Strengthening Parliament-
Parliamentary Financial Scrutiny

11 - 22 February 2007, Melbourne, Australia

Hosted by the Public Sector Governance and
Accountability Research Centre
Faculty of Law and Management

Seminar Report (draft)
Participants visit the Parliament of Victoria
# Table of Contents

Acknowledgements ................................................................................................................... 3

Acronyms ................................................................................................................................. 4

Organizing Institutions ............................................................................................................. 5

Introduction ................................................................................................................................ 7

Parliament and Financial Scrutiny – An Overview ................................................................. 7
  Table One: Parliament and Good Governance (abridged) .................................................... 8
  Figure One: The Westminster Accountability Model ........................................................... 9

Preparation and Approval of the Budget ................................................................................. 11
  Table Two: Preparation of the Budget – An Inside View .................................................... 12
  Box One: Upper Houses/Second Chambers and Federal Systems ....................................... 14

Parliamentary Committees and Consideration of the Budget ................................................ 15
  Box Two: Public Officials and Parliamentary Committees ................................................ 19

Post-Approval Review and Public Accounts Committees ...................................................... 20
  Box Three: Some Suggestions for Strengthening PACs ..................................................... 22

Country Reporting and Action Plans ..................................................................................... 23
  Box Four: Tighter Financial Scrutiny in Nigeria ............................................................... 24

Study Visit to Australian National and State Parliaments and Launch of the KPMG Report ................................................................................................................................. 25

ANNEX ONE: Seminar Questionnaire for Participants on Parliamentary Financial Scrutiny: Overview of Responses .............................................................................................................. 28

  GHANA ..................................................................................................................................... 30
  INDONESIA .............................................................................................................................. 30
  LAO PDR .................................................................................................................................. 31
  MALAWI .................................................................................................................................... 31
  NIGERIA .................................................................................................................................... 32
  PAKISTAN .................................................................................................................................. 32
  PAPUA NEW GUINEA ............................................................................................................. 33
  SOLOMON ISLANDS ............................................................................................................... 33
  SRI LANKA ................................................................................................................................ 34
  TANZANIA .................................................................................................................................. 35

ANNEX THREE: Participants List ............................................................................................ 36
Acknowledgements

This seminar report was authored by Lisa von Trapp, a Consultant for WBI. The author would like to thank the presenters, in particular Prof. Peter Loney, for providing her with copies of their notes and presentations. She would also like to thank KPMG and the PSGARC for allowing her to reproduce information from their excellent report, *The Parliamentary Public Accounts Committee - an Australian and New Zealand Perspective*, and Andrew Imlach for the text in *Box Two: Tighter Financial Security in Nigeria* which was originally published on the CPA’s website following the seminar and study tour.
Acronyms

A-G – Auditor General
ACPAC – Australasian Council of Public Accounts Committees
APAC – South Africa Association of Public Accounts Committees
AusAID – Australian Agency for International Development
CDI – Centre for Democratic Institutions
CPA – Commonwealth Parliamentary Association
PAC – Public Accounts Committee
PAEC – Public Accounts and Estimates Committee (Victorian Parliament)
PSGARC – Public Sector Governance and Accountability Research Centre
UK – United Kingdom
WBI – World Bank Institute
Organizing Institutions

The World Bank Institute (WBI) is the capacity development arm of the World Bank and helps countries share and apply global and local knowledge to meet development challenges. Its capacity development programmes are designed not only to build skills among groups of individuals involved in performing tasks, but also to strengthen the organizations in which they work and the socio-political environment in which they operate. WBI’s Parliamentary Strengthening Program aims to enhance parliaments’ capacity to effectively fulfil their responsibilities, especially with regard to government policy implementation and budget oversight. The Program’s objectives are to:

- Strengthen the capacity of parliaments to oversee the allocation and use of public funds;
- Assist parliamentarians to better represent the interest of citizens in the policy process, particularly in the context of the poverty reduction strategies process (PRS);
- Support parliamentary learning networks on key policy issues related to development; and
- Encourage and promote action research on the role of parliaments. Such research contributes to the better design of World Bank parliamentary support programs and helps ensure impact and sustainability.

The Commonwealth Parliamentary Association’s (CPA) mission is to promote the advancement of parliamentary democracy by enhancing knowledge and understanding of democratic governance. It seeks to build an informed parliamentary community and to further co-operation among its Parliaments and Legislatures. This mission is achieved through a Strategic Plan covering the following six areas:

1. Commonwealth fundamental principles;
2. The functional independence of Parliament;
3. Professional development seminars and workshops;
4. Networking through conferences;
5. Technical assistance to individual Parliaments; and
6. Specialist information for a specialist community.

Active CPA Branches now exist in 169 national, state, provincial and territorial Parliaments, with a total membership of approximately 16,000 Parliamentarians.

The Public Sector Governance and Accountability Research Centre (PSGARC) at La Trobe University, Australia seeks to improve the capacity of elected representatives to carry out their role of scrutiny of the actions of executive government for greater accountability. Established in 2004 as the result of an initiative by legislators themselves, its aims are:

- To conduct and promote research into issues of accountability and governance within the public sector, and especially of the role of Members of Parliament in these issues.
- To conduct seminars and training workshops for the members and staff of Public Accounts Committees, and especially for those of Australia, New Zealand and the
Asia-Pacific region, aimed at promoting practice that contributes to accountability,
openness and transparency of governments.

- To facilitate the study of such issues by staff and postgraduate students at La Trobe
  University.

The **Centre for Democratic Institutions** (CDI) responds to the needs of developing countries
in the field of good governance and democratic institutions. The centre was established as an
Australian Government initiative and receives its core funding through the Australian Agency
for International Development (AusAID). Its geographic focus is the Asia-Pacific region.

CDI is based in the Crawford School of Economics and Government at The Australian
National University and draws from the considerable intellectual capital of Australia's leading
graduate tertiary institution.

CDI's central goal is to support regional focus countries in strengthening political parties and
parliamentary governance. It seeks to:

- Improve the operation and understanding of parliamentary machinery by members of
  parliament and parliamentary staff in partner countries;
- Strengthen political parties in key countries in the region through improving the
  knowledge and skills of members and officials of political parties; and
- Extend networks in the region between Australian political party officials,
  parliamentarians and parliamentary staff and their counterparts from priority countries.
Introduction

On February 11-27, 2007, the Public Sector Governance and Accountability Research Centre (PSGARC) of the Faculty of Law and Management of La Trobe University, the World Bank Institute (WBI), the Commonwealth Parliamentary Association (CPA) and the Centre for Democratic Institutions (CDI) partnered to deliver the second annual seminar and study tour in Australia on Strengthening Parliament – Parliamentary Financial Scrutiny. The first event held in February 2006, and entitled Parliamentary Financial Scrutiny: the Role of the Public Accounts Committees, examined parliamentary financial scrutiny through the lens of the PAC.

The 2007 Seminar and Study Tour brought together around 40 Chairs and senior members of Public Accounts and Budget and Finance Committees, as well as Auditors General and parliamentary staff from Ghana, Indonesia, Laos, Malawi, Nigeria, Pakistan, Papua New Guinea, Solomon Islands, Sri Lanka, and Tanzania.

The program’s fourteen sessions focused on parliament's role in financial scrutiny of the executive during all phases of the budget from preparation to audit, including the special role of parliamentary committees. Seminar discussions featured academic and intergovernmental presentations as well as practical experiences, such as that of Prof. Peter Loney, Director of PSGARC and a former Member and Deputy Speaker of the Victorian Parliament who chaired its Public Accounts and Estimates Committee. Through a study tour to the Parliament of Australia and the State legislatures of Victoria, Australian Capital Territory (ACT), and New South Wales, participants had further opportunities to learn more about parliamentary oversight of the budget process in the Australian context. The parliaments visited represent a one national, one state, one territory, one unicameral house, and both the largest and the smallest in Australia.

At the close of the seminar, each delegation was tasked with developing an action plan (see Annex Two) to improve financial oversight in their own parliaments, with a focus where possible on achievable goals for the Public Accounts Committee (PAC) and the office of the Auditor General (A-G). For several delegations who also participated in the 2006 seminar the 2007 Action Plans built on their 2006 Action Plans.

Parliament and Financial Scrutiny – An Overview

Parliaments are asked to fulfil three core functions: legislation (making laws), representation (acting on behalf of voters and citizens), and oversight of the executive. Governance goals of greater accountability, transparency and participation are directly related to these three functions. Legislative oversight includes the legislature’s review and evaluation of selected activities of the executive branch, both ex ante and ex post, to ensure that programs are implemented and administered efficiently, effectively, and in a manner consistent with legislative intent. The budget process, from preparation to audit, provides critical opportunities for oversight. Government is under the obligation to answer publicly for the discharge of its responsibilities, and answering should be for intention as well as results. As such, parliament’s oversight role is critical to ensuring “horizontal accountability”. At the same time parliament participates in and is subject to “vertical accountability” (e.g. through elections). Effective parliaments are fundamental to promoting good governance and are a key component in the overall governance framework of a given country.
Early evidence of Parliament’s desire to hold the Executive accountable can be traced back to as early as 1376 in England when the House of Lords and the House of Commons came together to refuse supply until complaints about Court expenditures were addressed. In 1380 the Speaker of the House of Commons went a step further, and requested that the King’s Council provide the House with a schedule of the sums it required to be authorised. This was possibly the first version of what is known today as the Estimates Statements. However, it was another five-hundred years before the Gladstonian reforms which followed on the recommendations of the Select Committee on Public Monies and sowed the seeds for modern parliamentary financial scrutiny in Westminster style parliaments. It was these reforms that led to the creation of a (multiparty) Select Committee on Public Accounts to “review the accounts of the public expenditure after they had gone through the regular process of examination in the hands of the executive Government.” Furthermore, the Exchequer and Audit Departments Act of 1866 created the position of an independent Auditor-General, who is an Officer of Parliament and reports to parliament, and required all government departments to produce accounts for independent audit. Stent (2004) notes that:

“It is on the basis of these two pillars, an independent Auditor-General that audits public accounts, and a parliamentary committee that reports to the House of Commons, that the Parliament of the UK has, since 1866, achieved full control over public money. And it is on a similar basis that most parliaments that follow the Westminster system of government operate today.”

While very few parliaments follow a ‘pure’ Westminster system, many of the participating countries in the seminar and study tour, particularly those in the Commonwealth, have retained some elements of the Westminster system, notably a Public Accounts Committee and the institution of the Auditor General. As such parliament’s role is weighted towards ex-post oversight. By contrast, in the United States, a strong separation of powers system, the legislature plays a much stronger ex ante role and has the power to reject the budget proposed by the executive and to rewrite the budget.

---

1 Philip Laundy. The Office of Speaker, pp 146 -7
2 Paul Einzig. The Control of the Public purse: Progress and Decline of Parliament’s Financial Control, p 3.
3 Hansard, Vol 162, 9th April 1861, col. 318.
While the budget process is the principle way in which parliaments exercise financial scrutiny, there are a number of other ways in which Members can play a role in scrutiny of the Executive, such as oral and written questions and participation in parliamentary committees. Question Time was designed as the most direct form of holding the Executive to account (and ensuring ministerial responsibility) in the Westminster system and is now used in many parliaments worldwide. It is also the most visible mechanism to the public and, generally, the part of the parliamentary day that is most likely to excite the media. In many countries Question Time is typically broadcasted through television or radio. Question Time usually takes one of two forms. Questions are either called on without notice, as is the practice in Australian Parliaments, or they are required to be handed in earlier but when answered in the parliament are subject to supplementary questions, as is the practice in the New Zealand Parliament. Questions asked during Question Time are usually pre-arranged by the organisers of each party.

There are limitations to the usefulness of Question Time. Questions asked by members of the opposition parties are usually intended to force the government to admit failures or to otherwise criticise it. Sometimes this becomes purely an exercise in political point scoring. Questions from government backbenchers, known as “Dorothy Dixers” in Australia, are either intended to allow the Minster to discuss the virtues of government policy, or to attack the opposition, thus avoiding real scrutiny. Many legislatures experience difficulties with poor quality of replies, or written replies carefully crafted to avoid revealing anything substantial.

Parliamentary committees, which will be discussed in more detail later on in the report, are another important tool for financial scrutiny. They allow for more in-depth and technical debate and have key responsibilities in examining the estimates early in the budget process and scrutinizing the Auditor General’s report in the final audit phase. They may also take a more proactive role and hold public hearings or consultations on matters the public believes...
should be addressed in the next budget, as is the case in Canada. Committee recommendations are usually expressed in the form of reports to the House which may then be debated.

Parliament and its committees may be assisted in their scrutiny role by several actors such as Ombudsmen, Anti-Corruption Commissioners and Auditors General. The reports of the latter on how public money has been spent are both an instrument by which a vigilant parliament may pursue its responsibilities, and a necessary measure to reassure the public that their money is being properly and well spent. A strong and close relationship must exist between parliament and the A-G, and in many countries this relationship is effectively delegated to the Public Accounts Committee. The relationship goes two ways as the A-G must report to parliament in a timely fashion and the parliament, often through its PAC, must provide support to the Office of A-G, including some measure of protection of the A-G’s independence.

It is important to note however, that parliaments today face new challenges in carrying out their oversight role. For example, the rise of party government, along with party dominance of parliament through the twentieth century, has led to questioning of the effectiveness of the traditional accountability approach. The Clerk of the Australian Senate, Harry Evans, put it bluntly when he said "modern political parties ... are organisations designed to prevent parliamentary government from working". If parliamentary committees, particularly PACs, are to achieve the objective of being the primary mechanism for scrutiny of government, members working on parliamentary committees need to be able to distinguish between their roles as members of parties, and their role as a committee member. The latter role is to represent the parliament as an institution, and the public generally, in holding executive government to account.

More recent definitions of public accountability take a broader approach than in the past. These hold that public servants are accountable not only hierarchically through to the Minister, but also to parliamentary committees, the A-G, the Ombudsman, administrative tribunals and the courts. There is, however, resistance to this approach with governments clinging to the notion of public servants being accountable only through their Minister and not directly to the public.

A further challenge potentially limiting accountability is the rise of 'managerialism' with the public being defined as customers of services provided by government rather than as citizens. The presentation during the study tour by the Victorian parliament underlined a specific consequence to this managerial approach. Their 2006 Report on Private Investment in Public Infrastructure which noted that:

> “the excessive use of ‘commercial in confidence’ to prevent full disclosure of details such as the public service comparator, the risks to be transferred, the total amount of payments (often what is included in the lengthy complex contract is a formula rather than actual amounts), and contracts that are only released publicly months after the financial close has been agreed.”

Such practices pose a major threat to existing mechanisms for ensuring accountability. These are challenges that were not envisaged when Gladstone moved to form the first Public Accounts Committee. But they are challenges that parliamentarians must be aware of and prepared to confront both individually and collectively.

---

6 Evans H. 'Party Government: The Australian Disease and Australian Cures', Legislative Studies 7 (2) pp 17-23, 1993
Preparation and Approval of the Budget

Perhaps the simplest definition of a budget, in accounting terms, is a plan for revenue and spending, normally for a given year. A budget is part of a broader planning and strategy process which is involved in establishing goals and objectives and it represents the financial implications of an organizational strategy or political policy. However, as those preparing the budget cannot have perfect foresight, actual spending and revenue may deviate. These variances must be explored and explained, but they are not necessarily ‘bad’. Overspending can be a result of inefficiency and waste or it may be the result of an initially unrealistic budget or a fundamental change in costs. In exercising their oversight role parliaments should examine both why expenditure is different from the budgetary appropriation and whether and how any additional expenditure contributed to the stated goals and objectives. This is related to another important oversight task – to endeavor to insure that project goals and targets are clearly stated before funding is allocated. However it was noted that setting clear goals and objectives can be difficult in the public sector as there are often multiple and competing goals, arguably due to the very nature of a political system based on compromise.

Concepts of accountability related to parliament’s budget oversight role can be traced back to two traditions: (1) the development of society and social structures in which individuals were given the responsibility to carry out tasks on behalf of their fellow citizens (political accountability in classical Greek society); and (2) the idea of stewardship and estate management which introduced concepts of financial accountability, managerial accountability and audit. It is the second type of accountability which has expanded in the public sector, particularly the practice of audit as a process of credibility building and legitimacy construction.

Public sector budgets have traditionally been fixed and on a cash accounting basis. More recently the introduction of accrual accounting and other private sector management tools and practices within the public sector has in some cases made parliament’s oversight task more complex. Few politicians understand the nature of an accrual based budget system and the resulting financial statements. This has led to an increased need for training and other support for Members.

The seminar identified five phases of the budget cycle:

1. Preparation (or formulation);
2. Authorisation (or approval);
3. Implementation;
4. Reporting; and
5. Performance review (or evaluation or audit).

Budget preparation is typically the domain of the executive branch. Proposals for budget formulation, rates for taxes and charges, and determining the amounts to be provided for particular departments and plans are considered the sole prerogative of the government. Parliament must approve the budget and authorise expenditures. Again, in the Westminster system, parliamentary approval of appropriations goes back to the compromise between parliament and the Crown which addressed parliament’s fear that the Crown might engage in activities, particularly initiate wars, not approved of by parliament. However the government may consult or seek input from the parliament or the public during budget formulation, and
<table>
<thead>
<tr>
<th><strong>Preparation, Authorisation, Implementation</strong></th>
<th><strong>Ministerial Expenditure Review Committee</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>− sets broad budget strategy (with regard to longer term strategy determined by the government)</td>
</tr>
<tr>
<td></td>
<td>− determines productivity dividend requirements</td>
</tr>
<tr>
<td></td>
<td>− issues to Ministers updated forward estimates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Ministerial/Departmental responses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>− capital and recurrent commitments</td>
</tr>
<tr>
<td>− proposed initiatives</td>
</tr>
<tr>
<td>− productivity dividend</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Treasury Analysis of Proposals</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>− cost analysis</td>
</tr>
<tr>
<td>− why, who, what, where and how</td>
</tr>
<tr>
<td>− winners and losers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Provision of Revenue Estimates</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Expenditure Review Committee assesses proposals and determines priorities</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Submission to Cabinet</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Parliamentary Approval</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Treasury Approval of Departmental Budget</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>− Activation of Corporate Plan</td>
</tr>
<tr>
<td>− planned expenditure timetable</td>
</tr>
<tr>
<td>− performance monitoring</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Accounting System</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>− accrual versus cost accounting</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Information System Controls</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>− significance</td>
</tr>
<tr>
<td>− reliability</td>
</tr>
<tr>
<td>− timing</td>
</tr>
<tr>
<td>− clarity</td>
</tr>
<tr>
<td>− comparability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Reporting</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Parliament</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Agency to</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>− treasury</td>
</tr>
<tr>
<td>− annual reports to Parliament</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Budget Papers</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Consolidated Financial Statements</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Performance review</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Internal review</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>− program evaluation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Auditor General</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Public Accounts Committee</strong></th>
</tr>
</thead>
</table>

*Source: Hon. Tony Sheehan, Seminar Presentation 2007*
parliament itself may take the initiative to provide feedback to the government through pre-budget debates. In Ghana for example the Minister of Finance makes an economic statement in parliament which gives an overview, or the broad brushstrokes, on what will be addressed in the budget. The Finance Committee may then hold public hearings and produce a report with non-binding recommendations to the government. As noted earlier, in Canada the Standing Orders of the House of Commons require the Standing Committee on Finance to undertake pre-budget consultations. The Committee generally seeks the input of all stakeholders, including individual citizens, businesses, labour groups, non-profit organizations and other special interest groups on broad issues of national importance, and the allocation and sources of federal revenues.

In countries where the PACs reports are up to date, parliament has the opportunity to go back to the PACs recommendations from the previous year to see if they have been considered in the current budget cycle. However this is often a missed opportunity as there is rarely a link between the work of the PAC and budget planning.

In many countries parliament can and does exert significant influence over the budget through the amendment process. There are three broad clusters of amendment powers:

- **Unfettered** (e.g. US, Nigeria, Sweden; in general legislatures in presidential systems have greater powers of amendment although these are often counter-balanced by an executive or presidential veto)
- **Balanced budget** (many francophone countries)
- **Otherwise restricted** (“reductions only”, “golden rule”, only with executive approval)

One reason parliament’s amendment powers may be constrained is that parliament may be viewed as fiscally irresponsible, particularly as MPs have incentives to increase spending in their constituencies (e.g. ‘pork barrel’ politics). There are institutional arrangements that can mitigate this potential risk such as the practice in Sweden wherein the parliament establishes a hard budget ceiling before receiving the budget bill. Parliament may then amend the executive's proposed budget but cannot spend above the ceiling set by parliament itself.

A parliament’s power to amend the budget does not necessarily explain the variance in amendments. In parliamentary systems with a strong Westminster tradition, amendments are by convention rare, and significant amendments to the budget may be considered equivalent to a vote of no confidence. In the UK parliament has not amended a budget since 1919 when the Commons denied the Lord Chancellor funding for a second bathroom, while in New Zealand the budget has not been amended since the 1930’s! Similarly in most Commonwealth legislatures, approval of the budget is routine, and defeat of a budget is paramount to a vote of no confidence.

Once the budget is presented parliaments generally have only a short period for budget scrutiny. While the OECD recommends a period of three months many parliaments have less time, sometimes a matter of weeks. Budget scrutiny is likely to be more effective when undertaken in committee (as described in more detail later in the report) and committees tend to be more effective when they can propose amendments. Access to independent research capacity is also critical to parliamentary scrutiny as there tends to be asymmetry in information available on the budget in favour of the executive. Independent research capacity can come in many forms: specialized parliamentary staff; an independent parliamentary budget office (PBO); temporary consultants; the A-G’s office; or even civil society
organizations. Indeed, there appears to be a growing trend towards the establishment of PBOs to help gain a more effective voice in the budget process. While the U.S. Congressional Budget Office is the largest (with around 230 staff), such offices also exist in the Philippines, Mexico, Uganda and Korea and are being established in several other countries. Canada has taken a slightly different route, establishing the position of a Parliamentary Budget Officer within the non-partisan Library of Parliament.

**Box One: Upper Houses/Second Chambers and Federal Systems**

In bicameral systems, the role of the upper house in the budget process often depends on whether it is directly elected. In many cases it is only the lower or popular house that can reject the budget (or any money bills). As such while the House of Lords in the UK may insist on being informed and can express opinions on public expenditure, taxation and administration methods, it is the House of Commons that has budgetary supremacy. Similarly the Canadian Senate, which is appointed, has the authority reduce – but not increase – spending, but in practice plays a very limited role in budget scrutiny. Pakistan’s Senate (indirectly elected) has only begun playing a role in the budget process in the past few years and currently only debates the budget and makes non-binding recommendations.

The Australian Senate stands out as an exception as under the Australian Constitution, the Senate has equal authority with the House in the consideration and passage of all legislation, including the budget and budget related legislation. There are however two limitations: budgetary legislation can not be introduced in the Senate as the House of first instance, and while the Senate may amend any budgetary legislation, it must technically send a request to the House to make the amendment. Consideration of the budget by the Senate is far more extensive and detailed than in the House of Representatives and is primarily undertaken by eight subject specialty committees. The Australian Senate’s refusal to pass the budget in 1975, despite its having been approved by the lower house, caused a constitutional crisis and led to the fall of government.

In federal systems arrangements for sharing out central government revenues may influence the national budget process, but they vary widely from country to country. Examples from the Commonwealth include:

- **UK/Westminster**: Limited devolution, still highly centralized.
- **Malaysia**: Constitution provides for a National Finance Council which co-ordinates federal and state finance.
- **India**: Central technocratic budget planning with state autonomy.
- **Australia and Canada**: Intergovernmental negotiations, some central funding but each level is otherwise autonomous.
- **South Africa**: National Council of Provinces, a real “Provincial House”, attempts to align the planning and implementation of the budget at the National, state and local levels.
Parliamentary Committees and Consideration of the Budget

Committees are commonly seen as the engine room of the legislature. While there is no single model for parliamentary committees to carry out their responsibility to hold governments accountable, there is a strong understanding of the need to do so. Many parliaments have adopted some form of estimates process for scrutiny of the annual appropriations. However, there are almost as many models as there are parliaments. The use of parliamentary committees to carry out this scrutiny and to provide reports to the legislature as a whole is a feature common to most models, but again there is considerable diversity in practice. Four examples of how the estimates are scrutinized within parliaments of the Westminster tradition were examined during the seminar.

United Kingdom (Westminster)

Budget scrutiny in the UK parliament is carried out by the House's eighteen Departmental Select Committees. Departmental Committees typically comprise eleven members, are cross Party, and some may chaired by a member of the opposition. This is of interest as the Chair has a casting vote in the case of a tied vote. Committees are typically supported by a staff of between three and six employed by the House of Commons to ensure political neutrality. Committees also have the capacity to employ specialist advisers and, since 2002, to seek assistance from the Scrutiny Unit which was established to provide specialist advice on the estimates and draft bills. The Scrutiny Unit has a staff of around twenty, who possess between them a wide range of skills including accountancy, law, economics and social policy. However it should be noted that the requirement to service up to eighteen committees during the estimates process places a heavy work burden on the Unit.

The committees do not receive, or require, a formal reference from the House to undertake an enquiry into the estimates and neither are they obliged to consider the estimates and provide a report to the House. If committees do decide to report to the House on their department’s estimates, they have just seven days to do so between the presentation of the budget documents and the vote in the House. Similarly, their reports on the estimates are not automatically debated in the House. Under a procedure introduced in 1982, a select committee called the Liaison Committee is responsible for recommending how the time for debate on Estimates Days should be allocated and determining which two of the committee reports will be debated and voted on during this time. Under Commons procedures three days are allocated for consideration of the estimates, provided that they are taken before 5 August. All other outstanding Estimate votes are proceeded with as formal votes of the House without debate. The Government is required to table a formal response in the House to all committee reports on the estimates within sixty days.

Australia

Following the convention that the Lower House is the House of government, and the Upper House the House of review, the duty of estimates scrutiny falls to the Senate. The process typically begins in May of each year, after the presentation of the budget to the parliament by the Treasurer. The Senate refers the Estimates statements, known as Portfolio Budget Statements to its eight Standing Committees. Each of these Committees is divided into a Reference Committee and a Legislation Committee and it is the Legislation Committee that deals with the estimates.
The committees have six members, three from the government, two from the opposition and one representing minority Parties and independents. They are always chaired by a member of the government, who has a casting vote in the event of a tie. The Legislation Committees, otherwise referred to as Senate Estimates Committees, are generally allocated four days in which to conduct hearings examining the estimates. They may sit only when the Senate is not in session, and no more than four may sit at the same time.

Committee hearings are conducted in public, and while the Senate Standing Orders do not require attendance by ministers, there is an expectation that they will attend. The practice is that ministers and a team of public officials from their Department attend the hearings and answer questions relevant to the estimates. While the hearings are meant to be focused on efficiency and effectiveness issues, and not an opportunity to raise any matter, it is fairly simple to link most questions to the budget and politics can intrude. The witness can request that the matter be “taken on notice” and in this case a satisfactory written answer must be given to the committee by a date set by it. Similarly, individual committee members may also raise Questions on Notice. These must be lodged with the Committee Secretary and distributed to all committee members and then to the relevant department or agency. Once this is done they cannot be withdrawn. The answer is also distributed to all members. Some weeks after the estimates hearings, the Committee may schedule a further round of hearings to consider the answers to Questions on Notice and any additional information requested. These further hearings must be held no earlier than ten days after the date set for answers to be returned. Committee members are then required to give at least three working days notice on the matters they wish to pursue.

The committees may receive support from the A-G’s Office under formal guidelines from 1986. The Australian National Audit Office provides briefings on financial statements and audit reports, and may provide additional briefings throughout the estimates process if requested. ANAO officers may also appear as witnesses at the hearings to provide information on relevant audits.

The Legislation Committees are required to report to the Senate and reports are generally tabled in the Senate prior to the vote on the Appropriation Bills. Minority or dissenting reports by any participating member are allowed and are attached to the committee report. If the committee holds a further round of hearings considering answers to Questions on Notice, or the requests for additional information, the results will be reported later. The government is required to respond to the estimates reports within three months, addressing both the majority report and any dissenting report.

The committees conduct a further round of hearings following the presentation of the supplementary estimates to the parliament in November each year. The supplementary estimates are accompanied by portfolio additional estimates statements which detail any proposed changes to the outcomes presented with the main budget statement. The committees may allocate two or more days to hearings associated with the supplementary estimates. However, unlike the main estimates, there are no additional hearings for Questions on Notice or additional information.

The Senate Legislation Committees are further charged with ongoing scrutiny of the performance of departments and agencies with their annual reports automatically being referred to the committees for consideration and report following their tabling in the
parliament. As there is a requirement for these to be tabled by October 31 each year, they are often considered concurrently with the supplementary estimates.

New Zealand

The estimates are referred to the Finance and Expenditure Committee following the introduction of the budget into the House. The committee may conduct an examination of the estimates or refer them to the relevant select committee. These committees then have two months to provide a report to the House. Membership in the select committees ranges from five to thirteen, and is composed according to party representation in the House. Committee chairs may be from the government or opposition, and there is no casting vote, a tied vote being deemed lost. Committees have up to three staff members.

The Finance and Expenditure Committee ensures some commonality of approach to these enquiries through the use of a Standard Estimates Questionnaire which it develops and sends to all departments and agencies six weeks prior to the budget speech. Written responses to all questions are to be provided immediately after delivery of the budget. The questionnaire asks for information which is not contained in the budget papers, but is helpful to explaining the relevant departmental vote. In particular it seeks information about changes from the previous year and any significant matters which the department considered in determining the vote. The responses are sent to the relevant select committees as the basis for conducting their enquiries. The committees themselves determine how the enquiry will be conducted, how much time will be allocated to the enquiry, and in how much detail they will examine each departmental vote to meet the reporting requirement. The committee may also develop its own questionnaire on additional matters which again requires a written response.

Committees may hold hearings and invite ministers to attend to explain both their spending plans and policy priorities. A minister may appear on their own or with departmental officials. As in Australia, although committees' questions may range widely, they must relate to the estimates, and are not an opportunity for general questioning of the minister about the department.

The committees have up to two months to report their enquiries to the House, and must report prior to September 30. Their reports normally highlight any issues of concern to the committee. Dissenting views of individual committee members are contained within the report as there is no provision for a separate minority or dissenting report. The reports may recommend a reduction of the vote by a specific amount, but in line with Westminster practice cannot recommend an increase. Committees that do not conduct enquiries make a formal report to the House which contains no commentary. The reports of the committees are considered by the House prior to the budget vote in a series of debates for which up to eight hours is allocated. There is no requirement for a government response to the estimates reports.

The Audit Office is able to support the committees in a number of ways, including:

- advising on matters within each vote that may warrant further examination;
- providing written and oral briefings at the commencement of the enquiry, particularly to focus on any unusual or unexplained items in the estimates;
- assisting on technical issues;
- attending hearings to advise on evidence; and
• assisting in the drafting of committee recommendations

All advice from the Audit Office to committees remains confidential until the report to the House.

The select committees also carry out other functions in relation to the scrutiny of finances. The government is required annually, prior to March 31, to produce a budget policy statement containing information about its short term fiscal intentions and long term fiscal objectives. The Finance and Expenditure Committee is charged with providing a report on this statement to the House, which then allocates two hours to debate the report. Supplementary estimates are also referred to the Finance and Expenditure Committee. In theory they may be handled in a similar manner to the main estimates. In practice however, the process of examining the supplementary estimates is not as extensive as that of the annual estimates.

Victoria

In the Victorian Parliament only the Public Accounts and Estimates Committee (PAEC) carries out a financial scrutiny role. This committee is exceptional in that it has had up to ten members, supported by between five and seven staff, and at times up to two additional staff seconded from the A-G’s Office. Unlike many other PACs throughout the Commonwealth, the PAEC has always had a government chair. Within the Victorian Parliament only the PAEC and the committee on Scrutiny of Acts and Regulations have the authority pursue their own enquiries. The Victorian PAEC is also unique in that it has been given the dual roles of audit and estimates. Despite having, no automatic or formal referral of the estimates to it when the budget is introduced, as is the case in the Australian Senate and New Zealand models, it has established procedures for extensive estimates hearings and a reporting process.

As with the New Zealand model, the committee begins its preparation for the Estimates Hearings with the development of a Standard Questionnaire to all departments, who are required to be answer in writing. In this questionnaire the committee normally asks for detailed information about a particular aspect of departmental performance and seeks extensive general information. The response is made available to all committee members prior to the hearings, and is used to develop potential questions on departmental performance. Committee staff also uses information from annual reports, other departmental publications, media reports and Minister’s press releases for their committee briefings and suggested questions.

Since 2000, when the committee presented a Report on Scrutinising the Budget Estimates it has become the practice for the Premier, every Minister and the Presiding Officers of Parliament to appear at the annual estimates hearings to explain their estimates. Ministers attend with departmental officials, however committee practice is that questions must be addressed to the Minister who can, if they wish, take advice from an official before answering, or refer the question to a departmental official. Questions by committee members may be wide ranging, but must be related to the budget. These hearings are public and last for three hours for each Minister. It is normal for the media to attend and transcripts are placed on the Committee’s website.

Questions may be taken ‘on notice’ by the Minister during the hearing, and this then requires a written answer to be provided to the committee later. The committee also sends a brief follow up questionnaire to the department after the hearing for further information. At this
stage committee members may also seek at this stage to ask further Questions on Notice, however they must have them approved by the committee and the answers are distributed to all members.

There is no requirement for the committee to report on the hearings to parliament prior to the Appropriations vote, and its reports have often come in subsequent to the vote. However, in recent years there has been emphasis on containing the spread of ministers’ appearances to a period of a few weeks so that the report can go to the parliament before the vote. To achieve this, and balance the heavy workload, the committee divides into sub-committees for each portfolio area. These sub-committees, comprised of between a minimum of four and a maximum of the entire committee, are designed to ‘…provide an opportunity for members to ask more questions and to concentrate and specialise in an area of expenditure that is of greatest interest to them’. Members may be on more than one sub-committee, and it is the practice for all members to attend the hearings for the Premier and Treasurer. The final result is a comprehensive report to Parliament covering all portfolio areas. In 2006, this report ran to more than five hundred pages, and contained ninety-eight recommendations.

The PAEC also conducts an annual supplementary estimates hearing in October and November at which departmental officers are asked to explain the previous financial year’s outcomes. During this process the committee reviews the annual reports of departments, the government’s statement of budget outcomes, the financial report for the State, and the departmental corporate and business plans. These reviews are then reported to the parliament with recommendations.

The government is required to address all recommendations of the committee by tabling a response in the parliament within six months. A further unique feature of the Victorian Parliament’s financial scrutiny regime is the involvement of the A-G in the budget documents prior to presentation in the parliament. The A-G has the power to review the budget and reports to parliament on budget day on whether the estimated financial statements:

- are consistent with the stated accounting policies;
- are consistent with the government’s key financial targets;
- are properly prepared on the basis of the assumptions that underlie them; and
- that the methodologies used to determine those assumptions are reasonable.

Box Two: Public Officials and Parliamentary Committees

“Between the Idea and the Act...falls the Shadow” T.S. Elliot

According to the Australian Public Service Act (1999) the public service “…is openly accountable for its actions within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public…” Public officials are accountable not only for the use of resources but also results and should be able to demonstrate links between inputs, outputs and outcomes.

Public accountability should be beyond the control of Government. In reality however, public accountability is vulnerable to political influence. Officials themselves must balance complex and often vague and conflicting objectives. They may feel torn between their loyalty to their department, their minister, the government, the parliament and the
public. Furthermore fear of involving ministers in having to account for operations of which they have little or no first hand knowledge can lead officials to act with excessive caution and secrecy. The risks are real as ministers are held accountable regardless of whether they had no influence, minimal influence and no involvement, or significant influence and direct involvement.

When exercising its oversight role, parliament may refer a matter to a committee because it warrants detailed examination, parliament wants more information, and/or to hear a wide range of views on the matter. Within the committee setting government and opposition members will approach issues from different political perspectives. Some members will have an interest and expertise in the matter at hand. In general, officials can count on the level of expertise in finance and accounting among committee members being mediocre.

There are guidelines in place for official witnesses’ interactions with committees and official witnesses always prepare for such interactions, including finding out who the committee members are and their profile (e.g. how diligent they are, their level of experience, whether they are “political animals”). When answering questions, officials are to be truthful however they do not seek to disclose more information than necessary. If unsure, answers are qualified or taken on notice. Officials are on the lookout for politically loaded questions or opposition members on a “fishing expedition”. Tactics for stymieing particularly persistent committees include providing witnesses (“Nuclear Option Witness”) that:

- are ponderous in appearance and manner;
- are very technically competent;
- speak with a slow, soft monotone voice;
- have an inability to explain anything simply; and
- have an uncanny ability to complicate things further when asked to clarify an answer.

Post-Approval Review and Public Accounts Committees

Public Accounts Committees\(^7\) are a key tool for parliament to ensure that the budget as approved was properly implemented and thus hold government to account. As noted earlier, the first Public Accounts Committee (PAC) was established in the United Kingdom under Gladstone in 1961. Parliaments following elements of the Westminster model tend to focus more on ex post review. By contrast to the U.S. Congress has weak ex post review and strong ex ante review with the power to rewrite the budget. Today PACs tend to be found in parliaments across the Commonwealth, although they have also been adopted in several non-Commonwealth parliaments such as Finland, Ethiopia and Rwanda. They have diverse practices but some commonalities can be identified.

The PAC is responsible for scrutinizing audit findings using the reports of the Auditor General’s (A-G), who normally reports directly to the parliament and may be an officer of the parliament (e.g. Australia, United Kingdom). Many PACs also have the right to pursue their own investigations. The PAC is typically chaired by a senior member of the opposition (Australia is a notable exception). Witnesses called by the PAC tend to be (but are not limited to) departmental officials. PAC reports are usually published and hearings are open to the media and the public.

In line with principles of policy neutrality and non partisanship, PACs traditionally focus on regularity and probity without questioning underlying policy. Increasingly PACs also focus on value for money, particularly as the appropriations process in many countries has moved from being based on inputs to being based on outputs and/or outcomes. Similarly A-Gs are no longer simply forensic auditors but may also do performance auditing or even environmental or gender auditing.

Several factors have been identified for the “success” of PACs including:

- Having a broad scope
- The power to select issues without government direction
- Effective analysis and reporting
- Solid technical support

Common challenges tend to limit the effectiveness of PACs including:

- Highly partisan climate
- Government dislike of legislative oversight
- Lack of media or public involvement
- Lack of a strong ethical base for parliamentarians (or lack of trust in parliament and parliament’s ability to hold government to account)

Many PACs also experience difficulties in monitoring and following up on government implementation of their recommendations.

Several studies have suggested ways in which PACs can be strengthened (see Box Three below).

**MPs participating in the Seminar describe their Relationship with the A-G’s Office**

The success of the PAC depends in large part on its relationship with the A-G. One of the unique features of the seminar is that it includes representatives from the Auditor General office. Participating MPs went around the room briefly describing their relationship with, and access to, the A-G’s office.

Ghana reported that the relationship between the PAC and A-G’s office is strengthened by a liaison office located within parliament, while in Nigeria the A-G has officers in charge of liaising with the PAC.

In Pakistan any parliamentarian may speak to the A-G’s office directly. Indonesian participants described the relationship as consultative, also noting that Members can meet with the A-G’s office directly. Similarly in Tanzania there is a good working relationship and open access to the A-G’s office. A-G officials attend every PAC meeting.

The PAC and the A-G’s office have a close working relationship in Malawi, and members of the PAC (although not MPs in general) may be in contact with the A-G’s office directly.

In the Solomon Islands and Papua New Guinea the good working relationship between the A-G’s office and the PAC is reinforced by the A-G’s office providing staffing to the PAC.

Laos differs in that it does not have a PAC and the Audit Office is located within government.
Box Three: Some Suggestions for Strengthening PACs

An “Ideal” PAC?

- Small (5-11 Members)
- Senior Opposition Chair (fair-minded)
- Committee appointed for term of parliament
- Adequately resourced
- Clarity in roles/responsibilities
- Meetings open to the media/public
- Strategic planning of work plan
- Auditor meets with Committee to highlight report; AG seen as a ‘senior
  advisor’ to
  - the PAC
- Committee may investigate other matters other than those included in the
  A-Gs report
- Reports published and debated in parliament

Concrete Steps

- Assess and keep information on work and accomplishments
- Clarify performance outputs/outcomes
- Produce an annual report
- Exchange information with other PACs
- Prepare members to make effective contributions
- Involve the public, media, and outside experts
- Protect the independence of the A-G
- Support the development of sound management practices and reporting by
government
- Encourage the development of a legislative code of conduct

As regards the fourth “concrete step” in the box above there are many examples of PACs
efforts to share information through either national or international associations of PACs. The
Australian Commonwealth and State/Territory PACs are all members of the Australasian
Council of Public Accounts Committees (ACPAC), a body designed to share information
amongst PACs about their activities, emerging issues and practices. ACPAC conducts its
business via biennial conferences, with a smaller planning conference every second year.
Similarly, Canadian federal and provincial PACs meet to exchange information and ideas at
the annual Canadian Council of Public Accounts Committees Conference. South Africa's
national Standing Committee of Public Accounts (Scopa) meets with its provincial
counterparts at least twice a year. Together they form the South African Association of Public
Accounts Committees (APAC). Pakistan has established a national association of PACs and
there is a regional association of PACs in East Africa.  

---

8 See further examples in the section on Country Reporting and Action Plans.
Country Reporting and Action Plans

The main output of the now annual seminar is a set of country action plans (see Annex Two) to improve parliamentary oversight of government spending and auditing, with a focus where possible on achievable goals for the Public Accounts Committee and the office of the Auditor General. Action plan progress is reviewed and assessed annually. During the intensive five-day action-planning seminar at La Trobe’s Beechworth Campus participants shared experiences, lessons learned, and progress made over the past 12 months in implementing their 2006 action plans and developed new action plans for the coming year.

Reports from several delegations who also participated in the 2006 seminar indicated that many of the measures called for in 2006 had been implemented or were under way. For example:

- For the first time in Ghana the PAC has been given its own budget of $100,000. To protect the independence of the A-G, the PAC has been given the power to approve the A-G’s office’s budget.
- In Pakistan the countries national and provincial PACs meet annually. Similarly in Sri Lanka each of the nine provincial councils has established a PAC and all nine meet regularly with the national PAC. There are also moves towards establishing a South Asian regional association of PACs.
- In Malawi the PAC was successful in pressing for increasing funding to the National Audit Office which had lacked funds to hire and retain qualified staff. Similarly, in Nigeria legislation was being prepared to improve accounting processes and provide the Audit Office with sufficient staff and resources.
- In the Solomon Islands eight reports were examined in 2006 and two cases were brought before the courts. Scandals around ‘lost revenue’ and ‘ghost employees’ were brought to light.

Opening PACs to the media emerged as a key issue as media can also play a supporting role in holding government to account. The Malawi delegation reported back that they had been successful in opening up the PAC investigations to the media. House leadership in Ghana also agreed to the 2006 Action Plan proposal to open PAC meetings to the public and the media, however it has yet to be implemented. Implementation is expected later in 2007 when new facilities for the PAC should provide adequate space for public and media access. In Sri Lanka, the 2006 Action plan proposal that meetings of the PAC and Committee on Public Enterprises be opened to the media has not yet been accepted. Their 2007 action plan proposes placing a proposal before the Speaker to open the committee meetings to the media “to inject the needed dynamism into the committee activities”. The delegation from Tanzania’s 2007 Action plan similarly calls on parliament to revise the Standing Orders to allow PAC and LAAC sessions to be open to the media.

New country delegations, such as Lao PDR, developed their first action plans, to be reviewed in 2008. The Lao PDR action plan called for six measures, among them involving parliament in the early stages of budget preparation, the development of a Financial Taskforce Unit within the parliament, and development of a questionnaire for parliamentarians for better understanding of the budget process. Similarly the delegation from Indonesia’s DPD (House of Regional Representatives or Senate) action plan called for better coordination with the DPR (House of Representatives) especially in coordinating follow-up on the reports from the State Audit Board. They also underlined their commitment to improving their relationship
with the provinces and constituents through regional meetings particularly in dealing with corruption cases affecting the implementation of national budget. At the request of the DPD, WBI has been working closely with their Budget Committee (IV) leading to their first ever series of public hearings and a public launch of DPD’s recommendations report for the 2007 budget.\(^9\)

**Box Four: 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.

The Senate PAC has cleared up its five-year backlog and is 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 around the beginning of February 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 programs 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.

For more information see the Nigeria Action Plan, Annex Two.

---

\(^9\) Support in 2006 was delivered in partnership with International IDEA and the Australian Senate.
Study Visit to Australian National and State Parliaments and Launch of the KPMG Report

The following table gives an overview of some of the formal powers of the PACs in the legislatures visited during the study tour part of the program. Of particular interest is the relationship with the Auditor-General. The information in the table comes from *The Parliamentary Public Accounts Committee - An Australian and New Zealand Perspective*, a study which was undertaken by KPMG in conjunction with the PSGARC and launched during the participants visit to the Australian Federal Parliament. The full study encompasses all eight Australian states and territories as well as the federal governments of Australia and New Zealand. It provides insight into the range of structures, responsibilities, and working practices adopted by PACs within both countries.

Table Two: Examples of Formal Powers of PACs in the Legislatures Visited

<table>
<thead>
<tr>
<th>Committee Name</th>
<th>Victoria Parliament</th>
<th>ACT Legislature</th>
<th>Australian Federal Parliament</th>
<th>New South Wales Parliament</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling Authority</td>
<td>Public Accounts and Estimates Committee (PAEC)</td>
<td>Standing Committee on Public Accounts (PAC)</td>
<td>Joint Committee of public Accounts and Audit (JCPAA)</td>
<td>Public Accounts Committee (PAC)</td>
</tr>
<tr>
<td>Parliamentary Committees Act 2003 (PAEC also has certain powers under the Victorian Audit Act 1994 and the Constitution Act 1975)</td>
<td>Standing Orders of the Legislative Assembly (PAC also has certain powers under the ACT Auditor-General Act 1996)</td>
<td>Public Accounts and Audit Committee Act 1951 (JCPAA also has certain powers under the Auditor-General Act 1997)</td>
<td>Public Finance and Audit Act 1983</td>
<td></td>
</tr>
</tbody>
</table>

*Authority to initiate inquiries*

| The Committee has the ability to undertake self-initiated inquiries | YES | YES | YES | YES |
| The Committee undertakes inquiries referred by Parliament and/or minister of the Crown | YES | YES | YES | YES |

*PAC involvement in ex post and ex ante scrutiny*

| The Committee has the authority to examine public accounts and public sector financial management (ex post scrutiny) | YES | YES | YES | YES |
The Committee has the authority to examine budget estimates (ex ante scrutiny) | YES | NO (The ACT PAC has traditionally reviewed certain bills for additional estimates. However, a separate Estimates Committee has primary responsibility for the scrutiny of budget estimates.) | NO | NO

**PAC relationship with the Auditor-General**

<table>
<thead>
<tr>
<th>The Committee has formal responsibility for the examination of Auditor-General reports</th>
<th>YES</th>
<th>YES</th>
<th>YES</th>
<th>YES</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Committee has the formal power to refer matters to the Auditor-General for consideration</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>The Committee must be formally consulted in the appointment of the Auditor-General</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>The Committee has the power to veto the appointment of the Auditor-General</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>The Committee undertakes the selection process and recommends appointment of the Auditor-General</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>The Committee must be formally consulted in the removal of the Auditor-General</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>The Committee has formal responsibility for the consideration of Audit Office funding/budget estimates</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>The Committee must be formally consulted in determination of Audit Office priorities/annual planning</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>The Committee is responsible, or must be formally consulted, in the appointment and removal of the independent auditor of the Audit Office</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>The Committee is formally involved in the strategic review of Audit Office performance</td>
<td>YES - every 3 years</td>
<td>NO</td>
<td>YES</td>
<td>YES - every 3 years</td>
</tr>
</tbody>
</table>

**Requiring Government to respond to PAC recommendations**

| Formal requirement for Government to respond to PAC recommendations and timeframe for response | YES - six months | YES - 3 months (Since April 2002 the ACT legislature also requires government agencies to disclose the status of government accepted PAC recommendations in their annual reports) | YES - 3 months | YES - six months |
ANNEX ONE: Seminar Questionnaire for Participants on Parliamentary Financial Scrutiny: Overview of Responses

During the Seminar portion of the program, participants were asked to complete a short questionnaire describing their views on issues related to parliamentary financial scrutiny. Twenty-nine participants completed this survey. Below are highlights of their responses.

There was strong agreement (86%) that “parliament should have the power to amend the budget”. However, it was noted that in practice amendments in Westminster style parliaments are rare as they may be seen as a test of the government. In supplementary written commentary several participants expressed the view that amendments should only be used to reduce or reallocate expenditure while others suggested that potential amendments first be discussed with the Finance Minister indicating a desire for increased consultation.

All of the respondents agreed that committees should play a role in review of the budget. Several respondents indicated that this is already the case in their own parliaments through specialized budget or budget and finance committees, estimate committees or sector committees. Furthermore in countries with bicameral parliaments 69% of respondents believed that review of the budget should be the responsibility of both houses, while 21% believed it should be the responsibility of the lower house alone. Only one respondent believed that it should be the responsibility of the upper house alone.

Responses varied much more widely when asked ‘how much time do you believe should be allowed for parliamentary review of the budget?’ 31% of respondents believed that one month is sufficient for parliamentary review of the budget, while 21% chose 3 months, the amount of time recommended by the OECD.

Respondents were only somewhat supportive of the proposal that ‘parliament set a hard budget ceiling prior to the government’s submission of the budget’, a practice employed by the Swedish parliament. However respondents again indicated a desire for more input and consultation during the budget preparation phase, with 86% responding that there should be either a pre-budget debate or public hearings on issues to be considered in the budget.

76% of respondents believed that civil society should be involved in the budget process. 41% believed that civil society involvement should be coordinated by parliament, 14% by both parliament and the executive, and 21% by the executive alone. A further 14% believed that civil society involvement should be undertaken independent of parliament and the executive.

There was strong agreement among respondents that the Auditor General should be independent of the executive (96.5%) and that there should be a specialized committee (Public Accounts Committee) which scrutinizes the A-G’s report (93%). Respondents referenced their own country’s audit acts and outlined several mechanisms to ensure the independence of the A-G, including that he or she be appointed by and accountable to
parliament, have sufficient resources (financial and otherwise), and have operational independence.

In terms of PAC leadership, 65% of respondents believed that the PAC should be chaired by a member of the opposition, as is the case in two thirds of Commonwealth countries. Individual comments highlighted the importance of the PAC Chair being of high integrity and acting in a non-partisan manner regardless of their party affiliation.

When asked whether ‘departments that refuse to implement PAC recommendations should be penalized in subsequent budget cycles’, 69% answered yes, 17% no, and 14% did not respond. However in written comments several respondents proposed penalizing responsible officers rather than departments as a whole. A participant noted that in Tanzania sanctions include a 20% salary cut or removal from office of the responsible accounting officer. Similarly sanctions are provided for under Indonesia’s State Audit Law (No.15/2004), which together with State Finance Law (No.17/2003) and State Treasury Law (No.1/2004) underpins a significant strengthening of state finances.

Finally the majority of respondents believed that parliament should have access to independent non-partisan sources of budget analysis with the majority choosing either the ‘establishment of an independent, non-partisan budget office’ (31%) or ‘additional staff assigned to support the work of the relevant committees (24%) or both (10%). Less popular was the creation of a ‘special unit located within parliament’ (7%). One respondent proposed that parliament maintain a special fund to hire independent experts as needed.
(Alphabetical by country)

GHANA

Opening of Meetings to the Public

- Meetings to be opened to the media and the public by June 2007.
- Seek the opinion of Civil Society Organizations (CSO) to enrich the work of the committee, especially ICA.

Independent Investigations

- Seek leave of the Speaker to conduct at least two independent investigations within the year.

Pursue Financial Independence of Auditor General

- Implement recommendation for the budget of the A-G to be approved by the PAC.
- Pursue the need for the A-G to charge fees for the cost of Audit of some parastatals.

Timely Review of Reports of A-G

- Major reports to be deliberated upon within six months, e.g. Consolidated Fund, MDAs, Foreign Exchange Receipts and Payments of the Central Bank.
- Effectively use sub-committees to carry out tasks.

Information Exchange

- Pursue information exchange with other PACs both within and outside Africa (particularly with African PACs).

Resourcing the PAC

- Establish a fund for hiring experts and consultants as and when necessary.
- Establish a permanent facility for the liaison office between the PAC and A-G.

INDONESIA

1. We need to improve our cooperation and working relationship with the House of Representatives. First, in the formulation of our national budget, in which there is a need for us to cooperate with regional Members of Parliament in the formulation of a national budget that adheres to the interest of our provinces. Second, in our role to scrutinize the implementation of budget, it is important that both houses can cooperate together in following up the report from the State Audit Board.
2. Internally, the House of Regional Representatives needs to improve the role of its members in conducting their functions and responsibilities, especially for the members within the 4th Ad-hoc Committee that mainly dealt with the implementation and supervision of budget. In this case, training programs and a support system within the committee need to be developed further. Hopefully, this will lead to improvement of our performance which will further improve the relationship with the media and constituents at the regional level.

3. In our relations with the State Audit Board, this relationship should be improved to the next level, in which after the release of the report from the State Audit Board to our institution, the consultation and discussion between our institution and the State Audit Board should be conducted intensively.

4. Externally, our relationship with the provinces and constituents in the regions should be improved. In this case, through meetings with provincial governments and also with civil society agencies such as NGOs, particularly in dealing with corruption cases affecting the implementation of national budget.

**LAO PDR**

- Establish a Financial Taskforce Unit and provide qualified personnel and resources.
- Improve coordination between the Committee for Economic, Planning and Finance Affairs and the Government.
- The Parliament has to be involved in the budget preparation process jointly with the Government at the beginning stages.
- Coordinate with the Government in providing financial information and data as well as set timing for the budget process and review.
- Build-up financial capacity for parliamentarians and technical staff.
- Prepare a questionnaire for the Parliamentarians for better understanding the budget preparation process in order to effectively conduct oversight of Government performance.

**MALAWI**

1. Establishment of an independent Parliamentary Budget Office.
2. Conduct a study tour to countries which have established Parliamentary Budget Offices.
3. Strengthening the oversight functions of the PAC and Budget and Finance Committees through training of both the Members and the Secretariat.
4. Strengthening the National Audit Office through recruitment and training.
NIGERIA

Auditor-General

- Endeavour to bring up to date statutory audit reports
- Training will be given special attention, especially in forensic auditing
- Will try to ensure that five or six performance audits are carried out during the year.
- It is hoped that, under the new Act soon to come into operation, the Audit Commission that will result therefrom, will be able to agree to a reasonable remuneration package with the Government which will enable the Commission to engage more professionally qualified staff to enhance the quality and the speed of producing reports.

PAC

- Reduce the size of the House PAC following the April elections. The House PAC currently has 44 members, many of whom do not attend. The Senate PAC has 7 members.
- Special induction workshops should be run for new PAC Members to provide them with the specialized knowledge needed for their new role.
- The PAC should take action to ensure follow up on the status of implementation of its recommendations.
- Rationalisation of PAC structure should be considered in the next Constitutional reforms so that the PACs in both chambers can work together and co-ordinate investigations. They are currently required to work separately which creates duplication. This is a long-term goal.
- The PDP election campaign platform includes public sector financial reforms. If the PDP is elected, the PACs will be charged with following up on this commitment.

PAKISTAN

- Hold a pre budget session of the Parliament to discuss the possible suggestions to be included in the next budget.
- Allow public complaints against Government Departments to be heard in the PAC.
- Allow the PAC to take suo moto actions regarding any complaints received against Government Departments.
- Restrict the Auditor General to minimize audit paras on important issues.
**PAPUA NEW GUINEA**

Papua New Guinea is preparing for the 2007 general elections and is therefore in a period of change and transition. Actions will focus on:

- Preparing an induction course for new and returning parliamentarians in July/August 2007. The induction course should focus first on parliamentary administration, parliamentary procedure, and parliamentarians’ policymaking role.

- Publicly launching the 2007 induction course. It is important to communicate the desired benefits to the public. It has been suggested that the Prime Minister (or alternatively the Minister of Finance) announce on the floor of parliament that the parliamentary Services will be conducting a training course for all parliamentarians.

- Identifying potential support/partners for the induction course. So far discussions have been held with UNDP, CDI, NRI, Ausaid, Ombudsman Commission, Auditor General's Office, and the Registrar of Political Parties. Partners should be those concerned with maximizing greater awareness among parliamentarians.

- Continuing to work with key partners such as CDI and NRI and to leverage local contacts and networks.

- Continuing discussions with UNDP to evaluate past difficulties and explore potential areas for further support and cooperation through their parliamentary support program.

**SOLOMON ISLANDS**

1. Continuous Professional Training – PAC Members and Secretariat

2. Resources/ Facilities – Parliamentary website to be launched end of February 2007

3. Civic Education – role of the legislature/ separation of powers/ provincial strengthening (Visit by provincial authorities to Parliament)

4. Gender Awareness – equal gender representation in Parliament

5. Legislative Review – Standing Orders, Privilege/ Evidence Act, OAG Review

6. Code of Ethical Conduct for Members of Parliament – to enhance accountability and transparency

7. Annual Conferences for Parliamentary PAC, Auditor – General & Provincial Treasurers to allow closer coordination

8. Independent Parliament Budget

*NB: Actions 1, 2, 5 and 6 are currently being undertaken through the UNDP Parliamentary Strengthening Project*
SRI LANKA

Establish a Parliamentary Budget Office
- At present the estimates and proposals for taxation are not made available to Parliament.
- We do not have an Estimates Committee.
- We propose that a Budget Committee be established in the Parliament.
- Secretariat needs to recruit qualified officers who would give independent advice to the members when analysing the government’s financial proposals.

Ensure Ministerial Accountability
- In Sri Lanka the Secretary to the Ministry is its Chief Accounting Officer and appears before the PAC.
- We would propose that the Minister should appear before the PAC with his Officials and bear the responsibility.

PAC/COPE Sessions open to Media
- At present the committees are not open to the media.
- Media scrutiny and reporting is bound to inject the needed dynamism to committee activities.
- We will place a proposal before the Speaker to open the committee meetings to the media.

PAC/COPE Annual Conference
- We have nine Provincial Councils.
- Finance Commission is charged with the task of allocating funds to various Provinces.
- Accounts of these Councils are audited by the Auditor General.
- We propose that PACs of these Councils should meet annually in the Parliament in order to do a comparative study with the aim of improving their performance.

Enact the Proposed Audit Act
- Setup of a Parliamentary Committee to secure financial & operational independence.
- A-G to be an Officer of Parliament.
- A-G to audit all Government owned Companies.
- Retirement age of the A-G to be increased to 65 years.
- Summon any officer for collecting audit evidences.
- A-G can impose surcharges on fraud, corruption, negligence and non compliance with rules and regulations against any person.
- We seek the assistance of the World Bank to implement the above mentioned proposals.
TANZANIA

1. Capacity building of the PAC and LAAC:
   • increased secretariat capacity
   • equipment
   • trainings
   • own budget

2. Revise Standing Orders to allow PAC and LAAC:
   • sessions to be open to the media.
   • to consider issues of concern outside the CAG’s report.

3. Introduce new legislation to govern the office of the CAG with emphasis on independence – budget and required staff.

4. Parliament to introduce review mechanism for the budget and setting up benchmarks for the next budget.
## ANNEX THREE: Participants List

<table>
<thead>
<tr>
<th>NAME</th>
<th>ORGANIZATION, CPA BRANCH, OR COUNTRY</th>
<th>POSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon. Samuel Sallas-Mensah</td>
<td>Ghana</td>
<td>Chairman, PAC</td>
</tr>
<tr>
<td>Hon. Kofi Krah Mensah</td>
<td>Ghana</td>
<td>Ranking Member, PAC</td>
</tr>
<tr>
<td>Mr. Camillo Pwamang</td>
<td>Ghana</td>
<td>Clerk, PAC</td>
</tr>
<tr>
<td>Mr. Kwadwo Akowuah</td>
<td>Ghana</td>
<td>Deputy Auditor General</td>
</tr>
<tr>
<td>Benyamin Bura</td>
<td>Indonesia</td>
<td>Finance/Budget Committee</td>
</tr>
<tr>
<td>Mahyudin Shobri</td>
<td>Indonesia</td>
<td>Finance/Budget Committee</td>
</tr>
<tr>
<td>Aspar Se</td>
<td>Indonesia</td>
<td>Interpreter</td>
</tr>
<tr>
<td>Nadia Sunampouw</td>
<td>Indonesia</td>
<td>Member, National Assembly</td>
</tr>
<tr>
<td>Roeslan Wijaya</td>
<td>Indonesia</td>
<td>Member, National Assembly</td>
</tr>
<tr>
<td>Bounepone Sisoulath</td>
<td>Laos</td>
<td>Chair, NA Economy and Finance Committee</td>
</tr>
<tr>
<td>Khamising Sayakhone</td>
<td>Laos</td>
<td>Deputy Director General of the Department of the Economy</td>
</tr>
<tr>
<td>Ms. Sisavanh Boupha</td>
<td>Laos</td>
<td>Vice Chair, NA Economy and Finance Committee</td>
</tr>
<tr>
<td>Ms. Souvanpheng Bupphanouvong</td>
<td>Laos</td>
<td>Member, National Assembly</td>
</tr>
<tr>
<td>Yanyong Sipaseuth</td>
<td>Laos</td>
<td>Leader of the Delegation</td>
</tr>
<tr>
<td>Hon. F. A. Jumbe, MP</td>
<td>Malawi</td>
<td>Member</td>
</tr>
<tr>
<td>Hon. N. Chuthi, MP</td>
<td>Malawi</td>
<td>Chief Auditor, Auditor General Office</td>
</tr>
<tr>
<td>Mr. George B. Nthengwe</td>
<td>Malawi</td>
<td>Committee Clerk</td>
</tr>
<tr>
<td>Mr. Harvey Chigumula</td>
<td>Malawi</td>
<td>Member</td>
</tr>
<tr>
<td>Hon. Adeyami Oluwole</td>
<td>Nigeria</td>
<td>Chairman, PAC</td>
</tr>
<tr>
<td>Mrs. R.A. Oyelowo</td>
<td>Nigeria</td>
<td>Acting Auditor General</td>
</tr>
<tr>
<td>R.V. Ejenavi</td>
<td>Nigeria</td>
<td>Audit Office</td>
</tr>
<tr>
<td>Senator Ahmed Ali</td>
<td>Pakistan</td>
<td>Chairman Senate Standing Committee on Finance</td>
</tr>
<tr>
<td>Mrs Rukhsana Jabbar Memon</td>
<td>Pakistan</td>
<td>Deputy Auditor General (CA&amp;E)</td>
</tr>
<tr>
<td>Sardar Ashiq Hussain Gopang</td>
<td>Pakistan</td>
<td>Member of the PAC</td>
</tr>
<tr>
<td>Syed Fayaz Hussain Shah</td>
<td>Pakistan</td>
<td>Section Officer, PAC</td>
</tr>
<tr>
<td>Mac Pona Kawa</td>
<td>Papua New Guinea</td>
<td>Deputy Auditor General</td>
</tr>
<tr>
<td>Repe Rambe</td>
<td>Papua New Guinea</td>
<td>Secretary PAC</td>
</tr>
<tr>
<td>Simon Ila</td>
<td>Papua New Guinea</td>
<td>Acting Deputy Clerk</td>
</tr>
<tr>
<td>Hon. Francis Zama</td>
<td>Solomon Islands</td>
<td>Chairman of PAC</td>
</tr>
<tr>
<td>Hon. Selwyn Riumana</td>
<td>Solomon Islands</td>
<td>Member of PAC</td>
</tr>
<tr>
<td>Mr. Walter Malau</td>
<td>Solomon Islands</td>
<td>Representative from the Office of the Auditor General</td>
</tr>
<tr>
<td>Mrs Florence Naesol</td>
<td>Solomon Islands</td>
<td>Deputy Clerk, National Parliament</td>
</tr>
<tr>
<td>Mr. Derrick Manuari</td>
<td>Solomon Islands</td>
<td>Parliament Office Secretariat Supporting PAC</td>
</tr>
<tr>
<td>Hon. Wijeyadasa Rajapakshya, MP</td>
<td>Sri Lanka</td>
<td>Superintendent of Audit, Auditor General's Office</td>
</tr>
<tr>
<td>Hon. Dayasiri Jayasekera, MP</td>
<td>Sri Lanka</td>
<td>Secretary-General of Parliament</td>
</tr>
<tr>
<td>Mr. W.P.C Wickramaratne</td>
<td>Sri Lanka</td>
<td>Chair for Public Accounts Committee</td>
</tr>
<tr>
<td>Mrs Priyane Wijesekera</td>
<td>Sri Lanka</td>
<td>Chair for Local Authorities Accounts Committee</td>
</tr>
<tr>
<td>Hon. John Momose Cheyo, MP</td>
<td>Tanzania</td>
<td>PAC Committee Clerk</td>
</tr>
<tr>
<td>Hon. Muganalzumbe Msindai, MP</td>
<td>Tanzania</td>
<td>Deputy Controller and Auditor General</td>
</tr>
<tr>
<td>Mr. James John Warburg</td>
<td>Tanzania</td>
<td>Head of School</td>
</tr>
<tr>
<td>Dr. Frank M. H. Mhilu</td>
<td>Tanzania</td>
<td></td>
</tr>
<tr>
<td>Professor Kerry Jacobs</td>
<td>University</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Institution</td>
<td>Position</td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Quinton Clements</td>
<td>Centre for Democratic Institutions</td>
<td>Deputy Director</td>
</tr>
<tr>
<td>Andrew Imlach</td>
<td>CPA Secretariat</td>
<td>Director of Information Services</td>
</tr>
<tr>
<td>Marcus Bromley</td>
<td>La Trobe University</td>
<td>Programme Co-ordinator</td>
</tr>
<tr>
<td>Professor Peter Loney</td>
<td>La Trobe University</td>
<td>Director, PSGARC</td>
</tr>
<tr>
<td>Hon. Tony Sheehan</td>
<td>La Trobe University</td>
<td>Associate Member, PSGARC</td>
</tr>
<tr>
<td>Dr. Rick Stapenhurst</td>
<td>World Bank Institute</td>
<td>Senior Public Sector Management Specialist</td>
</tr>
<tr>
<td>Lisa von Trapp</td>
<td>World Bank Institute</td>
<td>Consultant</td>
</tr>
</tbody>
</table>