

Best Practices of Public Accounts Committees*

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Introduction

There is a global trend towards greater openness in government finances. This is based on a belief that transparent budgetary practices can ensure that funds raised by the state for public purposes will be spent as promised by the government, while maximising the benefits derived from spending. One crucial component of a transparent system of resource allocation involves an independent assurance of the integrity of public budgeting through an audit process, and the scrutiny of its outcomes by the representatives of the people, in the form of parliament (see box 1).¹

This paper is dedicated to identifying what might be referred to as “best practices” of Public Accounts Committees (PACs), based on comparative experience. The issue of what exactly constitutes “best practices” is not always evident. Much depends on institutional settings, needs and contexts that can vary considerably between countries. Nonetheless, legislatures across the world are faced with the challenge to engage with the audit stage of the budgetary process to ensure legislative oversight of the use of public moneys. The following sections identify some of the key issues faced in this process, and practices that have proven useful elsewhere in dealing with this challenge.

This paper also contains a list of references, many of which are easily accessible via the World Wide Web, as well as links to relevant internet sites. In addition, there is an extensive appendix containing cross-referenced examples to further illustrate certain issues raised in the text. In this way, it is hoped, interested users of this handbook can complement the general overview provided below with clear and practical examples. These are drawn from a variety of different sources, rather than one particular case. This reflects a belief that a contribution towards a debate on what could approximate “best practices” in this context can only emerge by drawing on the collective experience of PACs around the world.

¹ The terms “legislature” and “parliament” are used interchangeably in this paper.

1. The Role of the PAC

This section is broadly concerned with the place of the PAC within the overall financial scrutiny framework. It looks at the overall focus of the PACs work, and how this relates to other role players in the accountability process.²

1.1. Ex post scrutiny function. Parliamentary engagement with the budget normally has several stages. First, parliament votes public moneys, then it might monitor budget execution. Finally, parliament has to consider whether budget implementation complied with its wishes. The audit of accounts has traditionally been performed by a body distinct from the legislature, in some cases a court or an auditor general.³ But it is parliament that is tasked with considering the results of such an audit.

While some legislatures do not have a dedicated committee to perform this function, many legislatures have established PACs for this purpose.⁴ This is especially the case in the Westminster tradition of government, where parliament has retained only minimal and usually symbolic *ex ante* control over the budget, and instead focuses on *ex post* scrutiny (Schick 2002, esp. pp. 33-35; Davey 2000).⁵

1.2. The status of the PAC. The PAC has traditionally occupied a heightened status over other committees in the legislature. In many countries, it is the oldest parliamentary committee. The Gladstonian⁶ reforms in Britain gave rise to the creation of a PAC in 1861, and many other Commonwealth countries followed this model from there on. The historical fact that the PAC tends to be one of the oldest of all parliamentary committees indicates that its importance as the legislative apex for financial oversight and scrutiny has long been recognised. There is no evidence that PACs have outlived their usefulness. Examples of legislatures in the Commonwealth where PACs have been abolished are rare – the National Assembly of Quebec and the House of Representatives of New Zealand are two

² For a good conceptual discussion of “accountability”, refer to Mulgan (2000).

³ The francophone legal tradition follows the “court model”, whereas the anglophone tradition is based on the “office model” involving an auditor general who reports to parliament. In France, the audit function dates back to the fourteenth century, but it was Napoleon I who created the *Cour des Comptes* (Court of Audit) in 1807. In Britain, the earliest reference to the Auditor of the Exchequer dates back to 1314. In the following discussion, the term “audit institution” refers to either an auditor general or audit court.

⁴ In the congressional system of the United States, for instance, there is no comparable committee. In many francophone and continental European countries, the audit function is often subsumed into a finance or budget committee that also has other functions, relating for example to budget approval and *ex ante* scrutiny.

⁵ In the following sections, to ensure relevance for a South African audience, most comments draw on examples from Commonwealth countries, although a broader frame of reference is adopted occasionally to suggest additional alternatives.

⁶ W. E. Gladstone was Chancellor of the Exchequer from 1859 to 1866.

cases.⁷ But across most of the Commonwealth, and elsewhere, these and similar committees continue to exist and command considerable respect.

1.3. Terms of reference.⁸ The same Standing Orders or Rules of Parliament that apply to all committees also apply to the PAC, unless particular exemptions or additions are made. These are sometimes supplemented with specific mandates, approved working practices, or terms of reference.

Generally, it is the primary duty of the PAC to examine the reports of the auditor general. But the committee differs from most other committees in the sense that it is prevented from questioning the wisdom of the underlying policy that informs public spending. Rather, it is asked to investigate whether spending did comply with the legislatures intentions and expected standards, and also whether value for money was obtained (refer to box 2 for a good example of a PAC mandate). In the words of Erskine May (1983, p. 728):

“The Committee does not seek to concern itself with Policy; its interest is in whether policy is carried out efficiently, effectively and economically. Its main functions are to see that public moneys are applied for the purposes prescribed by Parliament, that extravagance and waste are minimised and that sound financial practices are encouraged in estimating and contracting, and in administration, generally.”

Admittedly, it is in practice often difficult to strictly separate financial management from policy issues. In addition, members of some PACs report expanding latitude in challenging policy issues through the committee process, a process that seems to have been accelerated as the depth and frequency of value for money audits has increased (see section 3.2).⁹ In such investigations results might lend themselves to questioning policy choices, notably in relation to issues of effectiveness. In practice, this might require increased awareness to ensure that the efficacy of the PAC process is not undermined by party political disagreements.

1.4. The relationship with the auditor general. The relationship between parliament and the audit institution varies between systems. In the Westminster tradition, the PAC is the primary audience of the auditor general, and it is vital that a cordial relationship is maintained between the two. While the PAC depends on high quality audit reporting to be effective, the auditor general in turn requires an effective PAC to ensure that departments take audit outcomes seriously. This

⁷ Usually, such restructuring has not abolished the functions exercised by the PAC, but ended the latter's exclusive focus on audit scrutiny. In New Zealand, for instance, the functions of the former Public Accounts Committee were given to the Public Expenditure Committee in 1962, and to the Finance and Expenditure Committee in 1985. The functions of the latter committee are wider than those of a traditional PAC, and include the 'audit of the Crown's and departmental financial statements, Government finance, revenue and taxation'. Comment by Matthew Louwrens.

⁸ For the terms of reference of Canadian PACs, refer to the Canadian Council of Public Accounts Committees (2002, pp. 27-56).

⁹ The author is indebted to Elizabeth Weir for this point.

mutual dependency is underlined where the auditor general has been made, by statute, an officer of parliament (see box 3).

All reports of the auditor general are addressed to parliament, and the auditor general or a representative will attend the sittings of the PAC. In some cases, the PAC can request the auditor general to conduct a specific investigation, and the auditor general has no discretion and must do so. More recently, audit institutions have also tended to develop a more *ad hoc* advisory function, whereby the legislature requests advice or comments on specific issues under consideration. Especially in the absence or lack of dedicated legislature research capacity, this can broaden the access of parliament to independent expert analysis.

1.5. The relationship with the executive. The fact that the PAC is not to question the policy underlying spending decisions impacts on who the committee holds to account. The normal legal construction is that a minister is the political head of a department, whereas a Permanent Secretary or Director General is the administrative head of a department.¹⁰ While the former requires policy direction, the latter function includes responsibility for day to day administrative and financial matters (see box 4).¹¹

The administrative head of a department normally signs the accounts of the entity in her or his function as accounting officer. One practical consequence of this is that the work of PACs traditionally focuses on interrogating the administrative head instead of the minister, as the task is not to scrutinise the political direction and leadership of the department in question. This is reflected in the fact that 97 per cent of PACs report that they summons departmental officials, while 69 per cent indicate that ministers are not normally summonsed (see table 1).

1.6. The relationship with other committees. This is an evolving area. Traditionally, in most countries, there has been limited interaction between the PAC and other committees. Some recommend that sectoral committees should scrutinise audit reports that directly relate to their portfolios, and in particular value for money reports (see box 5 and section 3.2). This would, it is argued, inject subject relevant expertise into the audit process in parliament, which the PAC is often lacking. In turn, sectoral committees might benefit from more intimate knowledge of the audit outcomes with regard to their respective departments, especially when they are also involved in the *ex ante* consideration of spending proposals (Krafchik and Wehner 1998, pp. 523-525). Proponents also argue that scrutiny can be enhanced by involving sectoral committees, as audit reports would get more attention than the PAC, by itself, can give them (see section 6.1).

¹⁰ Among other titles that are sometimes given to officials fulfilling the latter function are Principal Secretary (Lesotho, Malawi, Swaziland, Tanzania and Zimbabwe), Chief Director (Ghana) and Secretary General (Cameroon).

¹¹ This theoretically clear-cut distinction is often more ambiguous in practice. For an interesting discussion of the Zambian case, consider the analysis of Lungu (1998).

However, White *et al* (1999, pp. 134-137) also point out potential dangers of broadening the number of committees involved in scrutinising audit reports. First, if sectoral committees became the primary audience of the auditor general, this would greatly multiply the demand on the latter. The type of deep relationship that can be developed by working intensively with one dedicated committee, the PAC, might not be replicable if the number of committees to be serviced was multiplied, unless the audit institution received substantially more resources to meet the demand. Second, they warn (*ibid.*, p. 137):

“[Given] the political framework within which [departmentally related committees] operate, there is the very real danger that [National Audit Office] reports would be used as political ammunition. As a result, the NAO would inevitably be forced to make political judgements in its reports, with the increased risk that governmental pressure could be placed on the NAO not to include certain information which could be used against it. So, rather than departmental... committees becoming less political because they are provided with independent information, the more likely outcome is that NAO reports would have to be adapted to avoid being used as political ammunition. This could, in turn, undermine the link between democratic and managerial accountability because reports might be less worthwhile in a managerial sense.”

There is no definite answer to this debate. Available evidence suggests that some PACs favour more frequent contact with other parliamentary committees, and it can be argued that “following appropriate and rigorous audit standards and auditing against clear criteria that are accepted by the auditees counterbalance the perception that [this would result in] a loss of objectivity”.¹² This suggests that involvement of sectoral committees in the review of audit results in the legislature would have to be carefully designed to maintain the efficacy and fundamental principles of the audit stage, with the PAC in a central co-ordinating and information flow management function. It should be added that any involvement of sectoral committees would require their willingness to do so if effectiveness is not to be compromised. Furthermore, their substantial involvement might diminish the need for the continued existence of a separate PAC.

¹² Comment by Antonine Campbell.

2. The membership of the PAC

What should the membership of the PAC look like? Who should serve as chairperson of the committee, and what role does this function require? This section briefly looks at some broad trends with regard to these issues.

2.1. Composition and size. In the majority of parliaments, and as tends to be the case in most other committees, the proportion of government and opposition members reflects the proportions in the house. However, whether this is possible also depends on the total size of the committee, and the number of parties represented in the house.¹³ While the size of a PAC varies, it has on average 11 members (see table 1).

2.2. Appointing the chairperson. It is a long-standing tradition in many parliaments that the chairperson of the PAC has to be a member of the opposition. A recent survey indicates that this principle is adhered to in two thirds of PACs (see table 1), underlining the non-partisan tradition that underpins the work of the PAC and the willingness of the government to promote transparency through independent scrutiny. In some cases, the tradition to award the chair of the PAC to an opposition member might simply reflect an unwritten convention, whereas elsewhere this principle has been written into the rules of the house.¹⁴

2.3. The role of the chairperson. The chairperson has to ensure the smooth and effective running of the committee. In particular, PAC chairpersons are responsible for setting the committee's agenda, usually in consultation with the committee and the auditor general. The latter should be able to indicate the flow of reports to be released, which should allow the committee to plan ahead reasonably well. The chairperson is also crucial in fostering a culture of consensus in the committee, by steering it clear of party political divisions as far as possible.

¹³ For instance, the PAC of the current Zambian Parliament, elected in December 2001, only has as many members as there are parties represented in the house. To ensure inclusiveness, each party is given one representative on the committee.

¹⁴ An example of the latter category can be found in the Standing Orders of the Legislative Assembly of Ontario (Canada). Section 114(b) prescribes that "the Chair of the Standing Committee on Public Accounts shall be a member of the Party forming the Official Opposition".

3. The content of PAC work

The exact content of the work of the PAC depends largely on what it receives from the audit institution. In a recent survey, 85 per cent of PACs indicate that their work primarily depended on the auditor general's report (see table 1). A first determinant is the material audit jurisdiction of the audit institution, which refers to what types of audit are performed (White *et al*, 1999, p. 59). The traditional focus of public sector management has been on compliance. But the past years have seen a reorientation to a more performance-oriented outlook, which is increasingly reflected in the reporting content of auditors.¹⁵ In addition, the content of PAC work is determined by its institutional remit. For example, should PACs in national or regional legislatures engage with local government audit reports? What is their role in the financial oversight of publicly owned companies and other non-departmental public bodies?

3.1. Financial audit. This term summarises the traditional focus of public sector auditing. One output is usually a certification whether the figures in the accounts are properly stated, the money was used as intended by parliament, and that payments and receipts accord with relevant legislation and regulations (White *et al* 1999, pp. 61-74). This involves a judgement of expenditure and receipts, as represented in the accounts, against key benchmarks such as regularity and propriety. Regularity refers to the requirement for items of expenditure and receipts to be dealt with in accordance with the legal and regulatory framework, such as the relevant appropriation act and any applicable permanent legislation. Expenditure must also have been duly authorised. Propriety is concerned with the expectations of parliament as to the way in which public business should be conducted, such as the avoidance of personal gain, even-handedness, open competition, and the avoidance of waste.

3.2. Value for money audit. In addition to the above, audit institutions increasingly produce value for money studies. The term captures the "3Es" of economy, efficiency and effectiveness. It is sometimes summarised that these refer to, respectively, spending less, spending well, and spending wisely.¹⁶ In systems that are implementing performance-oriented reforms, the PAC should engage closely with this process to ensure that the information generated is useful and relevant for the committee.¹⁷ Some countries are moving towards greater involvement of sectoral committees in considering value for money studies (see section 1.6).

¹⁵ For instance, value for money audit was included in the mandate of the Canadian Auditor General in 1977, and now makes up about 60 per cent of total audit activity (Blöndal 2001, p. 60).

¹⁶ Exact definitions vary, but the following ratios illustrate the concepts: Economy is concerned with the ratio of inputs (such as staff and buildings) against cost (in monetary terms). Efficiency is concerned with output (a particular good or service) divided by input. Effectiveness may be measured by considering outcomes (the impact on society) against outputs. Refer to Kristensen *et al* (2002, esp. pp. 32-33) for a good overview, and also National Audit Office (1998).

¹⁷ A frequently stated formula is that performance measures need to be SMART: specific, measurable, achievable, results-focused, and time-bound.

The procedure for considering such reports in committee does not differ from the standard procedure described below (see section 6).

3.3. Government departments and agencies. Government departments are the primary subjects of PAC scrutiny. However, recent years have seen an increasing trend in some countries towards the creation of semi-autonomous agencies that are wholly or largely funded with public money, in a drive by government to hive off operational responsibility. Normally, these fall under the overall responsibility of a particular minister. At the same time, the chief executives of such agencies are usually accountable to parliament and to the PAC in their role as accounting officers. Therefore, while one particular department may be politically responsible, different accounting officers might have to be called to account for different activities under that department, which somewhat blurs traditional and linear notions of accountability (Marshall 1991, pp. 467-469).

3.4. Local government. Local authorities normally do not fall within the remit of PACs. When the mandate of the committee refers to national government operations, for instance, it would be inappropriate for it to get involved in local government financial matters, which should be dealt with through subnational accountability arrangements. Some legislatures have assigned the task of considering audit reports on local government to a separate committee, *viz.* the committee concerned with local government affairs (see box 6). However, jurisdictional parameters and committee mandates are decisive when determining whether local government financial affairs are a legitimate concern for the PAC, as the focus of the committee's work needs to be within its mandate.

3.5. Publicly owned companies. The role of the state in the economy is changing in many countries, and privatisation measures are reducing the number of publicly owned companies. Still, in many countries governments are involved in commercial activities, notably through publicly owned companies. The financial oversight of such companies has often not been part of the mandate of the PAC, but sometimes of a separate committee. For instance, in the Parliament of Trinidad and Tobago, a separate Public Accounts Enterprises Committee examines audited accounts of state enterprises that are owned or controlled by the state. Similarly, the Committee on Public Undertakings of the Indian Parliament considers reports, accounts, and audit reports of key state enterprises (see box 7).

4. Resources

Any parliamentary committee should be sufficiently well resourced in order to fulfil its functions. Due to the technical nature of audit work, this is especially crucial to ensure the proper and effective functioning of the PAC.

4.1. The supporting function of the auditor general. The office of the auditor general is the primary resource available to the committee, and accompanies the work of the PAC on an ongoing basis. In some cases, the Finance Ministry also provides officials to follow and support committee deliberations. Such support may involve having to answer questions from committee members, and the provision of requested information (Joint Committee of Public Accounts and Audit 2001a). PACs can draw on the auditor general's office for secretariat assistance either on an *ad hoc* basis or through a programme of regular secondments. Compared with other parliamentary committees, but depending on the nature and extent of expertise in the audit institution, the PAC therefore has access to substantial logistical and technical backing.

4.2. Committee staff and additional support. At a minimum, the committee should have a clerk or secretary (see table 1). A recent study group on PACs recommended additional possibilities (Commonwealth Parliamentary Association 2001, pp. 78-79): "Secondments of experts from overseas or from the secretariat of another Parliament are also, subject to funding being available, another way of providing capacity and helping to build capacity in the future by local staff learning from the skill that the secondees have to impart."

5. Working practices

There are a number of issues relating to the day to day functioning of the committee that have to be addressed. These include the rules or conventions that apply to decision taking, the frequency of committee meetings, whether sittings should be open to the media and the general public, and how to ensure attendance by members. Finally, many committees face a substantial workload. In order to manage a demanding programme, some PACs have established an internal structure that enables a division of labour within the committee.

5.1. Decision taking. There is a strong tradition in many parliaments that favours unanimity for PAC decisions. In some cases, the unanimity principle is enshrined in rules, but in most countries PAC reports can contain minority views. A rigid principle of unanimity in PAC decisions might be an unrealistic requirement, although all PACs should strive for consensus decisions to underline the non-partisan approach to financial oversight. In some cases, when unanimity is not a formal requirement, the committee might sometimes decide to delay a report in order to establish consensus. This is likely to add to the strength and impact of the report, but it may not always be a feasible option.

5.2. Frequency of meetings. The frequency of meetings varies enormously across different countries, and a generalised judgement is impossible (see table 1). Among the determining factors are the amount of reporting produced by the audit institution, resources available to parliament, willingness of committee members, and the required or acceptable level of investigation. Each PAC has to ensure that it sets aside sufficient time to do justice to the audit reports tabled, and to reach a satisfactory level of scrutiny.

5.3. Openness of meetings. There is a general trend to facilitate greater transparency in government (refer to box 1). In the majority of legislatures, PAC hearings are open to the media and the general public (see table 1). There might be reasons for barring the public in exceptional circumstances, for instances in discussions that relate to a central intelligence agency or highly sensitive defence matters. But, generally, there are few reasonable excuses to prevent open access of the media and the general public to PAC sessions.

5.4. Attendance. The issue of attendance is especially problematic when membership between committees overlaps. Small parties, in particular, often face trade-offs relating to how to spread a small number of members across numerous committees. However, as in all committees, poor attendance undermines the efficacy of the work of the PAC. In cases of membership overlap, the co-ordination of schedules with other committees is essential.

5.5. Internal organisation. The heavier the workload of a committee, the more urgent becomes the need to enhance its capacity to process work in a timely and

effective manner. As individual members have limited time and capacity, this might necessitate a division of labour within the PAC. This has often involved the creation of sub-committees. These can either be based on subject areas such as health or defence, in which case they might be more permanent. Or they might be formed in an *ad hoc* manner to address particular issues when they arise. Also, some PACs operate sub-committees to draft a working programme that is later discussed and adopted in the main committee. Yet another option is a rapporteur-based system that gives substantial responsibility to individual members of a committee.¹⁸ Whichever method is chosen, it is important that ultimately the final discussion and decision stage remain reserved for the main committee (Commonwealth Parliamentary Association 2001, pp. 68-69).

¹⁸ A rapporteur-based system is similar to the subcommittee option. It involves the assignment of various parts of an audit report to different committee members for analysis and report back to the entire PAC (as in the example in box 9).

6. The PAC process

The PAC process has its starting point with a report from the auditor general. The prime mechanism for considering such reports is the hearing, at which witnesses are called before the committee to answer to questions by members on critical issues raised. After the conclusion of a hearing, the committee has to finalise its own report based on its findings, and make sure that the government implements any recommendations.

6.1. Choosing audit reports to be considered. The overwhelming majority of work of the PAC is dedicated to dealing with auditor general reports. Due to a lack of time, the PAC often cannot consider all accounts, but is forced to prioritise. One option is to focus on those accounts involving a qualified audit opinion.¹⁹ However, it might seem unsatisfactory to forfeit parliamentary scrutiny altogether for some accounts, even if they are given a (relatively) clean bill of health. Commenting on some weaknesses of the PAC process in the British House of Commons, White *et al* (1999, pp. 131-132) suggest additional possibilities for prioritising the work of the committee:

“[It] would seem to make sense to have some sort of hierarchy of [National Audit Office] reports. Those which deal with more serious financial control issues, and give most cause for concern, could be subject to a full-blown hearing. Those reports which throw up less serious problems could be subject to a report based on written evidence, or simply contain a requirement that the department concerned has to respond to the NAO report. A further alternative which would, it is argued, make better use of the NAO whilst easing pressure on the PAC’s time would be for departmentally related select committees to examine NAO reports.”²⁰

6.2. Preparing for hearings. After receiving a report from the auditor, hearings are the principle mechanism by which officials from departments, agencies or other relevant bodies answer to the PAC. The PAC should plan its programme carefully in consultation with the auditor general, so that the release of reports is synchronised with parliamentary hearings. A quality hearing requires preparation by committee members as well as witnesses (see box 8 for an example of what a PAC can expect from witnesses). In some PACs, individual members are asked to scrutinise separate sections of a report. In others, each member is responsible for every audit report. An audit report is in many systems accompanied by a briefing document from the auditor general, circulated prior to a hearing, which might suggest areas in a report that warrant particular attention. In addition, individual members sometimes conduct their own research on issues of their interest to supplement the available information.

¹⁹ A qualified opinion would indicate that the accounts or financial management practices did not fully meet all required standards.

²⁰ On the latter option, also refer to the discussion in section 1.6 and box 5.

6.3. Conducting hearings. The number and scheduling of hearings conducted by a PAC each year differ greatly between countries, which primarily depends on the quantity and flow of reporting from the audit institution. While it is important that the PAC considers the advice of the auditor general, the committee should not be constrained in its choice of which aspects of an audit report should be further investigated. Harris (2001, pp. 613) summarises for the Australian case:

“The ability to consider and report on any circumstances connected with reports of the Auditor-General or with the financial accounts and statements of Commonwealth agencies is one of the main sources of the committee’s authority – it gives the committee the capacity to initiate its own references and, to a large extent, to determine its own work priorities. This power is unique among parliamentary committees and gives the committee a significant degree of independence from the executive arm of government.”

The summonsed officials appear in front of the PAC during the hearing, normally in the form of the accounting officer. Many committees also question additional individuals, although the minister is not usually summonsed (see table 1). Individual members of the committee should each have a chance to put questions to the witnesses. In some cases, time limitations are applied to each member’s right to ask questions. In Britain, for instance, the PAC of the House of Commons allows the chairperson 30 minutes for questioning, at the beginning of a session. Afterwards, each ordinary member of the committee has no more than 15 minutes to pose questions. While this limitation has its disadvantages, it also ensures that hearings are concluded expeditiously (White *et al* 1999, p. 124). Other committees have no such time restrictions whatsoever.

6.4. Reporting and recommendations. If minutes of evidence are published, witnesses should be given a chance to check these for accuracy before their publication. Usually, it is the responsibility of the chairperson to draft a report, with assistance from the committee clerk. Some auditors prepare a set of recommendations as a basis for committee deliberations, to support this process. However, in some countries, the auditor general does not participate in the drafting of PAC reports, to maintain the independence of the committee.²¹ The draft report is debated in the PAC, where any changes can be proposed, and accepted or rejected. While it is not normally required that PAC reports have to be adopted unanimously by the committee, some committees have found it useful to hold back reports until consensus has been established.

The minutes of evidence of a particular hearing as well as the committee report should be published as promptly as possible. In a recent survey, 87 per cent of PACs indicated that their reports are freely available to the general public. In addition, 57 per cent of PACs have their reports debated in the house (see table 1). Often, this takes the form of an annual debate, which can focus on a selection of particularly pertinent reports.

²¹ Comment by Antonine Campbell.

6.5. Government responses. It is practice in many Westminster inspired parliaments that committee reports have to be followed by a formal response from the government. This usually occurs within two to six months. Some parliaments have special committees to subsequently monitor the implementation of government assurances. In the case of the PAC, the government's response is sometimes known as the Treasury Minute or the Executive Minute. When a department rejects a certain PAC recommendation, it should explain in such a report its reasons for doing so. It is then up to the PAC whether to take up the issue again in one of its following reports.

6.6. Following up on implementation. The finalisation of a report by the committee should not be the end of the PAC process. Reports only have practical value if the government addresses the issues it raises, and implements the recommendations of the committee. In practice, while experiences vary, the Treasury Minute is not always a satisfactory mechanism for ensuring that the committee's recommendations are acted upon. The responses it contains may not always be very specific, and it can be difficult, given parliament's often-limited resources, to ensure independently that sufficient action was taken by the government to address particular concerns of the PAC.

Some countries go further in their follow-up through the use of a formal tracking report produced regularly by the audit institution. Tabled at a later stage, for instance two years after an initial audit report, it systematically considers the extent of implementation of each set of recommendations adopted by the committee (see box 9). Rather than a separate tracking report, some auditor generals follow a process whereby they include a review of departmental action on previous recommendations in an annual audit report. In addition, with regard to particularly important issues, it might be useful to consider interim reporting requirements to ensure that the government takes remedial action as speedily as possible. This might take the form of periodic briefings of the committee by relevant officials.

Summary and recommendations

The PAC is a particularly important and venerable institution of parliament. It is placed at the apex of legislative oversight of public finances. The following are some recommendations that might be inferred from the brief overview of comparative practice provided above:

- Unless its mandate or evolving practice allows otherwise, a PAC should not question the policy underlying spending decisions.
- A cordial working relationship between the PAC and the auditor general needs to be maintained.
- The key witness appearing before the PAC is a department's accounting officer, not the relevant minister.
- The chairperson of the PAC is often selected from the opposition benches, to emphasise the non-partisan nature of the committee's approach.
- The focus of PAC work should be on whether spending complied with parliament's stated intentions, and with relevant norms and standards.
- In addition, PACs are increasingly concerned with assessing whether government obtained value for money in public spending.
- The PAC should be engaged in a constant exchange with the auditor general to ensure that information is provided when it is needed, and in an accessible and useful format.
- Parliaments need to ensure that their PACs are sufficiently well resourced.
- PACs should strive to establish unanimity in decisions, even where this is not a formal requirement.
- Committee deliberations should be open to the media and the interested public, and any exceptions from this rule need to be thoroughly justified, reasonably justifiable, and limited to exceptional circumstances.
- Sub-committees or rapporteur systems are useful in managing substantial workloads, as long as the final discussion and decision taking authority rest with the main committee.
- Other parliamentary committees can also be involved in the consideration of relevant audit reports, if this is done in a way that does not lead to a politicisation of the audit process.
- PACs need to carefully prioritise the content of their inquiries. While this should be done in consultation with the auditor general, the committee is entitled to engage with any aspect contained in an audit report.
- Both members of the committee and witnesses need to be given sufficient time to prepare for a hearing.
- The auditor general can be called upon to brief the PAC on the salient issues in an audit report before the committee, sufficiently prior to a hearing.
- Where applicable, witnesses should have a chance to check the minutes of evidence from a hearing for accuracy.

- A follow-up mechanism should exist to allow parliament to assess government's compliance with any recommendations contained in PAC reports, for instance through an additional monitoring report by the audit institution.

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Useful links

Links to selected PACs²²

Australia: <http://www.aph.gov.au/house/committee/jpaa/index.htm>

India: <http://parliamentofindia.nic.in/committee/p17.htm>

Saskatchewan (Canada):
<http://www.legassembly.sk.ca/Committees/paccomm.htm>

Uganda: <http://www.parliament.go.ug/pac7.htm>

United Kingdom: <http://www.parliament.uk/commons/selcom/pachome.htm>

Victoria (Australia): <http://www.parliament.vic.gov.au/paec/default.htm>

Other links

Canadian Council of Public Accounts Committees: <http://www.ccpac.ca>

International Organisation of Supreme Audit Institutions: <http://www.intosai.org>

²² All of the following links were functional as of 9 July 2002.

Appendix

Table 1: Survey of Public Accounts Committees in the Commonwealth *		
Issue / question	Responses of PACs surveyed	
Size of committee	Varying, with an average of 11 members.	
Composition of committee	In the majority of parliaments, the proportion of government and opposition members reflects proportions in the house.	
Terms of office	Usually the same as the parliamentary session.	
Frequency of meetings	Varying, between one per annum and ten per month.	
Selection of chairperson	From the opposition in 67 per cent of cases.	
Determination of agenda	By the chairperson, usually in consultation with the committee and the Auditor-General.	
Who is normally summoned as witness?	97 per cent of committees summons departmental officials, and 79 per cent summons the auditor general, while 69 per cent report that ministers are not normally summonsed.	
When does the committee report?	53 per cent of committees report at the end of an investigation, and 12 per cent only once per session.	
What are the staffing levels and facilities of the committee?	At least a clerk/secretary, with various levels of additional administrative, research and technical support.	
	Yes	No
Is it required that the committee be unanimous in its decisions?	33 per cent	67 per cent
Are committee reports freely available to the general public?	87 per cent	13 per cent
Does the committee study non-governmental agencies? **	17 per cent	83 per cent
Are hearings open to the press and the general public?	55 per cent	45 per cent
Does the committee depend primarily on the auditor general's report?	85 per cent	15 per cent
Is the committee report debated in the legislature?	57 per cent	43 per cent
Is the executive required to respond to committee recommendations?	80 per cent	20 per cent
Are mechanisms in place for the measurement of committee performance?	33 per cent	67 per cent
Has there been any recent study or comment on strengths and weakness of the operations of the committee?	8 per cent	92 per cent
Source: Commonwealth Parliamentary Association (2001).		
Notes: * The table summarises the results of a recent survey by the Commonwealth Parliamentary Association that covered 70 branches. The percentages indicate the share of responses falling into the respective categories. For instance, the question whether hearings are open to the public was answered positively for 55 per cent of PACs surveyed. ** Examples given of agencies studied include development corporations, National Health Service Trusts, stock exchanges, telecommunications authorities, industry bodies, and statutory boards.		

Box 1: Excerpt from the OECD Best Practices for Budget Transparency

3. Integrity, Control and Accountability

3.1. Accounting Policies

- A summary of relevant accounting policies should accompany all reports. These should describe the basis of accounting applied (e.g., cash, accrual) in preparing the reports and disclose any deviations from generally accepted accounting practices.
- The same accounting policies should be used for all fiscal reports.
- If a change in accounting policies is required, then the nature of the change and the reasons for the change should be fully disclosed. Information for previous reporting periods should be adjusted, as practicable, to allow comparisons to be made between reporting periods.

3.2. Systems and Responsibility

- A dynamic system of internal financial controls, including internal audit, should be in place to assure the integrity of information provided in the reports.
- Each report should contain a statement of responsibility by the finance minister and the senior official responsible for producing the report. The minister certifies that all government decisions with a fiscal impact have been included in the report. The senior official certifies that the finance ministry has used its best professional judgement in producing the report.

3.3. Audit

- The year-end report should be audited by the Supreme Audit Institution in accordance with generally accepted auditing practices.
- Audit reports prepared by the Supreme Audit Institution should be scrutinised by Parliament.

3.4. Public and Parliamentary Scrutiny

- Parliament should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary.
- All fiscal reports referred to in these Best Practices should be made publicly available. This includes the availability of all reports free of charge on the Internet.
- The finance ministry should actively promote an understanding of the budget process by individual citizens and non-governmental organisations.

Source: OECD (2001).

Box 2: The mandate of Public Accounts Committees – the example of Saskatchewan

The Committee's mandate is derived from the Legislative Assembly. The Committee can consider only those matters which have been committed to it by the Assembly and is not at liberty to depart from its Order of Reference i.e. it is limited to examine issues within the context of the Public Accounts of the Province and issues identified in the reports of the Provincial Auditor.

THE ORDER OF REFERENCE

The Legislative Assembly has appointed the Standing Committee on Public Accounts to:

1. Examine and inquire into all such matters and things as may be referred to it by the Assembly, and to report from time to time its observations thereon with the power to send for persons, papers and records, and to examine witnesses under oath;
2. Review the Public Accounts of the Province of Saskatchewan and the issues raised in the annual report of the Provincial Auditor which have been referred to the Committee.

This enables the PAC to proceed without delay with its examination of the subject-matter of these documents. With the current Order of Reference, the PAC can initiate, **but is limited to**, an examination of any subject contained in these reports.

The PAC is not fundamentally concerned with matters of policy. The Committee does not call into question the rationale of government programmes, but rather the economy and efficiency of their administration. Although the PAC hopes to have a continuing influence on the quality of provincial administrative processes, its prime orientation is after-the-fact, or post-audit, to understand, assess and correct (through recommendations in its reports to the Assembly) inadequacies, and issues that the Committee and the Provincial Auditor have raised. The resulting "non-policy" orientation of the Committee should enable the development of a non-partisan spirit within the Committee in order to get at problems and seek solutions to them.

THE MANDATE

The PAC's mandate is to assist the Legislative Assembly, within the framework of its Order of Reference from the Legislative Assembly, (the Public Accounts of the Province and the Provincial Auditor's report), to hold the government accountable for its spending of taxpayers' money and for its stewardship over public assets.

To fulfill its functions and meet its responsibilities, the Committee will undertake to review, examine and evaluate the financial and administrative activities of government departments and crown corporations cited in the Public Accounts and the Report of the Provincial Auditor. The Committee will conduct its work within the framework of its Order of Reference as follows:

The Committee will review:

- the information in the Public Accounts for reliability and appropriations;
- matters raised in the Provincial Auditor's report;
- the audit report on the Office of the Provincial Auditor.

The Committee will examine:

- past and committed expenditures insofar as they relate directly to and have an impact on matters falling within the year under review to assist the Committee in understanding the context;
- the collection of and accounting for revenues;
- the probity and value for money in tax expenditures;
- the adequacy of safeguards to protect assets from loss, waste and misappropriation;
- whether appropriate financial management controls are in existence.

The Committee will evaluate:

- the activities of all crown corporations and agencies (in which taxpayers' funds have been invested);
- the value for money obtained through divestiture of any crown corporation or agency;
- the systems and practices to determine whether transfer payments are used for purposes intended;
- the efficiency, economy and effectiveness and value for money in implementation of government programs and in their achievement of stated goals in the operation and acquisition of goods and services;
- whether expenditures are within the limits and for purposes authorized by the Legislature and in general, in compliance with legislative authority;
- any financial management reforms in government to determine whether due regard is given to maintaining legislative accountability.

In carrying out its role the Committee will seek to:

- work with the Provincial Auditor to achieve maximum accountability to the Legislature;
- obtain all financial information and documents necessary for the Committee's work except for records which are privileged in the narrowest sense such as Cabinet papers;
- avoid matters strictly of government policy;
- study any other matters referred to it by the Assembly;
- report its findings at least annually to the Legislative Assembly.

Source: Legislative Assembly of Saskatchewan (1992).

Box 3: Relations between the National Audit Office and Parliament in the United Kingdom

Relations with Parliament, and in particular with its Committee of Public Accounts (PAC), are central to the work of the National Audit Office (NAO). The Comptroller and Auditor General (C&AG) is, by statute, an Officer of the House of Commons and all of the NAO's main work is presented to Parliament by Order of the House of Commons. Each year around 40 to 50 of NAO reports – both value for money reports and reports on accounts of public bodies - are investigated further by the PAC. The PAC takes evidence from accounting officers, senior governmental officials who have been specially designated by the Treasury and have a personal responsibility to ensure the prudent stewardship of public funds. The C&AG, or his deputy, and a senior official from the Treasury attend all of the PAC's hearings.

The PAC will then issue its own report. By convention, the Government must reply to any recommendations within two months. The C&AG and/or the PAC can decide to conduct a follow up investigation into the issues raised. In this way, a cycle of accountability operates. Once public money has been spent by a central government body, the C&AG is free to report to Parliament on the regularity, propriety and value for money with which this has been done. The PAC can take evidence on this report from the most senior official in that public body, and can then make recommendations to which the Government must respond. The NAO is also willing to assist Parliament in whatever way it can. Each year, it responds to over 400 queries from Members of Parliament on issues affecting public spending.

Source: National Audit Office (2002).

Box 4: Separating political and administrative accountability

In many countries a traditional convention prevails whereby the minister is considered the political head of department, whereas an accounting officer is responsible for day to day administrative matters. The British *Accounting Officer Memorandum* provides that in cases where a minister plans a course of action which the accounting officer considers would infringe the requirements of propriety, regularity, or value for money, then the accounting officer has to set out these objections in writing. The minister must then issue a written instruction to proceed with the payment involved to overrule the objection of the accounting officer.

This mechanism is not used on a routine basis in Britain. Nonetheless, it is used regularly, for instance about once per year in a recent 15-year period. A prominent case was the Pergau Dam affair. In July 1991, the British Secretary of State for Foreign and Commonwealth Affairs overruled the advice of the Overseas Development Administration (ODA) accounting officer and ordered the expenditure of up to £234 million, from the Aid and Trade Provision budget, on the Pergau hydro-electric project in Malaysia.

Until then, an accounting officer was required to communicate to the Comptroller & Auditor General (C&AG), without undue delay, the papers relating to all cases where ministers issue a directive involving the regularity of spending. The accounting officer in this case was confident that the expenditure was regular, and that the only issue involved was one of economy, efficiency and effectiveness (value for money), which at that time did not require notification of the C&AG. As a result of its following investigation, the Public Accounts Committee (PAC) recommended that all ministerial directives relating to prudent and economic administration, efficiency and effectiveness (value for money) should also be reported to the C&AG. Any such reports would by convention be passed on to the PAC.

Source: White *et al* (1994).

Box 5: Involving sectoral committees – reform suggestions at Westminster

In the United Kingdom, a commission of the Hansard Society in June 2001 published a report entitled *The Challenge for Parliament: Making Government Accountable*. The commission finds that financial scrutiny relies almost entirely on the Public Accounts Committee (PAC), which in turn relies on the investigations (and 800 staff) of the National Audit Office (NAO). It recommends that House of Commons' Select Committees, which are charged with oversight of the various departments, appoint a finance and audit sub-committee. Designed to buttress the work of the PAC, the sub-committee would build on the reports of the NAO and bring policy expertise to the analysis of departmental spending which is currently beyond the scope of the PAC.

Source: Hansard Commission (2001).

Box 6: Legislative oversight of local government finance – the Zambian case

Although jurisdictions and arrangements vary, local government finance is in many countries not a focus of the Public Accounts Committee (PAC) in the national legislature. However, the accounts of local authorities are sometimes scrutinised by other committees. In Zambia, the work of the PAC focuses on the accounts for sums granted by the National Assembly and the relevant Auditor-General's reports. The work of the committee excludes local government finance. Financial scrutiny of local councils is assigned to the Committee on Local Governance, Housing and Chiefs' Affairs. This committee devotes its reports to the audited accounts of councils, as tabled by the Minister of Local Government and Housing, and the Auditor-General's annual reports on the accounts of councils. In 2000 the committee reviewed the accounts of 22 out of 72 local authorities, and also considered Action Taken Reports by the government on previous reports of the committee. During this process, it received submissions from Principal Officers in local councils as well as ministerial officials. The division of labour between the two committees helps the PAC to focus on its primary financial oversight obligations relating to central government. A similar arrangement exists in Tanzania, for instance.

Source: Burnell (2001).

Box 7: The Committee on Public Undertakings of the Indian Parliament

The Committee on Public Undertakings consists of 22 members from both Houses of Parliament. Its functions are:

- (a) to examine the reports and accounts of Public Undertakings specified in the Fourth Schedule to the Rules of Procedure and Conduct of Business in Lok Sabha;
- (b) to examine the reports, if any, of the Comptroller and Auditor General of India on the Public Undertakings;
- (c) to examine, in the context of the autonomy and efficiency of the Public Undertakings whether the affairs of the Public Undertakings are being managed in accordance with sound business principles and prudent commercial practices; and
- (d) to exercise such other functions vested in the Public Accounts Committee and the Estimates Committee in relation to the Public Undertakings as are not covered by clauses (a), (b) and (c) above and as may be allotted to the Committee by the Speaker from time to time.

The Committee selects subjects for investigation as it deems fit within the terms of reference. The ministry or public undertaking concerned is asked to furnish necessary material. The Committee may also appoint study groups for carrying out detailed examinations. If it appears necessary for the purpose of an examination, the Committee can undertake on-the-spot study tours. After a report has been presented to the House, the ministry or public undertaking concerned is required to take action on its various recommendations and conclusions. The reply of the Government is examined by an Action Taken Sub-Committee or Committee, and an Action Taken Report is presented to the House. Since its inception in May 1964 the Committee has examined 114 public undertakings, conducted 1005 on-the-spot studies, and presented 497 reports. Of these, 248 are original reports and 249 are Reports on Action Taken by the executive on earlier reports of the Committee. Out of 248 original reports, 32 are horizontal studies on various aspects of working of the public undertakings.

Source: Parliament of India (2002).

Box 8: What is expected of witnesses – the Australian example

Being Called to Give Evidence

On entering the hearing room you should make yourself known to the Committee Secretary or a member of the Secretariat. When it is your turn to give evidence, the Chairman of the Committee will ask you to take a place at the hearing table. In accordance with section 10 of the Public Accounts and Audit Committee Act 1951, you will be asked to stand and take an oath or make an affirmation. You should be aware that the giving of false or misleading evidence to the Committee may be regarded as contempt of Parliament. Having been sworn or affirmed, the Vice-Chairman will ask you to state your full name and the capacity in which you appear before the Committee.

By appearing before the Committee you will be participating in the proceedings of the Parliament and the evidence you give will be covered by parliamentary privilege. This means that any evidence you give to the Committee cannot be the subject of defamation proceedings. Nor can it be used in court to attack, or draw inferences about, your motivation, credibility, truthfulness or honesty.

Being Asked Questions

If you have made a written submission, the Chairman will ask you whether you have any further statement to make in relation to the submission. After any opening statement you may wish to make, the Chairman and other members of the Committee will ask questions of you. These questions are intended to clarify aspects of your submission, to seek information relevant to matters within the Committee's terms of reference, and to allow you to present and explain your views to the Committee.

No person other than a member of the Committee may question a witness if the proceedings of the Committee are to constitute formal proceedings of the Parliament and attract parliamentary privilege. If a witness wishes to raise an issue for discussion, the witness must direct his or her comments to the Chairman and the Committee will decide if it wishes to pursue the matter. It is not possible for participants to respond directly to each other.

If you would like to give the Committee any additional documents in support of your submission or oral evidence you may do so. The Committee will receive such material either as a supplementary submission or as an exhibit. If you are unable to answer a question at the hearing, the Committee would be happy to receive a written response at a later date.

Confidential Information

If, at any time, you feel the information requested by a member of the Committee is confidential, you may ask that your evidence, or part of it, be heard in-camera. If the Committee agrees to hear evidence in-camera any members of the public who are present will be asked to leave the hearing room and the recording and transcript of your evidence will be treated confidentially. Any evidence taken in these circumstances would not be released without your consent.

The Recording of Evidence

The Parliamentary Reporting Staff (Hansard) will record the proceedings of the hearing. Later, a proof copy of the transcript of evidence will be forwarded to you for examination and correction where necessary.

Broadcasting of Proceedings

Occasionally the Committee's proceedings may be broadcast or televised or recorded for later broadcasting or televising. If you have any objections to the broadcasting or televising of your evidence please advise the Committee Secretary or Secretariat staff before the hearing commences.

Witness Expenses

If you are appearing in private capacity and have incurred expenses in attending the hearing you may claim reimbursement. You must contact the Committee secretariat well in advance of the hearing for details of allowances payable.

Source: Joint Committee of Public Accounts and Audit (2001b).

Box 9: Following up on audit recommendations – the German case

The lower house of the German Parliament, the *Bundestag*, receives an audit report about ten months after the end of a fiscal year. The report is based on about 1000 individual audits, and focuses on about 100 of the most important ones. It contains information on broader financial management issues as well as detailed comments across departments.

The report is considered in the Committee on Public Accounts, a subcommittee of the Budget Committee, where membership is proportionately distributed according to party representation in Parliament. Each member is assigned the role of rapporteur for a specific ministry, and has to scrutinise the remarks on this entity in the audit report. The relevant ministers, or at least high-ranking bureaucrats, Finance Ministry officials and auditors take part in the relevant discussions.

The Federal Court of Audit prepares a draft recommendation for each item. If adopted, the executive is obliged to implement the recommendations, and has to report on its progress in this regard within a set timeframe. Most decisions are taken unanimously, and about 90 per cent of the recommendations of the Federal Court of Audit are endorsed. The Budget Committee generally accepts the views of the subcommittee and refers its report to the plenary.

The Federal Court of Audit also produces a follow-up report two years later. This report documents whether the *Bundestag* adopted a recommendation by the Federal Court of Audit, and, if so, to what extent the relevant department implemented it. This tracking mechanism enforces compliance with committee recommendations by departments, which face expenditure cuts or reprimands during their budget hearings when compliance has been unsatisfactory.

Source: Wehner (2001).