EX POST FINANCIAL OVERSIGHT: LEGISLATIVE AUDIT, PUBLIC ACCOUNTS COMMITTEES …. AND PBOs?

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Outline

1. Role of Legislatures in Financial Oversight
2. Institutionalization of PACs
3. Institutional Success Factors
4. Obstacles to Effective Performance & Roles that PBOs could play
Legislatures and Financial Oversight

- Differences in the form of government
- Variation in oversight tools available (committees, debates, questions & interpellations, private members’ bills)
- PACs – formally, Commonwealth, now spreading beyond countries with a ‘Westminster’ background
Stages of the annual budget process

- Budget tabled in the legislature
- Consideration by parliamentary committee(s)
- Parliament accepts, amends or rejects the budget
- Finance ministry or treasury issues guidelines to spending departments or agencies
- Spending departments submit draft budgets
- Negotiation and final decisions by executive
- Funds apportioned to spending departments to implement activities
- Finance ministry monitors spending
- Request for legislative approval of adjustment budget if necessary
- Supreme audit institution assesses departmental accounts and performance
- Audit reports published and reviewed by parliament

Before beginning of relevant fiscal year
- Fiscal year starts and ends
- Following end of fiscal year
Legislatures and Financial Oversight (Cont’d)

• Institutional design

• Conduct of committee members

(Stapenhurst et al., 2005)
Institutionalization of PACs

Origins of PACs

• Denmark

• UK’s House of Commons
FIDUCIARY OBLIGATION

Parliament

Report

Accountability Reporting

Mandate

Public

Conferred Responsibility

Watchdogs Examine

Executive
Institutionalization of PACs

• Usually lower chamber committee
• Established in Constitution, by Act of Parliament or Standing Orders
• Great variation in Size (7 – 22 Members)
• Majority, government
• Chair, opposition
• UK’s House of Commons
Institutionalization of PACs—Modus Operendi

• Focus on financial probity
• Key relationship with SAI
• Mandate and scope of work sometimes limited to consideration of External Audit Report
• But may have power to initiate own investigations
### Institutional Success Factors (1)

Percentage of PAC Chairs Who Report that PAC “Frequently” Achieved Various Results, by Region

<table>
<thead>
<tr>
<th>Result</th>
<th>Africa</th>
<th>Australasia</th>
<th>Canada</th>
<th>Caribbean</th>
<th>South Asia</th>
<th>United Kingdom</th>
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</thead>
<tbody>
<tr>
<td>Recommendations accepted</td>
<td>36</td>
<td>75</td>
<td>50</td>
<td>50</td>
<td>90</td>
<td>100</td>
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<tr>
<td>Recommendations implemented</td>
<td>18</td>
<td>75</td>
<td>50</td>
<td>50</td>
<td>70</td>
<td>100</td>
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<tr>
<td>Legislation modified</td>
<td>20</td>
<td>12</td>
<td>0</td>
<td>25</td>
<td>20</td>
<td>33</td>
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<tr>
<td>Information improved</td>
<td>36</td>
<td>57</td>
<td>25</td>
<td>25</td>
<td>80</td>
<td>100</td>
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<tr>
<td>Legal action taken</td>
<td>9</td>
<td>0</td>
<td>25</td>
<td>25</td>
<td>40</td>
<td>0</td>
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<tr>
<td>Disciplinary action taken</td>
<td>30</td>
<td>0</td>
<td>25</td>
<td>25</td>
<td>56</td>
<td>0</td>
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</tbody>
</table>
Institutional Success Factors (2)

Percentage of PAC Chairs that Consider Various Practices and Procedures “Very Important” to PAC Success, by Region

<table>
<thead>
<tr>
<th>Factor</th>
<th>Africa</th>
<th>Austral-asia</th>
<th>Canada</th>
<th>Carib-bean</th>
<th>South Asia</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comp. gov’t response</td>
<td>64</td>
<td>89</td>
<td>67</td>
<td>71</td>
<td>90</td>
<td>67</td>
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<tr>
<td>Close working relationship with leg. auditor</td>
<td>55</td>
<td>33</td>
<td>75</td>
<td>71</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Independent technical for hearings</td>
<td>70</td>
<td>67</td>
<td>33</td>
<td>50</td>
<td>86</td>
<td>100</td>
</tr>
</tbody>
</table>
Obstacles to PAC Performance

- Lack of gov’t interest in accountability
- Lack of gov’t responsiveness
- Uniformed PAC Members
- Closed hearings
- Lack of follow-up
- Lack of feedback, to ex ante budget deliberations
Potential Role for PBOs (1)

Stages of the annual budget process

- **Drafting**
  - Before beginning of relevant fiscal year
  - Finance ministry or treasury issues guidelines to spending departments or agencies
  - Spending departments submit draft budgets
  - Negotiation and final decisions by executive

- **Legislative**
  - Fiscal year starts and ends
  - Budget tabled in the legislature
  - Consideration by parliamentary committee(s)
  - Parliament accepts, amends or rejects the budget

- **Implementation**
  - Following end of fiscal year
  - Funds apportioned to spending departments to implement activities
  - Finance ministry monitors spending
  - Request for legislative approval of adjustment budget if necessary

- **Audit**
  - Supreme audit institution assesses departmental accounts and performance
  - Audit reports published and reviewed by parliament

PBOs

SS

PAC
Potential Role for PBOs (2)

- PBOs could use PAC recommendations as a basis for analysis of viability of budget proposals
- PACs could use ex ante analysis by PBOs when examining ex post budget implementation
Other Questions for Discussion

• What are the strengths/weaknesses of PACs vs, other ex post oversight models?
• Does combining the functions of a Finance Committee and a PAC, as in Germany, make sense?
• Are there differences between the new, non-Commonwealth and Commonwealth PACs?