

Strengthening the financial scrutiny of Commonwealth governments

Members and officials co-operate to identify ways to improve their Parliaments' oversight of future and past government spending, including developing more stringent and properly resourced audit processes.

Report of a seminar organized by the CPA, the World Bank Institute, the Centre for Democratic Institutions and the Public Sector Governance and Accountability Research Centre at La Trobe University in Australia

Specific proposals to improve the parliamentary scrutiny of government finances have been made by Members, clerks and audit office representatives at a Commonwealth Parliamentary Association (CPA) seminar held in February in Australia. The seminar, entitled "Strengthening Parliament – Parliamentary Financial Scrutiny", was held in partnership with the World Bank Institute, the Centre for Democratic Institutions and the Public Sector Governance and Accountability Research Centre of the Faculty of Law and Management of Australia's La Trobe University. It was attended by 31 participants from Commonwealth Parliaments in Ghana, Malawi, Nigeria Tanzania,

Pakistan, Sri Lanka, Papua New Guinea and the Solomon Islands. Nine non-Commonwealth participants also attended from Indonesia and Laos. A similar seminar held in 2006 produced a more general set of recommendations from delegations from many of the same Parliaments. Reports from the 2007 delegations indicated many of the measures called for in 2006 had been implemented or were under way.

As well as spending a week in intensive sessions analysing the budget and audit processes in Parliament, the seminar participants visited the Australian state Parliaments of Victoria and New South Wales and the Australian Capital Territory Legislative Assembly as well as visiting the Parliament of Australia. They studied the financial processes used in each Parliament as described by the Members and clerks directly involved in them.

Seminar discussions featured academic and intergovernmental presentations as well practical experiences recounted by Prof. Peter Loney, Director of the research centre

and a former Member and Deputy Speaker of the Victorian Parliament who chaired its Public Accounts and Estimates Committee and is a former Chairperson of the Australasian Council of Public Accounts Committees. Among the presentations was one by Hon. Tony Sheehan, a former Victorian Finance Minister.

The role of the Public Accounts Committee (PAC) is an area of particular Commonwealth expertise which started at Westminster in 1861. Most countries have followed this lead, although Francophone countries have opted for judicial review through courts of illegal transactions and in the United States congressional system the review of public accounts is assigned to congressional committees charged with doing other work as well.

Ghanaian advances

Reporting on improvements to the financial oversight procedures in its Parliament since the 2006 seminar, the Ghanaian delegation noted that a positive start had been made with two proposed changes being implemented and progress made on two other

proposals.

In 2007 for the first time the Public Accounts Committee had been given a budget of its own. Although the U.S.\$100,000 allocation was not regarded as sufficient, it was a start.

The House had also agreed to protect the independence of the Auditor General by giving the PAC the power to approve the office's budget. The office also lacked sufficient resources but the delegation reported that Members were working on upgrading the allocation.

At the preliminary level, the House leadership had also agreed to open PAC meetings to the public. However, this was not expected to be implemented until later in 2007 when new facilities would offer adequate space for the public and the media.

Finally, the delegation reported that the provision of independent investigatory powers for the PAC was possible but not practical due to the workload facing the Auditor General's office.

Further changes

In addition to opening the PAC to the public and the media later in 2007, the Ghanaians proposed new measures to strengthen parliamentary financial scrutiny.

The PAC could begin to consult the West African country's Institute of Chartered Accountants and other civil society groups. It should also conduct at least two independent investigations a year, while also taking steps to further secure the independence of the Auditor General, especially financially. The Auditor General could also be authorized to charge fees to the parastatals whose books the office audits.

The PAC could begin using subcommittees to speed up its work so major reports are dealt with within six months. It should also be given more resources to enable it to hire consultants and to strengthen its liaison office with the Auditor General.

It was also proposed that the Ghanaian PAC should share information with other PACs, including those elsewhere in Africa and especially in West Africa.

It was also proposed that audit

tribunals be established in the judicial system to pursue incidents of inappropriate spending uncovered by audit investigations.

Parliamentary pressure in Malawi

Reporting on developments in the Malawian Parliament, Hon. F.A. Jumbe, MP, Chairman of the PAC and a former Finance Minister, said the opposition parties had been able to press the central African country's minority government to strengthen the National Audit Office and the National Assembly's Clerk's Department and even to change budget allocations.

He said the National Assembly, where the opposition parties' Members outnumber the government's, had spent a long time

sector. Parliament therefore pressed the government to increase funding by threatening to block the entire budget. More funds were eventually budgeted for the office.

The National Assembly's budget was also increased so it could hire more committee clerks. A lack of clerks had meant committees could not meet.

Looking ahead, the Malawians reported that the establishment of an independent parliamentary budget office had already been agreed with parliamentary aid donors. Consultations should also be undertaken with budget offices in other Parliaments.

Noting the importance of technical knowledge in overseeing government accounts, it was proposed



The importance of the scrutiny of public expenditure by Parliament is increasingly recognized throughout the Commonwealth.

scrutinizing this year's budget, grilling Ministers and proposing changes, some of which the government had agreed.

PAC investigations were now open to the media and the President and Ministers were supporting changes to the Standing Orders to make Parliament more effective.

A significant problem for the PAC was the budget of the National Audit Office. It lacked funds to hire and retain qualified staff, many of whom were regularly lost to the private

that specialized training should be provided for Parliamentarians serving on the PAC and on the Assembly's Budget and Finance Committees.

At the administrative level, the Malawian National Audit Office should be strengthened by tripling the number of auditors from the office's current complement of just fewer than 100. Training should be provided for auditors and salaries improved to retain the people after they are trained.

TIGHTER FINANCIAL SCRUTINY IN NIGERIA

Hon. Adeyemi Oluwole, MP, Chairman of the Public Accounts Committee of the House of Representatives in Nigeria, reported that there have been vast improvements in the responses from Ministers and parastatals to queries from the House and Senate Public Accounts Committees since President H.E. Olusegun Obasanjo made accountability and probity a major plank in his government's platform. The Auditor General and the Accountant General have both been criticized for inadequate reports and they were threatened with arrest if they did not improve their reporting.

Mr Oluwole filed his report with organizers of the February seminar on "Strengthening Parliament – Parliamentary Financial Scrutiny" held in Australia. The PAC Chairman was able to attend the seminar only briefly as he was campaigning in the parliamentary election set for April.

He reported that the Senate PAC had cleared up its five-year backlog and was now dealing with recent audit reports. The Senate and House PACs still conduct inquiries separately, as required by the Nigerian Constitution; but they do meet together to harmonize their reports and the reports from each PAC now go to both Houses.

A new Auditor General's Act was passed some time ago by the Senate and recently by the House. The new act provides heavy sanctions for non-compliance, including the following: if a department or parastatal does not file reports with the Accountant General (who prepares reports for the Auditor General) by the end of the third month of the financial year, the rest of the year's funds are suspended.

Mr Oluwole said the constitution also gives the Speaker of the House the authority to issue a bench warrant to

require the attendance of civil servants at committee meetings. All civil servants now know this and the PAC is feared to the extent that civil servants no longer ignore invitations to appear before it. He said his committee since 2004 has had Naira 5 million in direct independent funding annually from the Treasury in addition to funding from the House. It is therefore able to hold hearings, inspect budget programmes and hire consultants. The House PAC is one of four special committees and he said it is ranked as the most important.

However, the House PAC is so large it is unwieldy. In 2003, the size of the committee was increased to 44 from 15 (in a House of 360 Members). The Senate committee is composed of seven of the 109 Senators.

His Action Plan for the future proposed action to bring about the following:

Reduce the size of the House PAC: this could only be done when committees were set up after the April election.

The ruling People's Democratic Party election campaign platform included public sector financial reforms, so the PACs would be charged with following up this commitment should the party return to power.

Special workshops should be run for new PAC Members in each new Parliament so they have the specialized knowledge needed for their new role; and

As a long-term goal when the constitution is next opened, provisions related to the PACs should be amended so they can work together to co-ordinate investigations. They are currently required to work separately so this often involves duplication. However, he noted that constitutional reform in Nigeria has so far proven to be a long, expensive and difficult process.

Awaiting developments in Nigeria

The Nigerian delegation reported to the seminar that no progress had yet been made in improving the audit process. There had been no progress in speeding up reporting by the Auditor General's office. The office lacked independence and adequate funding. Performance auditing and computerized accounts had also been proposed but not implemented.

However, the seminar was told that legislation was being prepared to improve the accounting process and provide the audit office with sufficient staff and resources.

The audit office needed to be brought up to date, including by providing training in forensic auditing. A target of five or six performance audits a year should be set and met.

With new legislation imminent to establish an audit commission, the Nigerian delegation expressed the hope that it would have adequate

financial resources to hire more staff with professional qualifications. The current legislation dated back to 1956.

Changes sought in Sri Lanka

Sri Lanka's delegation reported that the proposal that meetings of its PAC and its Committee on Public Enterprises should be open to the media had not yet been accepted.

The establishment of a women's caucus and the provision of gender budgeting were under way and new legislation on an audit commission had been proposed.

Another positive development was that each of the nine provincial councils has established its own PAC and all nine of them meet regularly with the parliamentary PAC.

The country's delegation called for the establishment of a parliamentary budget office as the seminar was told estimates and tax proposals were not sufficiently debated in Parliament. An

estimates committee was needed. The parliamentary Secretariat should be given the resources to hire sufficient staff qualified to assist Members in analyzing government financial proposals.

To ensure ministerial accountability, Ministers should begin testifying before the PAC instead of sending their civil servants.

The delegation called for the passage of a new audit act to ensure the independence of the Auditor General as an officer of Parliament. The office should also be empowered to audit government-owned enterprises. It should have the authority to question ministerial officers and impose sanctions on anyone for non-compliance with financial rules and regulations.

Respected role in Pakistan

Reporting on the situation in Pakistan, Mr Sardar Ashiq Hussain

Gopang, MNA, said the concept of financial scrutiny is regarded as vital to the nation so it is given a high priority by all. The Auditor General's reports go direct to the President and are tabled in Parliament by a Minister before being referred to the PAC.

The Auditor General's position is constitutionally protected and well respected by the parties so no one tries to interfere with the office and its work.

The PAC is well resourced and is composed of very able Members as the parties consider it an important committee. Members are also paid a good attendance allowance so full participation is ensured. Its reports are also well covered by the media.

Mr Gopang said the PAC is seen as playing an effective role in fighting corruption and the ineffective management of budget allocations. It can now undertake its own investigations without waiting for reports from the Auditor General.

The Member, who sat on the Punjab provincial Legislature's PAC before moving to the National Assembly, said the country's national and provincial PACs now meet annually and there are moves toward establishing regional meetings involving PACs from across Southeast Asia.

The Pakistani delegation said it would propose that spending plans be presented to Members before the actual budget was tabled. The PAC should hear public complaints about government ministries. The Auditor General would also be encouraged to produce more concise reports so they could focus on the most important issues uncovered by the office.

Making improvements in the Solomon Islands

It was noted that in the Pacific's Solomon Islands the parliamentary system is struggling with a weak party system, a lack of resources for the PAC and a lack of parliamentary independence from the executive. The PAC had no support, its Members did not understand their role and there was no requirement to implement its recommendations.

The Parliament elected in April 2006 had started slowly, including one

occasion when the government used its House majority to reject a PAC recommendation.

However, a parliamentary strengthening programme was underway, with CPA and other support, and the seminar was told that some improvements had been made.

The PAC was now chaired by a former Finance Minister as the importance of the committee was now being stressed. A sitting of Parliament had been delayed by a week to allow the PAC to complete its work and the Prime Minister had warned civil servants that they had to attend when summoned to appear before the committee to explain expenditures.

Eight reports were completed in 2006 and two cases ended up in court. A scandal over lost revenue had been uncovered, as had another scandal over "ghost employees". More staff had been recruited and more training was being provided.

Televising Parliament had begun and the seminar was told further measures to strengthen the institution were coming, including a review of the Auditor General's legislation.

But the audit and parliamentary scrutiny process still has a long way to go. The books for nine provincial administrations and 15 state-owned enterprises have never been examined, and the backlog in reviewing national accounts had to be cleared. The 2006 PAC had considered the 1997 accounts.

An independent Auditor General under amended legislation was considered necessary, and public awareness of the importance of financial accountability had to be raised, partly through the creation of a website to contribute to public education.

It was recommended that the PAC act on recommendations from the Auditor General. None of the officer's recommendations had been taken up so far, the seminar was told. The office and its processes needed strengthening; it was hoped this would be provided through an Australian aid programme.

A United Nations Development Programme (UNDP)-CPA parliamentary strengthening project

with Australian and Pacific support is under way to update Standing Orders, review key areas of legislation, draft a code of conduct for Members and provide training for MPs and House staff. Equal gender representation is also being promoted as part of a civic awareness campaign.

Strengthening oversight

The Tanzanian delegation concluded that more resources should be provided to its PAC and its Local Authorities Audit Committee so they both have more secretariat support, including training and equipment and the provision of separate budgets for each committee.

The Standing Orders should be revised to open both committees to the media and to enable them to undertake investigations beyond examining issues raised by the Auditor General.

New legislation was needed to strengthen the independence of the Auditor General and the office's staff. A new compulsory budget review mechanism which would set benchmarks for the following budget would also be helpful.

Papua New Guinea and international support

In Papua New Guinea, a UNDP project to strengthen Parliament was under way. Computers for Backbenchers and staff and training for both sets of users were needed, as was a reduction in the current number of committees from 40 to a level which would be sustainable.

As Papua New Guinea was heading into a general election in 2007, the Pacific nation's delegation concentrated on post-election inductions to familiarize new Members with their roles. Programmes would be run with support both from local offices, including the Auditor General's Office, and from international organizations such as the UNDP. It was proposed that the programmes be publicized through ministerial announcements in Parliament to emphasize their importance and to ensure citizens knew Parliamentarians were preparing themselves for their role in the democratic process.