mazangera
- Collins Magalasi, National Coordinator
- Paul Msomali
- Robert Phiri
- Hon. Friday Jumbe, Minister
- Professor Matthews Chikaonda, former Minister
- Hon. Phillip Bwanali, former Deputy Minister
- Mrs. M Banda, Budget Director
- Mr. Kalangonda
- Hon. Khwauli Msiska, Deputy Minister
- Mr. Kutangule, Principal Secretary
- Hon. Sam Mpasu
- Mr. Dzanjalimodzi, former Director of Procurement
- Mr. Y Hassan, Director of Internal Audits
- Brian Bowler, Chair Reserve Bank
- Hon. Davies Katsonga, Speaker
- Hon. Chimango, Chair
- Hon. Chome (UDF)
- Hon. Mnesa (UDF)
- Hon. Chuthi (MCP)
- Hon. Chiona, Chair
- Hon. Henry Mussa, former chair
- Mr. Mtingwe
- Justice Mtegha, Director
- Mr. Banda, Assistant Director
- Brett Stewartson, Managing Director
- Felix Mulusu, Managing Director
- Dixie Kambauwa, Group Executive Director
- K K Desai
- Victor Mbewe, Managing Director
- Charlie Graham
- Mr. Mwanamveka
<table>
<thead>
<tr>
<th>Organisation/Institution</th>
<th>Names of Individuals and Positions Held</th>
</tr>
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<tbody>
<tr>
<td><strong>UGANDA</strong></td>
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<tr>
<td><strong>Public Sector</strong></td>
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<tr>
<td>Ministry of Finance, Planning and Economic Development</td>
<td>Lawrence Semakula, Commissioner/Treasury Officer of Accounts</td>
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<td></td>
<td>Magona Mweru Ishmael, Commissioner Budget, Policy and Evaluation Dep.</td>
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<td>Mr. Kissembo, Commissioner Internal Audit</td>
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<td>Damoni Kitabire, Macroeconomic Advisor, Planning and Development</td>
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<tr>
<td>National Audit Office</td>
<td>John F. S. Muwanga, Auditor General</td>
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<td></td>
<td>E. Obwona, Director of Audit (Local Gov)</td>
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<td></td>
<td>Aloysious Manyanja, Director of Project Audit and Administration</td>
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<td>Keto Kayemba, Assistant Director (Central Gov)</td>
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<td>Fixon Okonye Akonya, SPA</td>
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<td>Stephen Kateregga, ADA</td>
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<tr>
<td>Parliament (Budget Comm)</td>
<td>Hon. Beatrice Birungo Kiraso, Chair</td>
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<td></td>
<td>Hon. James Mwandha, Vice Chair</td>
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<tr>
<td>Parliament (LAAC)</td>
<td>Hon. Sarah Nansubuga Nyombi, Chair APNAC</td>
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<td></td>
<td>Hon. Yeri Ofwano Apollo, Deputy Chair</td>
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<td></td>
<td>Hon. Betty Amongi, member of APNAC</td>
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<tr>
<td>Parliament (Comm on Commissions, Statutory Author and State Enterprises)</td>
<td>Hon. Julia Lukumu Bintu, Deputy Chair</td>
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<tr>
<td>Parliament (PAC)</td>
<td>Hon. Dr. Y. Okullo-Epak, Chair</td>
</tr>
<tr>
<td>IGG</td>
<td>Mathias Bazongoza Tumwesigye, Director Education and Prevention of Corruption</td>
</tr>
<tr>
<td>Directorate for Ethics and Integrity, Office of the President</td>
<td>Ashaba-Aheeba, Director</td>
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<tr>
<td>Bank of Uganda</td>
<td>Dr. Polycarp Musinguzi, Economic Advisor</td>
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<td>Juma Yusuf K. Walusimbi, Director, Public Relations</td>
</tr>
<tr>
<td><strong>Donors/NGOs/Academics/CSOs</strong></td>
<td>Gloria Kempaka Mugabe, Economist</td>
</tr>
<tr>
<td>Sida</td>
<td>Daniel S. Iga, Program Officer</td>
</tr>
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<td></td>
<td>Lotte Mindedal, Counselor (development)</td>
</tr>
<tr>
<td>Danida</td>
<td>Morten Heide, 1st Secretary (Country)</td>
</tr>
</tbody>
</table>
Royal Netherlands Embassy
Sam Kajoba, Program Officer
Warner ten Kate, 1st Secretary, (Macroeconomist)

Uganda Debt Network
Basil Kandyomunda, Deputy Executive Director

Makerere University
Dr. Emmanuel Kasimbazi, Acting Dean, Faculty of Law
Dr. Julius Kiiza, Department of Political Science and Public Administration

EPRC
Dr. Lawrence Bategeka, Research Fellow
Fred Kakongoro Muhumuza, Research Fellow

Media, the Monitor
Andrew Mwenda, journalist
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SUMMARY
Despite the important accountability functions assigned supreme audit institutions, little is known about their actual functioning and we have scant information about how supreme audit institutions interact with other stakeholders in the budget process.

This report provides a comparative study of the supreme audit institutions in Malawi, Tanzania and Uganda. In order to understand how supreme audit institutions function their institutional capabilities are assessed through comparing their mandate, capacity and autonomy. The impact of the supreme audit institutions on actual policy is examined by comparing their relational resources i.e. how they interact with other institutions and agents in the political system and draw support from the environment. This include interactions with parliament, civil society and the donor community. The final part summarises the findings and compares the overall performance of the supreme audit institutions in Malawi, Tanzania and Uganda.

The report was originally commissioned by the Norwegian Agency for Development Cooperation (Norad).