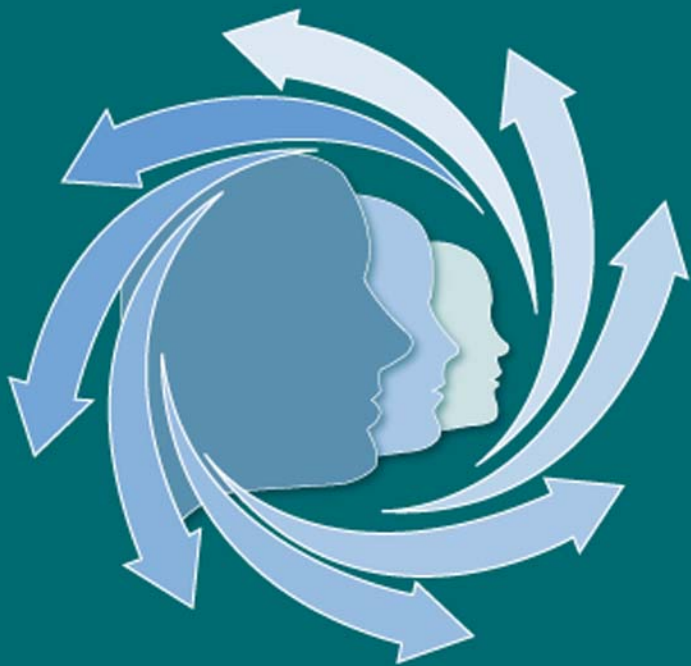


Auditing for Social Change:

A Strategy for Citizen Engagement in Public Sector Accountability



Department of Economic and Social Affairs

Division for Public Administration and Development Management

**Auditing for Social Change:
A Strategy for Citizen Engagement in
Public Sector Accountability**

Publication based on

*Expert Group Meeting/Capacity Development Workshop:
Auditing for Social Change*

*6th Global Forum on Reinventing Government:
Towards Participatory and Transparent Governance
26-27 May 2005, Seoul, Republic of Korea*



United Nations
New York, 2007

DESA

The Department of Economic and Social Affairs of the United Nations Secretariat is a vital interface between global policies in the economic, social and environmental spheres and national action. The Department works in three main interlinked areas: (i) it compiles, generates and analyses a wide range of economic, social and environmental data and information on which States Members of the United Nations draw to review common problems and to take stock of policy options; (ii) it facilitates the negotiations of Member States in many intergovernmental bodies on joint course of action to address ongoing or emerging global challenges; and (iii) it advises interested Governments on the ways and means of translating policy frameworks developed in United Nations conferences and summits into programmes at the country level and, through technical assistance, helps build national capacities.

Note

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitations of its frontiers or boundaries.

The views expressed are those of the individual authors and do not imply any expression of opinion on the part of the United Nations.

Enquiries concerning this publication may be directed to:

Mr. Guido Bertucci

Director

Division for Public Administration and Development Management

Department of Economic and Social Affairs

United Nations, New York, NY 10017, USA

Fax: (12) 963-9681

Email: bertucci@un.org

ST/ESA/PAD/SSER.E/75

United Nations publication

Copyright © United Nations, 2007

All rights reserved

Printed by the United Nations, New York

Contents

Foreword	v
Preface	x
Findings and Recommendations	xi
Abbreviations and Acronyms	xvi
PART ONE: CONCEPTS AND ISSUES	
Auditing for Social Change in the Context of the Millennium Development Goals <i>M. Adil Khan and Esther Stern</i>	3
PART TWO: EXPERIENCES OF PARTICIPATORY AUDITING	
The Role of Civil Society Organizations in Auditing and Public Finance Management <i>Warren Krafchik</i>	21
Audit and Legislative Oversight: Developing country perspective <i>Vinod Sahgal</i>	53
Auditing for Social Change: Learning from Civil Society initiatives <i>Samuel Paul</i>	77
Media and Audit: Strengthening Peoples' Right to Public Resource Management <i>Mahfuz Anam</i>	97
On Fulfilling the Accountability Purpose of Audit and Evaluation: Integrating Politics and Public Involvement <i>Eleanor Chelimsky</i>	115
ANNEXES	
Proceedings	145
I) Agenda and Point-form Summary	145
II) Audit and Civil Society <i>Ho-Bum Pyun</i>	155

III) The Conflict between Auditing and Evaluation in Korea
Hyanku Kim 163

IV) Discussion on Themes & Presentations. 173

Suggested Reading. 191

Internet Resources 197

Contributors 199

Foreword

The work of DESA deals with increasing complexities in the global arena; this includes challenges for public administrations in reassessing how to appropriately and efficiently conduct their business of government on a national, regional and global scale. On the one hand, governments need to respond to a number of socio-economic issues, including poverty and since 2000, the Millennium Development Goals (MDGs). On the other hand, governments are being forced to readjust their policies in order to effectively respond to the challenges of globalization and the resulting need to prioritize given scarce resources. In recognition of these challenges facing developing countries and countries with economies in transition, DESA dedicated its 2001 World Public Service Report to “Globalization and the State”.

The report pointed out that while the challenges are many, so too are the opportunities for public administrations in both developing and developed countries, as well as for countries with economies in transition. Indeed, it has been gradually recognized that the public sector has a crucial role to play in meeting these challenges, as well as the broader goals of the United Nations, notably maintenance of peace and security, upholding human rights and democratic ethos, making globalization work for all, eliminating corruption and money laundering, fighting drugs and crime, protecting the vulnerable and meeting the special needs of Africa.

To forge such new alliances the public administration and public policy process needs to undergo major changes – they need to become more open and responsive. This view was re-affirmed by the United Nations Committee of Experts on Public Administration, which met in New York from 30 March to 2 April 2004: it indicated that the public sector needs to be transformed into an interactive and responsive instrument to meet the needs of all citizens, including the poor, and to be accountable to the most vulnerable populations. This requires lessons to be learned in areas ranging from citizen dialogue in policy development to service delivery to remote, disadvantaged and challenged people.

The United Nations has identified the need for enhanced partnerships between the public sector, private sector and civil society as an essential ingredient in the attainment of growth and sustainable economic development. Working alone,

none of these individual sectors have the capacity to deliver all the developmental needs associated with the Millennium Development Goals. Consequently, the Division for Public Administration and Development Management, (DPADM), through its Socio-Economic Governance and Management Branch (SGMB), has adopted a strategy to promote partnership in development and an engaged government methodology. To this end, consistent efforts have been made to increase the level of dialogue between civil society and the government with the eventual aim of contributing to pro-poor socio-economic development and the realization of the commitments of the Millennium Declaration.

Over the last decades the role of civil society in driving policy change has steadily grown. This has been the case with debt relief and is now the case with pro-poor policies and strategies. NGOs, community organizations, professional associations and other civil society groups are not only vocal in these areas, but are regularly called upon to help design and implement poverty reduction strategies. Worldwide efforts to mobilize civil society behind the MDGs formed the central theme of the Fifty-Seventh Annual Conference of Nongovernmental Organizations held in August 2004. In addition, initiatives to engage citizens in policy development, decision-making on fiscal policy and budget formulation, and other important areas, as well as in scrutiny of implementation and use of resources in such spheres are on the rise; so is the use of e-government to involve citizens in policy areas for the “public good”, as demonstrated in the 2003 UNDESA World Public Service Report entitled “E-Government at the Crossroads” followed by annual updates.

DESA has an on-going relationship with the International Organization for Supreme Audit Institutions (INTOSAI) as a mark of commitment to audit in general and innovations in audit in particular. DESA has organized eighteen Seminars on Government Auditing since 1971 on topical themes, jointly with INTOSAI. The most recent symposium, held in Vienna in April 2005, focused on the “Application of ICT in Audit of e-Government: A Strategy for Efficiency, Transparency and Accountability”. These joint initiatives are indicative of DESA’s continued quest for finding options, methods and ideas that can promote audit as a tool for good governance and socio-economic development.

The UN is dedicated to promoting the exchange of experiences and best practices concerning innovations in governance and public administration that con-

tribute to social and economic development. DESA offers technical assistance and supports forums and networks to enable the exchange and sharing of innovative experiences, whether these practices turn out to be successful or failures, and to create a body of new knowledge which can be accessed by public administrations all over the world, whether in the South or North. The DPADM created an interactive website www.unpan.org with global, regional and country information on public administration and management. DESA also promotes good governance through its annual Public Sector Awards.

In the area of audit, DESA has welcomed proposals for interregional technical cooperation and capacity building in the area of results-based auditing of socio-economic programs, and is continually looking for opportunities for partnerships. For example, DESA has engaged in joint ventures with selected Supreme Audit Institutions (SAIs), where the objective is to make the audit function more central to the achievement of the United Nations Millennium Development Goals (MDGs) and the processes involved. These technical cooperation ventures are not intended to enlist SAIs in servicing the financial and miscellaneous reporting requirements of multilateral donors; rather the objective is to have them become stakeholders in the important challenge the MDGs present for their own countries, their regions and the globe. The objective is for SAIs, through the independence they enjoy, to assess to what degree their governments have ownership of the policies and processes involved, to ensure transparency and accountability in the use of resources, and to ascertain key successes through evidence. Given the fact that 191 countries have subscribed to meeting the MDGs by 2015, DPADM's proposition is to ensure that the audit community in the public sector and international organizations include in their own priorities the audit of progress and results towards achievement of the MDGs and their targets, and this within the boundaries of their respective mandates.

It is in this context that the DPADM, in partnership with the Board of Audit and Inspection (BAI) of the Republic of Korea, organized an Expert Group Meeting (EGM) in Seoul on May 26-27 2005 titled "Auditing for Social Change", to discuss how the audit function, both external and internal, can become tools for social change and impact. The workshop drew together experts from research institutes, think tanks, civil society organizations, international organizations as well

as the external and internal audit community. It explored how the audit process can be made more open and participatory and indeed, how audit can be used as a tool for citizen empowerment to hold the government to account. The resulting publication is an outcome of the workshop.

The first part of the publication discusses the role of the modern auditor as a catalyst for change and explores the main challenges of auditing, evaluating, and monitoring within the context of participatory governance and the United Nations Millennium Development Goals. The second part comprises five essays categorized into five sub-themes based on their bearing on the relationship between audit, empowerment, and social change. These essays explore the role of legislative oversight authorities, civil society, media and other stakeholders in making audit a tool for social change. The latter part of the publication is replete with presentations, detailed discussions (based on the workshop), as well as findings and recommendations that push the state-of-the-art in auditing to new heights. Additionally, they bring to light the importance of complementary forms of oversight and scrutiny, such as results based monitoring and evaluation. The publication also highlights the importance of alternate watchdogs besides the professional audit community and legislative oversight fora, such as the Public Accounts Committee of Parliament, civil society and the media. The conclusions derived from this publication should provide food for thought for the audit community and society at large as well as legislators, decision-makers and financial managers everywhere.

Guido Bertucci

Director

Division for Public Administration and Development Management

Department of Economic and Social Affairs

Preface

This publication is the output of an Expert Group Meeting / capacity development workshop organized by the Division for Public Administration and Development Management (DPADM) of the Department of Economic and Social Affairs (DESA) in partnership with the Board of Audit and Inspection (BAI) of the Republic of Korea and the Korean Association for Public Administration (KAPA) as part of the 6th Global Forum on Reinventing Government: Towards Participatory and Transparent Governance. About 60 participants took part in the workshop that included the Heads of Supreme Audit Institutions of the Republic of Korea, the Kingdom of Morocco, Saudi Arabia, Venezuela and Yemen, as well as representatives of professional bodies including the Institute of Internal Auditors, civil society organizations, media and government agencies. Specialists were invited to present papers and to discuss the institutions, processes and mechanisms of direct participation by legislative authorities, civil society, media and other stakeholders in the auditing process and how this participation might contribute to pro-poor policies by making auditing a tool for social change.

The scope of the publication is confined to auditing in the framework of good governance—a necessary condition to achieve the Millennium Development Goals. The contributors seek to find the balance between respecting the traditional boundaries of audit while allowing its functions to adopt a pro-active stance in examining public sector and international sector programs leading to the achievement of MDGs. The principal aim of the publication is to explore how the audit function can be made more open and participatory and how audit can be used as a tool for citizen empowerment for promoting transparency. Publication materials are based on papers and presentations submitted by the experts, conceptual framework as established by the DPADM staff, as well as recommendations of workshop participants, including external and internal auditors. Emphasis has been placed on best practices (ex. case studies), lessons learnt and methodological tools.

The EGM and resultant publication is part of the work program of DPADM, headed by Mr. Guido Bertucci, Director, who has provided the necessary guidance and support for such initiatives. Ms. Esther Stern, Interregional Advisor for Public Finance Management at SGMB & Mr. M. Adil Khan—Chief of SGMB, provided

the conceptual framework and expertise in formulating the agenda and theme of the workshop, identifying the experts and conceiving the resultant publication. Mr. Jacinto De Vera, Chief, Policy Analysis and Coordination Unit (PACU), SGMB was the portfolio manager of this project. Mr. Numayr Chowdhury, Consultant to PACU, assisted in editing and finalizing the publication. UNDESA wishes to thank the Board of Audit and Inspection of the Republic of Korea, in particular its Chairman, Commissioner and Director of International Programs for co-hosting the EGM in Seoul, Korea.

Findings and Recommendations

The Division for Public Administration and Development Management, of the United Nations Department of Economic and Social Affairs (DPADM/UNDESA) organized and conducted in partnership with the Board of Audit and Inspection (BAI) of the Republic of Korea an Expert Group Meeting in the framework of the Global Forum for Reinventing Government (Workshop V) on 26 and 27 May 2005 on the topic “Auditing for Social Change”.

The Expert Group Meeting on ‘Auditing for Social Change’ was undertaken with the following key objectives:

1. Explore options and strategies of how to make audit more effective and meaningful and most importantly, an empowering tool of the citizens for social change.
2. Examine the opportunities and challenges of Audit Institutions building partnerships with civil society organizations and the NGOs, as well as strengthening relations with legislative overseers and the media.
3. Explore strategies and modalities of making Audit more results-based and oriented, to the extent relevant, to the UN Millennium Development Goals (MDGs).
4. Promote reform processes of Supreme Audit Institutions (SAIs) through the use of the audit function as a tool to empower citizens in furthering transparency and accountability for public spending.
5. Share best practices and innovations in Audit and External oversight.

About 60 participants took part in the meeting that included Heads of Supreme Audit Institutions of the Republic of Korea, the Kingdom of Morocco, Saudi Arabia, Venezuela and Yemen. In addition, there were representatives of professional bodies, including the Institute of Internal Auditors, international organizations including the World Bank, civil society organizations, media, research and government agencies. The Chairman of the Board of Audit and Inspection (BAI) of the Republic of Korea opened the meeting and the Director of the Division for Public Administration and Development Management (DPADM) of UNDESA made welcoming remarks.

The participants of the Expert group Meeting-Workshop V endorsed the common theme of the Global Forum that in a globalizing and democratic world, participatory and transparent governance is vital to achieving economic growth, social justice and equity. Audit, being an important tool of checks and balances, remains an integral part of this emerging governance culture.

The meeting included the following presentations—one keynote paper on MDGs and audit, five resource papers and one high level panel discussion. The papers, presentations and discussions examined the audit function from a variety of perspectives: the challenges of auditing, evaluating and monitoring within the context of participatory governance and UN Millennium Development Goals (MDGs); the constraints due to mandates, other legal aspects and resources of audit institutions, especially in developing countries; several case-studies of bottom-up audit through direct citizen participation; participation by media and civil society organizations in audit; linkages between planning, budgeting and audit; and the role of parliamentary oversight.

Each of these topics chosen for the workshop had bearings on the relationships between audit, empowerment and social change:

1. Participation of the civil societies in the auditing, whether in a formal or in an informal process, has the real potential to enhance accountability and align public services to citizens' needs in such important areas as achievement of MDGs.
2. Participation of audit in the budgeting and planning process can equally strengthen the accountability process proactively.
3. Media can help mainstreaming citizens directly into the auditing process and improve transparency and compliance by building citizen consensus against corruption, misappropriation of public resources and mismanagement.
4. By strengthening the legislative oversight, audit can enable the parliamentarians to play a more pro-active role in public sector expenditure.

The Workshop participants agreed that the future of participatory and transparent governance, of which Audit is an integral part, hinged upon the collaboration and cooperation of diverse social actors including but not limited to govern-

ment agencies, legislators, the private sector, NGOs, the media and individual citizens. The group believed that achievement of real impact of audit on the citizens would warrant some degree of engagement between the audit and the citizens themselves.

It is against this backdrop that the group agreed that participatory audit is the way of the future but its implementation would require several adjustments at the institutional, legal and methodological aspects of the audit processes. In some cases, this may warrant amendment to or reform of the law guiding the aspect of information accessibility. However, while stressing the importance of participation, the group also cautioned that such engagements should avoid compromising the principle of independence of the auditors.

The Expert group Meeting participants made the following overarching recommendation:

The UN should facilitate the establishment of necessary networks among the audit community, civil society organizations and the media towards the advocacy for the right of the citizens to public information, best practices information exchange and capacity building initiatives with a view to promoting the concept and the practices of participatory audit.

In addition, they made the following findings and recommendations:

1. The functioning of the Supreme Audit Institutions as public financial “watchdogs” remains somewhat limited, especially in many developing countries, both in terms of scope and impact, mainly due to the way these functions are organized and resourced within the overall structures of their public administrations. As a result, too many audit reports focus on “accidents” rather than on “road conditions”, on dated and immaterial findings, and on cash layouts and inputs rather than on outcomes and results.
2. Audit as an expenditure control exercise is important for detecting and preventing fraud and combating corruption in public expenditure, but increasingly, there are expectations that Audit should also become more results oriented. Furthermore, it should get involved in examining the

entire decision-making processes in order to ensure consistency between planning, budgeting and implementation especially those processes that are geared to achieve the stated national goals, including the Millennium Development Goals (MDGs). In budget formulation and analysis, there has been a dramatic growth in civil society participation, but enforcement requires strong oversight in partnership with the legislative overseers, the Supreme Audit institution (SAI) and the media. Budget implementation for achievement of MDGs could be greatly enhanced through more direct participatory auditing.

3. The audit process could become more effective by involving civil society organizations in the audit process through participation. It could as minimum share information with the civil society organizations, NGOs and the media. In this regard, Information and Communication Technology (ICT) can facilitate this process and has the potential to enhance this synergy. SAIs need to provide clear information and recommendations, and create channels of communication and spaces for participatory auditing. Civil society can play an important role, in particular build literacy on public finance, set up networks to detect and prevent corruption, and pressure for action on audit recommendations.
4. Closer cooperation between the auditors, both internal and external, and the legislators has the potential to increase accountability and strengthen the capacity of the law-makers to exercise their oversight functions more effectively and confidently.
5. Media involvement in publicizing audit results has the potential to empower citizens to demand compliance and drive future actions that are more pro-poor. As there is less trust by citizens in government and greater public demand for government accountability, the media are no longer satisfied with their traditional role and are evolving from 'information dissemination' to 'public education'. Possible media roles also include: mindset changer, resource protector, guarantor of transparency and accountability of government and political parties. In the experience of an independent daily in Bangladesh, *The Daily Star*, the more it covered corruption and waste, the more it recognized the crucial importance

of auditing and institutions involved in it. Through roundtable conferences the newspaper uncovered problems such as delay in reporting by the Controller and Auditor General (CAG), and reports not being discussed by Parliament and advocated legislative changes to allow information accessibility and to strengthen CAG. The challenge is for media, with the assistance of SAIs and other 'watchdog' bodies, to inform the public about alternative policy options.

6. In some countries, the civil society organizations have been experimenting with audit of service delivery, procurement as well as with dissemination and follow –up of audit findings and recommendations through direct citizen and media participation such as 'Citizen Report Card System' of India that reportedly have produced positive results in improving the quality of public services. Other experiments in participatory auditing have also had visible social impact: database with civil society involvement on corruption/compliance in South Africa, participatory audit in procurement leading to new procurement law in the Philippines, participatory audit leading to right to information campaign and related legislation in India.
7. To make audit more results oriented, more research is needed to find ways to link audit with evaluation, in order to drive consistency between evaluative or results indicators with that of the expenditure incurred, for a certain activity or a range of activities.

ABBREVIATIONS & ACRONYMS

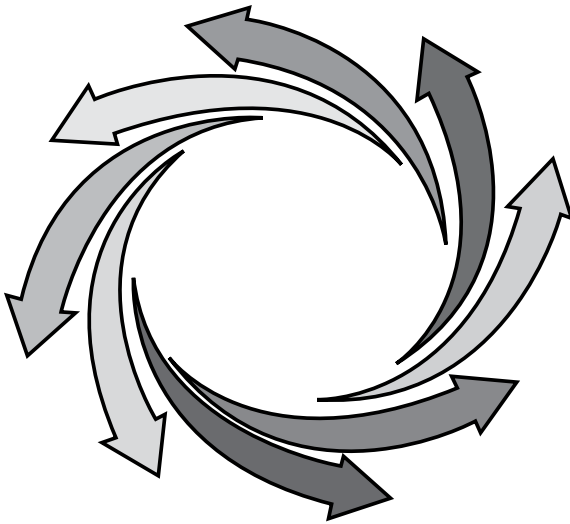
ACCA	Association of Chartered Certified Accountants
AG	Auditors-General
AIDS	Acquired Immune Deficiency Syndrome
BAC	Bids and Awards Committee (Philippines)
BAI	Board of Audit and Inspection (Republic of Korea)
BDA	Bangalore Development Authority (India)
BESCOM	Bangalore Electricity Supply Company Limited (India)
BMP	Bangalore Mahanagara Palike (India)
BMTCT	Bangalore Metropolitan Transport Corporation (India)
BSNL	Bharat Sanchar Nigam Ltd. (India)
BWSSB	Bangalore Water Supply and Sewerage Board (India)
CAG	Controller and Auditor General
CBPP	Centre on Budget and Policy Priorities (Washington D.C.)
CCAGG	Concerned Citizens of Abra for Good Governance (Philippines)
CEO	Chief Executive Officer
COA	National Commission on Audit (Philippines)
CPA	Commonwealth Parliamentary Association
CRC	Citizen Report Card
CEPA	UN Committee of Experts in Public Administration
DESA	Department of Economic and Social Affairs
DISHA	Development Initiative for Social and Human Action (Gujarat, India)
DPADM	Division for Public Administration and Development Management
EGM	Expert Group Meeting
FOIA	Freedom of Information Act
FUNDAR	Centre for Analysis and Research (Mexico City, Mexico)
GAO	(United States) Government Accountability Office
HIV	Human Immunodeficiency Virus

IBP	International Budget Project
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IDASA	Institute for Democracy in South Africa
IFAC	International Federation of Accountants
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organization for Supreme Audit Institutions
ITA	Integrity, Transparency and Accountability
JACTT	Joint Anti-Corruption Task Team (South Africa)
KAPA	Korean Association for Public Administration
MC	Monterrey Consensus
MDGs	Millennium Development Goals
MKSS	Mazdoor Kisan Shakti Sangathan (Rajasthan, India)
MP	Millennium Project
MPWH	Ministry of Public Works and Highways (Philippines)
NCPRI	National Campaign for People's Right to Information (India)
NEDA	National Economic Development Agency (Philippines)
NGOs	Non-Governmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PAC	Public Affairs Centre (Bangalore, India)
PAC	Public Accounts Committee
PACU	Policy Analysis and Coordination Unit
PEMD	Program Evaluation and Methodology Division (GAO)
PIL	Public Interest Litigation
PRSPs	Poverty Reduction Strategy Papers
PSAM	Public Service Accountability Monitor (South Africa)
PWI	Procurement Watch, Inc. (Philippines)
RTO	Regional Transport Office (India)
SAI	Supreme Audit Institution
SACEPS	South Asian Centre for Policy Studies

SARFM	South Asian Regional Financial Management
SGMB	Socio-Economic Governance and Management Branch
UDN	Uganda Debt Network
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNPAN	United Nations Online Network in Public Administration and Finance
VIC	Vienna International Centre
WB	World Bank
WBI	World Bank Institute
WDR	World Development Report
WPSR	World Public Sector Report

PART ONE

Concepts and Issues



This page intentionally left blank

Auditing for Social Change in the Context of the Millennium Development Goals

M. Adil Khan and Esther Stern¹

Not too long ago, public demands for accountability and transparency in governance were given less priority. The end of the cold war era, rising democratization of countries and emergence of strong civil societies and open media are creating new and more radical demands of transparency and accountability in the public sector. These demands are centered on stronger monitoring and evaluation and more rigorous audit of public expenditure. At the same time, an increasingly active citizenry is championing the call for responsive government, for policies that foster equity and development, for a budgetary planning process which is open and subject to scrutiny, for eradication of graft and corruption, and for enhanced and demonstrated results. However, despite these recent positive trends, studies show that many developing countries perform poorly with respect to holding its government to account and in efforts to control corruption, in the equitable distribution of services and in effective decentralization.

Managing the public sector in today's environment of constant change has become a demanding challenge for policy makers, service delivery managers, and civil servants – a challenge that is especially daunting for those in developing countries and countries with economies in transition. The current trends and challenges to which governments have to respond and to which there are no boundaries include: long-term fiscal imbalance, national security, global interdependence, changing economy, demographics, science and technology, quality of life and environment, and last but not least governance. Consequently, the challenges facing the audit profession are also constantly evolving.

The United Nations, together with international financial institutions and development agencies, have for the last two decades expressed concern with the lack of governance and accountability in developing countries and have endeavoured to find responses and solutions. Although structures and mechanisms exist

¹ The views expressed in this papers are those of the authors and do not necessarily represent those either of the United Nations or its Member States.

in all countries for ensuring public accountability, these have in many cases not been successful in resolving issues of governance.

Therefore, the ability of the traditional accountability mechanisms to effect change on the functioning, performance and transparency of governments are increasingly being openly debated. International efforts are focusing on issues of governance and accountability, and interventions dealing with government reform range from administrative reforms to the redesign of judicial and audit institutions. In addition, the donor community is increasingly initiating projects aimed at building the capacity of civil society and citizens at large to demand accountability from the State. The focus is on strengthening public accountability through pressure from outside of governments, especially through civil society institutions.

Indeed, donors are targeting for key reform the strengthening of parliaments, protecting the autonomy of the judiciary, improving the performance of the public sector, supporting the development of professional media, encouraging private investment, and decentralizing delivery of services. While in this context, the strengthening of Supreme Audit Institutions (SAIs) in developing countries has received some degree of attention by the donor community, not enough attention has been paid to these institutions as potential tools for promoting socio-economic and pro-poor governance. Few reform processes of SAIs have zeroed in on how the audit function could become a tool to empower citizens in furthering transparency and accountability for public spending.

The United Nations Department of Economic and Social Affairs (UNDESA) proposes that SAIs and the audit community at large improve their impact by taking into account the growing voices of what have become known as “alternate watchdogs,” including civil society organizations and the media, with special reference to the implementation of the Millennium Development Goals (MDGs). The question is whether the audit function, both external and internal, can be made more open, pro-active and participatory, moving the function from being a technocratic and a reclusive tool of expenditure control to a more engaging tool for social change and citizen empowerment.

It is UNDESA’s belief that the way audit is currently conducted and the institutional framework within which audit activities are conducted provide opportunities that can make a meaningful contribution both to the accountability aspect of

the public expenditure and to the core of what government initiatives are expected to achieve—reduce poverty, guarantee social justice and empower people.

One of UNDESA's newest initiatives is to make the audit function more central to pro-poor governance, with the results-based audit of MDGs as a focus area. The objective is to extend the role of civil society from participation in the design of pro-poor strategies and service delivery to include in contributing to the accountability processes of the government to ensure full, timely and quality implementation government commitments.

It is to explore this potential that UNDESA organized the Expert Group Meeting/ Workshop on "Auditing for Social Change". The workshop, among other things included the examination of successful case studies involving participatory audit and monitoring in order:

- (i) first, to facilitate evolution of institutions and institutional processes that are conducive to support pro-poor policies and decision-making; and
- (ii) secondly, to assist public sector institutions and management systems to become more results oriented, and accountable.

With regard to the first, UNDESA has launched a program on "engaged governance" examining, promoting and advocating the concept of citizen/government dialoguing for pro-poor policies including pro-poor budgeting, more as a norm rather than as an ad hoc arrangement. In this endeavour, we see sets of parallel and yet complementary movements, namely, public institutions adopting a more engaging behaviour in its decision-making and the civil society organizations becoming more collegial and supportive in its dialoguing role, aiming at inter-linking issues of engagement, social justice and pro-poor development. UNDESA recently held an Expert Group Meeting on Pro-Poor Budgeting.

With regard to the issue of results orientation of the public sector institutions, DESA has taken initiatives to promote systems, procedures and methodologies for results based monitoring and evaluation. In recent times, UNDESA has supported the government of Sri Lanka to develop MDG based results-indicators and to assist oversight of MDG related programs in a more transparent and accountable manner. UNDESA also held an Expert Group Meeting on aid management and explored monitoring aid within the results framework.

The focus of the Expert Group Meeting/Workshop is on participatory audit experiences and methodology. Participatory Audit is different from Social Audit in that it refers to audit processes where stakeholders are directly or indirectly involved through a variety of audit and monitoring methods and public hearings.

Social Audit refers to a process that enables an organization to assess and demonstrate its social, economic, and environmental benefits and limitations. It is a way of measuring the extent to which an organization lives up to the shared values and objectives it has committed itself to.²

Audit and the Climate of Change

With the changes brought on by globalization and liberalization, access to information and indeed, the rising expectations of the citizens brought on by the increased democratization of countries and societies, impetus for change in all aspects of life including the public sector management systems have become imminent, if not already a matter of reality.

In this climate of change, audit is not lagging behind. Already, state-of-the-art auditing has started to go beyond the examination of expenditure and beginning to look into the processes and procedures that influence the decisions on expenditure. For quite some time now, auditors have started to look at management processes and systems to determine the cost-effectiveness of public expenditure. The results of such examinations often lead to recommendations for improvement and change that are systemic in nature. In that context, the modern auditor is indeed becoming a catalyst for change. For example, since over a decade the concepts of “managing for results”, “auditing for results” have taken roots in many countries, making it evident that the functions of audit have undergone significant changes and the lines between audit, evaluation and monitoring are becoming less rigid. There are now a lot of complementarities among these three tools of expenditure management.

In Results-based audit³, “the emphasis is placed on identifying the critical results or products to be achieved by a program or a process. These results may take form

² Community Land Unit Action framework, Graham Boyd and Alana Albee, 2001

³ Comprehensive Auditing Manual, Office of the Auditor General of Canada, August 1990

of outputs produced in relation to those intended, products delivered, or immediate goals that must be achieved for the program or process to be a success./.../”.

Furthermore, the audit function has also taken an interest in governance as an integral indicator of the managerial health of an organization, whether private or public. In that respect, audit standards regarding the structure, composition, role and impact of Audit Committees⁴ have already started to experience significant change. More research is needed to explore to what degree Audit Committees are currently being utilized to ensure proper scrutiny of pro-poor programs and projects, and how both governments and civil society could exploit this mechanism for greater transparency.

UNDESA believes that the evolving role of audit can be taken one step further without disregarding its traditional boundaries to focus on issues that are of vital importance to a country and its citizens such as the Millennium Development Goals. It is hoped that some forms of synergic relationships between the citizens and the audit can be forged to empower the former to guide the public sector initiatives to implement the agreed goals, both national as well as international. In other words, the overall thrust is to explore innovative ways of engaging the audit community more pro-actively in ensuring that impact is achieved for the public good not only as a result of audit recommendations, but also as a result of broader engagement in the audit process, thereby creating a better environment of ownership to and compliance of these recommendations.

With the advent of performance audit that blurred the boundaries between financial and compliance audit disciplines, the auditors have already moved in a way that seek for more accountability in the auditing process. Performance audit’s analysis of a policy, program or project implementation almost always makes reference to policy issues.

The next step, linking the beneficiaries of the public policies and programs — the citizens — to the audit process, holds the promise to create a much stronger climate of compliance and therefore, positive social change.

The efficiency and effectiveness with which governments are using resources are in many cases not showing improvements as major public expenditures and invest-

⁴ The Institute of Internal Auditors, *Audit Committee Effectiveness*, 3rd Edition, 2005

ments turn out to be of low impact and return. There are reportedly also issues of systematic failure to collect revenues. Common causes cited are widespread corruption linked with a lack of rule of law and transparency. Poverty reduction continues to be the major development hurdle for many countries, despite decades of sustained aid.

Both citizens and development experts have argued for the need to restructure the State and its functions as a response to governance and development failures. Supreme Audit Institutions (SAIs), also referred to as national audit offices, exist in most countries, as do provisions for internal audit and other control mechanisms within state institutions, but their effectiveness and independence have been at issue in many developing countries. Indeed, most SAIs receive constitutional recognition, and as watchdogs of public finances, act as critical links in providing independent oversight and thereby enforcing the accountability of executive agencies to national and state legislatures and through them to the general public.

The effectiveness and efficiency of SAIs — even in performing traditional functions — has however been fairly limited in many countries as a result of several factors including: lack of independence from the executive; limited access to information; financial and legal constraints; capacity and skills constraints; lack of timeliness and relevance; weak political clout to enable follow up; and poor communication between the SAI and the legislature hampering corrective actions; and lack of contact with citizens and civil society organizations thus hampering efforts to treat audit as an instrument of citizen empowerment⁵.

Many of these problems stem from the fact that Supreme Audit Institutions (SAIs) are made to abide by stringent legislative mandates, international and national standards, and remain confined within tradition-bound bureaucracies. In exceptional cases where complaints of massive fraud or irregularities are received, auditors may engage the citizens through some forms of surveys. But these are more exceptions than norms.

Another area where audits seldom get involved is the audit of the international commitments of the governments, though thanks to the initiatives of the International Organization of Supreme Audit Institutions (INTOSAI) some countries

⁵ Report on the 17th UN/INTOSAI Seminar on Government Auditing, 2004 “Independence of Supreme Audit Institutions” p. 5, p. 28-32

have taken up audits of implementation of these commitments, especially in the area of environment⁶.

Efforts such as the above and other forward looking innovations are underway, even within the limits of existing standards and constraints, to make audit more useful to legislators, decision-makers and the citizenry. For example, the success of “joint, concurrent, parallel or coordinated”⁷ audits whereby SAIs of two or more countries, the national and one or more sub-national legislative offices scrutinize a particular area or sector of common interest, reporting through their respective reporting mechanisms. Also, reporting has gone a long way both for external and internal audit, where increasingly reports are not only issued on a timelier basis, but have also become highly visible by making them public. Lately, in its quest for contributing to accountability, transparency and good governance, media is also taking increasing interest in audit.

Making Audit a Tool for Social Change

The challenge facing the audit community is how to strengthen audit to make it a tool for social change. In this endeavour, the following questions need to be addressed:

- By linking expenditure with results, can audit contribute more effectively to guide actions to results?
- Should audit go beyond post-facto expenditure analysis and get involved more pro-actively during the planning and the budgeting phase?
- Since public expenditure is very much about the public, are there opportunities to involve citizens into the auditing process? If so, how can this be achieved? In this, what role can the media play? What role can the civil societies play?
- Finally, by making audit more participatory, can it be made to function as an empowering tool for the citizens to hold the state accountable more

⁶ INTOSAI, Environmental Audit Working Group, www.environmental-auditing.org

⁷ Can Legislative Auditors make a Positive Difference to the Performance of International Organizations? Vinod Sahgal and Esther Stern, Opinions Vol. 12 No 1, Office of the Auditor General, 1994

directly — but at the same time not compromising the parliamentary process of check and balance?

The EGM/workshop, “Auditing for Social Change” aims to discuss some of these issues insightfully. Seen within the context of the concept of “engaged governance” UNDESA believes that there are real opportunities to broaden the both the operational space as well as the process of audit. It is in this context that UNDESA has recently taken an interest in the role that the audit institutions could play through partnerships and involvement of civil society in furthering the conventions and treaties adhered to by its Member States, encapsulated in the 2000 Millennium Development Goals (MDGs)⁸.

The emerging issues for public administrations were presented and deliberated at the Fourth Session of the United Nations Committee of Experts in Public Administration (CEPA) from 4 to 8 April 2005 at the United Nations headquarters⁹. One of the main themes discussed pertains to Integrity, Transparency, and Accountability (ITA), a theme which has been at the core of SAIs’ objectives for decades. The overarching framework for the discussions was the achievement of the 2000 Millennium Development Goals (MDGs) by 2015 endorsed by all UN Member states, with focus on poverty reduction and social orientation to development (7 out of 8 goals), and on partnership for development between the private and public sectors and between Government and the citizen.

The following points deliberated by CEPA are directly linked to the theme of the EGM/Workshop:

- Citizen demands for better delivery of services and more equity has increased, as has the demand for strong, open, and participatory monitoring, evaluation, audit, and information sharing;
- Many of the existing standards and norms pertaining to ITA are either outdated or not institutionalized. The flurry of recent national, regional and

⁸ Capacity-Building in the Independent Audit of the United Nations 2000 Millennium Development Goals, Esther Stern, Report on the 17th UN/INTOSAI Seminar on Government Auditing, 2004

⁹ The proceedings and documents of CEPA can be accessed on UNDESA’s interactive website www.unpan.org.

international commitments, conventions, and treaties related to ethics, corruption, and money laundering and integrity demonstrate the urgency of addressing ITA issues – in many countries the adopted conventions remain to be ratified, implemented, monitored, and enforced; and

- Information and communication technology (ICT) has created opportunities for information sharing and wider stakeholder response and participation/input in public policy and decision-making.

Against this backdrop, it becomes clear that the role of an independent and responsive SAI has to evolve towards the following roles:

- Assist the legislature to carry out its constitutional responsibilities and legislative oversight;
- Assist in improving the performance of government; and
- Ensure accountability and transparency of government for the benefit of the citizens.

Adopting such roles necessarily implies that SAIs cannot hide behind the past and must use their audits of past performance and activities to draw lessons for today and tomorrow. It also implies that in addition to preventing and detecting fraud, waste, and abuse, and assisting the government to become more efficient and effective, SAIs must examine the role of government, albeit within the boundaries of their mandate. Some newly created SAIs have already enshrined the latter focus in their legislation, specifying as one of their main objectives the evaluation of government policy.

A modern outlook on SAIs' roles would also imply that they lead by example and promote best practices by observing protocols, employ a constructive engagement approach with audited entities, and partner with fellow oversight and accountability organizations as well as with selected "good governance" institutions. Most importantly, to achieve real impact for the benefit of the citizens would imply some degree of engagement of the citizens and their perspectives in the audit processes. However, in the same way that most public administration systems remain introverted and lack inclusiveness in decision-making processes, many audit offices and their operations have remained a mystery and are shielded

from the public eye and scrutiny. The time may be ripe for SAIs to pro-actively engage citizens through participatory auditing.

Workshop “Auditing for Social Change”¹⁰

In order to discuss in depth the implications for SAIs of moving towards participatory audit processes, UNDESA has structured the workshop “auditing for social change” around the following themes.

1. *Audit and Planning and Budgeting*

It is important to explore how audit can contribute to better planning and budgeting to achieve results in social programs, particularly the UN Millennium Development Goals.

The following questions need to be addressed:

- Is there a role for people participation in the audit of budget formulation and implementation?
- What is the potential role of civil society organizations in demanding and fostering fiscal transparency?
- To what degree do government financial systems and fiscal data support a comprehensive oversight and risk-based scrutiny of public spending in the social areas, and can these be linked back to the budget?

2. *Audit and Civil Society*

A number of experiences in participatory audit around the world indicate that audit can become a tool to empower citizens at the grassroots level, through partnering with civil society in the audit process.

It is essential to discuss

- how participatory auditing could be mainstreamed in the audit function while adhering to the principle of independence and other professional audit standards; and
- to what degree civil society has had an impact on fiscal transparency and good governance, and the role that audit could play in this respect.

¹⁰ VI Global Forum on Re-Inventing Government, Workshop 5, Aide-Memoire

3. *Audit and Legislative Oversight*

The increasing importance of legislative oversight of the executive branch reflects the growing complexity of government activities and program delivery mechanisms. Parliaments are getting more engaged in overseeing the budget and its execution. Parliamentarians are also key actors in supporting pro-poor spending and programs and in furthering democracy.¹¹ The oversight function of legislatures is essential in ensuring that governments develop and implement programs which are in the public interest, and in holding the state to account for its spending.

Legislative governance systems for financial accountability and oversight vary substantially according to the country's constitution. However, common challenges point to the need to consolidate and share best practices and lessons learned in effective legislative financial oversight with regard to areas of governance, mandate and committee functioning.

The following issues need to be addressed:

- How can audit become a more effective tool for promoting legislative oversight and accountability for budget decisions, public spending, and government programs?
- How can legislative oversight committees open up to public opinion and input, media reporting and other stakeholders to establish a common understanding of public interest issues?
- Is there scope to engage public interest and citizen dialogue in parliamentary financial oversight, especially in areas of pro-poor spending and taxation?
- Can parliamentarians be sensitized to focus on the quality of audits; and to examine the impacts achieved through audits rather than to analyze specific cases of irregularities?

4. *Audit and the Media*

In the last decade, the world has seen the mushrooming of “alternate watchdogs” that often get more public attention than the audit community. Alternate watchdogs include the media, transparency and anti-corruption bodies and think tanks.

¹¹ Legislatures and Oversight, World Bank Institute, Edited by Riccardo Pelizzo and Rick Stapenhurst, 2004

The media are interested in “horror stories” uncovered through audit – which have great “media value” – as opposed to reviewing impacts achieved through quality audits. It is timely to discuss what the impact of “alternate watchdogs” has been on fiscal transparency.

Other questions that merit debate include:

- What role can the media play in publicizing results of audits and advocating for citizen’s right to information?
- What are the advantages and disadvantages of the audit community to adopt a media-shy attitude?
- How can the audit community effectively use the media through strategic communication to steer them away from mere horror stories towards the underlying causes and the impacts that can be achieved through audits?
- What are the opportunities to empower the citizens through media involvement in publicizing audit results?

5. Audit and Pro-Poor Governance

The audit, evaluation and monitoring of pro-poor governance and the United Nations Millennium Development Goals (MDGs) with a focus on outcomes present unique challenges. Special attention needs to be given to the issues of national priorities vis-à-vis the MDGs and the institutional framework that drive the planning, budgeting, implementation and monitoring of MDGs, as well as the role that audit can or has the potential to play in the process.

In that regard, the following questions need to be deliberated:

- Can coordination of audit efforts amongst national, regional, local and self-governing bodies be achieved for comprehensive oversight of results achieved?
- Can audit become more engaging and an empowerment tool for the citizens to hold the state to account for the achievements of pro-poor programs and service delivery?
- How can audit methodology become complementary to evaluation and monitoring techniques in order to better measure results and progress towards achieving pro-poor programs, including the MDGs?

- What resultant legal and administrative changes are necessary to evaluate and audit MDG progress and impact for and by the citizens?

Audit and the Millennium Development Goals (MDGs)

UNDESA is in the process of exploring how results-based audit techniques could be applied to areas of socio-economic development and pro-poor governance such as the achievement of commitments to which UN member states have over the years subscribed to, and which are encapsulated in the Millennium Development Goals. In this context, it would also be useful to see how public sector policies and programs have been aligned to achieve these commitments. Currently, most audits examine public sector expenditure based on some accountability standards that are at most only regulatory and results oriented, and furthermore, very few are oriented to Millennium Declaration goals and targets.

Making Audit an Integral Part of the MDG Processes

Following the 2002 Monterrey Consensus, the UN and its partners have insisted on national ownership of the Goals, especially for countries with most pressing needs and low human development, without which national programs will neither be appropriate to local conditions nor politically sustainable. National strategies for poverty reduction need to be based on specific needs, solid evidence, good data, corresponding budgeting and monitoring and auditing.

To that end, over fifty developing countries have prepared Poverty Reduction Strategy Papers, (PRSPs) which provide frameworks for financing, implementing, and monitoring the strategies. Some countries are also taking initiatives to mainstream PRSP within the MDGs. These are prepared by governments but emerge from broad-based participatory processes. However, many of these participatory processes continue to remain limited to planning and to some extent budgeting, but not in monitoring and auditing, leaving an important gap in the accountability process.

In a 17 January 2005 report released by the Millennium Project, a strategy for cutting extreme poverty and disease in the poorest countries was spelled out. It is based on existing development processes, tools, and policy vehicles, but empha-

size that all these should be MDG oriented¹². The report reinforces the PRSP approach, but proposes a planning horizon leading up to 2015 to align with the MDG timetable. The strategy calls for the preparation of 10-year detailed and practical investment plans for meeting the goals. The report argues that this will only be possible where the national government is committed to meet the goals; and that only governments willing to sign on to a rigorous compliance regime will receive increased aid levels. It calls for results-based management of foreign assistance against the quantitative targets set for 2015, with aid to be delivered in each sector against measurable interim benchmarks on a clear calendar basis. The report calls for specific compliance guidelines that include spot audits, evaluation, and publication of achievement of performance indicators.

In this regard, it is safe to say that as far as the audit function is concerned, few initiatives exist to link public expenditure with MDGs targets; additionally minimal effort has been made to make these initiatives participatory, to assist tracking related financial flows, assess utilization of resources, adequacy of decision-making and implementation processes, or ascertain results achieved on the ground. Where donor contributions are involved, auditing, like financial reporting, usually conforms to the specific donor requirements for audited financial statements. Where government resources are used, audits seem to be planned according to existing institutional audit regimes and are usually sector or project based, without special regard for the targets and indicators of the MDGs. This situation is a clear indication that national ownership of the MDGs is still not entrenched in all of the government management and oversight processes.

Taking HIV/AIDS programs as a case study, UNDESA has found that legislative auditors at national and sub-national levels, as well as internal auditors of ministries and institutions, have in fact performed audits related to various aspects of HIV/AIDS as part of their mandate and regular cycle of audits of public expenditure items. Those audits varied widely in approach, objectives, scope, and type of audit. Similarly, donor countries and institutions have performed or requested financial audits from recipient institutions – be it a ministry or implementing agency – according to their own specific requirements. In general, the audits dealt with financial and material matters

¹² Global Plan to Achieve the Millennium Development Goals⁹, United Nations, Millennium Development Project, January 2005

and rarely focused on performance or results achieved; more importantly, the absence of the citizenry—the actual beneficiaries of public expenditure into the auditing processes—equally weakened the capacity to make audit more results oriented.

The EGM highlights several citizen-based approaches in audit such as India's report Card System where citizens are called upon to rate various public services¹³. The practice has gone on for several years and is seen to be creating highly positive impacts in reforming both expenditure planning and its utilization. In South Africa, civil society organizations have published existing audit reports to encourage greater compliance. These and other examples indicate that there are real opportunities to collaborate with civil society organizations to make audit more results oriented and effective. However, to make audit more MDGs oriented and participatory several changes both at the methodological as well as at institutional level are warranted.

Capacity Building

As part of UNDESA's program to make the audit function central to the MDG roadmap, it has engaged in technical cooperation ventures and partnerships with audit institutions interested in exploring MDG related independent and results-based auditing from a national, local, regional, or interregional perspective. These technical cooperation ventures are not intended to limit SAIs in servicing the financial and other reporting requirements of multilateral donors as well as the government but rather to become an important stakeholder in realizing the MDGs. The objective is for SAIs, through the independence they enjoy, to assess to what degree their governments and target beneficiaries have the ownership of the policies and processes involved, to ensure transparency and accountability in the use of resources, and to ascertain key successes through evidence.

Another possible area of interest to SAIs is auditing the extent the government policies reflect international agreements and treaties and their achievements.

¹³ One of the immediate impacts of the Seoul EGM on Auditing for Social Change has been that the editor of a daily in Bangladesh, *the Daily Star*, who participated in the EGM as the media representative, found India's Citizens Report Card System that upon his return to his country, he started serialized publication of Score Cards of different Ministries comparing the pre-election commitments and current achievements.

Experts agree, however, that international agreements are not always couched in clear enough language, therefore presenting difficulties in formulating objectives and clear results expectations. However, the MDGs, while general in language, have established a set of measures and benchmarks to allow for measuring progress.

Conclusions

The audit of MDGs provides enormous opportunity and scope to discuss and develop innovative ways — including participatory auditing — of making the auditors partners for social change in putting the audit profession at the heart of citizens' interests, especially in the effort to overcome poverty, diseases, and other social and economic deficiencies by 2015.

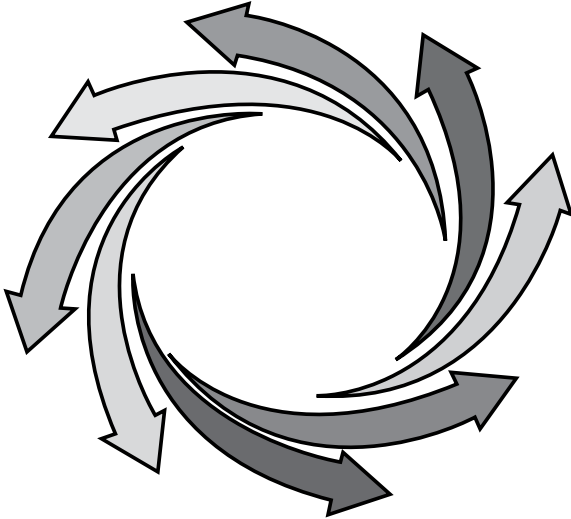
Auditing, as is evidenced could benefit much from a more participatory process that includes civil society and media. In addition, legislative oversight is also possible to be strengthened to such citizen engagement. These are complex process-related issues that will necessitate careful examination and capacity building.

Participatory audit highlights the importance of complementary forms of oversight and scrutiny, such as results based monitoring and evaluation. It also highlights the importance of alternate, if not complementing watchdogs/reporter besides the professional audit community and the legislative oversight forum, such as the Public Accounts Committee of the Parliament.

The audit community needs to carefully examine how the traditional boundaries of audit can be respected while the function adopts a more pro-active stance in examining national commitments to international conventions and treaties including pro-poor and socio-economic programs; and in what manner some forms of empowerment of and participation by civil society including media in the audit of public expenditures could be initiated.

PART TWO

Experiences of Participatory Auditing



This page intentionally left blank

The Role of Civil Society Organizations in Auditing and Public Finance Management

Vivek Ramkumar and Warren Krafchik¹⁴

The etymology dictionary¹⁵ explains that the term audit originates from the Latin word *audire*, which means “to hear.” *Audire* in ancient Rome referred to the “hearing of accounts,” a process in which one official compared his records with those of another official.¹⁶ As many of the parties interested in the audit findings were illiterate, audits were presented orally. In modern times, auditing has evolved into a technical discipline practiced by professional auditors who provide opinions on whether or not the annual financial statements of an entity comply with set accounting standards.

Over the years, auditing has retained its significance in public finance and, as such, Supreme Audit Institutions¹⁷ (SAI) receive constitutional recognition in many countries around the world. As watchdogs of public finances, the public auditors act as critical links in enforcing the accountability of executive agencies to national and state legislatures and through them to the general public. The public sector auditor reviews financial management of public sector entities to ensure that transactions have been undertaken with due regard to propriety and regularity. Recently, several public auditors have also assumed responsibility for assessing value for money considerations in public projects and programs in recent years.

¹⁴ The views expressed in this papers are those of the author and do not necessarily represent those of the United Nations or its Member States.

¹⁵ Online Etymology Dictionary. Douglas Harper. Updated November 2001. Retrieved 21 April 2005. <http://www.etymonline.com/index.php?term=audit>

¹⁶ Treasury Board of Canada Secretariat. “History of Internal Audit in the Federal Government.” Updated 26 May 2004. Retrieved 21 April 2005. http://www.tbs-sct.gc.ca/ia-vi/policies-politiques/history-histoire/history-histoire_e.asp

¹⁷ Supreme Audit Institutions (SAI) fall under three basic categories in most countries. In the Commonwealth countries that follow the Westminster system, the SAI is known as the office of the Comptroller and Auditor General. In France and in countries formerly under French influence, the SAI follows the *Cours des Comptes* (Court of Accounts) model. Finally, the Board or Collegiate system is prevalent in some Asian and European countries like Japan, Korea, Germany, the Netherlands and the countries of the former Soviet Union. Association of Chartered Certified Accountants. “Different Models of Supreme Audit Institutions.” Updated 2005. Retrieved 21 April 2005. <http://www.accaglobal.com/transparency/publicsector/audit/models>

However, the role of SAIs as public finance watchdogs is still limited in many developing countries around the world. This state of affairs is the result of several factors, including financial and skill constraints, SAIs' lack of independence from the executive, and poor communication between the SAI and the legislature and civil society organizations.

Although, public budgeting processes have traditionally excluded civil society organizations, in the last 10 years or so, civil society organizations in many developing countries have built effective capacities to analyze and influence public budgets. Generally, however, civil society engagement in public budgeting has focused on examining the executive budget presented to the legislature and monitoring the subsequent implementation of the budget. There has been much less civil society engagement with the auditing of expenditures after a budget has been implemented and there has thus been limited interaction between civil society organizations and SAIs.

This paper argues that greater collaboration between SAIs and civil society organizations can assist SAIs¹⁸ in overcoming some of the challenges that they face. An enhanced partnership between SAIs and civil society organizations will also help to insert the practice of *audire* – the public 'hearing' (meaning examination) of government accounts – into public auditing. The intention is not to suggest that civil society organizations can replace formal audit institutions. Instead, the authors propose that greater interaction between SAIs and civil society organizations is likely to lead to stronger budgetary oversight by both sets of institutions – and that this interaction will strengthen a country's governance framework and the effectiveness and efficiency of its anti-poverty programs. Our argument is supported by a set of case studies which highlight the innovative work of civil society organizations around the world in complementing the work of SAIs.

The examples presented in this paper cover pioneering civil society work in India, South Africa, and the Philippines. In India, the Mazdoor Kisan Shakti Sangathan (MKSS)—a peasant and worker union—uses innovative public hearing forums to conduct social audits of local government expenditures in village com-

¹⁸ This paper focuses on the potential for civil society organizations to contribute to the work of the SAI. Similar opportunities exist for civil society organizations to contribute to the work of Government agency internal auditors. However, such collaboration will need to be discussed in another paper.

munities. In South Africa, the Public Service Accountability Monitor (PSAM)—a research and advocacy organization—works closely with the legislature to track government agency responses to financial control weaknesses and instances of financial misconduct and corruption contained in the Auditor General’s reports. In the Philippines, a participatory audit was successfully conducted as a joint undertaking of the national Commission on Audit (COA) and a non-governmental organization called the Concerned Citizens of Abra for Good Government (CCAGG). Also in the Philippines, Procurement Watch, Inc. (another non-governmental organization), specializes in building systems of transparency and accountability into government contracting and procurement practices. Each of these examples holds great potential for replication in public auditing practices and thereby in improving governance and poverty-reduction.

This paper will consist of three subsequent sections. Section two outlines the role of auditing in public finance management and examines the challenges facing SAIs in developing countries. Section three presents the four case studies that show how civil society engagement has worked effectively to inform and complement the public auditing process. The final section provides recommendations for strengthening the relationship between SAIs and civil society organizations and thereby improving governance and reducing poverty.

2. Institutional Setting

This section outlines the current institutional framework of auditing in public finance management in developing countries. The first part highlights the significance of auditing and the manner in which it builds good governance. The second part identifies the challenges and institutional weaknesses facing SAIs in developing countries. The analysis draws on the results of two research surveys, including one conducted by the International Organization of Supreme Audit Institutions (INTOSAI) and one conducted by the International Budget Project (IBP).

2.1 Role of auditing in public finance management

Auditing is an integral part of an institutional framework supporting good governance and the realization of a country’s welfare measures and poverty eradication goals. Social welfare programs and other targeted poverty eradication programs in

developing countries are characterized by their access to limited resources. To achieve their goals, therefore, these programs depend greatly on the efficient and effective utilization of these limited resources. Within this framework, the role of the public auditor in monitoring the utilization of program resources is critical. A vigilant auditor can contribute greatly to the achievement of social development programs by limiting corruption and strengthening the accountability of responsible agencies.

Enforcing the Executive's Accountability toward the Legislature and Citizens

In most democratic countries, legislative oversight of public financial management takes one of two forms—*ex ante* scrutiny and *ex post* scrutiny.¹⁹ Under *ex ante* scrutiny, the legislature examines the budget prior to enacting it into law. Strong legislatures, such as those in the United States and Germany, have the power to alter the budget at this stage to ensure that budgetary allocations reflect national priorities. Weak legislatures, such as those in many of the Commonwealth countries, generally do not have the power to substantially alter the budget submitted to them by the executive prior to enacting it.

Under *ex post* scrutiny, the legislature utilizes the audit findings presented to it by the nation's SAI to examine whether the executive has implemented the budget according to the provisions of the law. Most parliamentary democracies, such as the United Kingdom, India, and South Africa, provide *ex post* scrutiny functions to the legislature or parliament. Under such a system, the SAI (which may also be called the Office of the Comptroller and Auditor General) reports its audit findings to the Parliamentary Public Accounts Committee, which is then responsible for considering and acting upon these findings. In many countries, audit reports are made available to the public and the media, which can then utilize the findings to demand accountability from the government.

Combating Corruption

Corruption is a plague that is present in all countries in varying degrees. However, it is in low-income countries that corruption is most wide spread and where it

¹⁹ Wehner Joachim. "Back from the Sidelines? Redefining the Contribution of Legislatures to the Budget Cycle." The World Bank Institute of the International Bank for Reconstruction and Development, 2004, p.8

can become a major obstacle to socio-economic development. While the causes and impact of corruption are beyond the purview of this paper, it is sufficient to say that corruption can be controlled—and its debilitating impact on an economy minimized—by the development of strong institutions of governance. An SAI that retains a clear mandate, possesses independence from the other agencies of government, employs a skilled staff, and has access to adequate resources is uniquely placed within any governance framework to combat corruption. In fact, it is interesting to note that SAIs in some countries have explicit mandates to report on corruption and criminal activity to law enforcement agencies.²⁰

Facilitating Good Governance

According to the United Nations Development Program (UNDP), good governance is classified as being participatory, transparent, accountable, effective, compliant with the rule of law, and responsive to the needs of the people.²¹ An effective SAI can play an important role in ensuring that some of these key attributes of good governance are maintained by the government. By auditing public finances, SAIs not only demand accountability of the government but in turn add credibility to the government's public financial policies and practices. By making their audit findings available to the public, SAIs provide a critical window on transparency in public finance management and assess whether government agencies have complied with national and/or local laws, regulations, and their annual budgets.

Aiding Financial Management

Modern day public auditors perform a variety of audits aimed at satisfying different financial management goals. Financial audits assess the accuracy and fairness of both the accounting procedures utilized by a government agency and the financial statements reported by the agency. Compliance audits assess whether funds were used for

²⁰ SAIs in the following countries are required to report on corruption and criminal activity in the following countries: the United States, the Philippines, Bhutan, Indonesia, Malaysia, Spain, Romania, Moldova, China, Estonia, Lithuania, the United Kingdom, South Africa, the Czech Republic, and the Slovak Republic. Dye, Kenneth M., and Rick Staphenurst, p. 19.

²¹ United Nations Development Programme. "Governance for Sustainable Human Development." Updated January 1997. Retrieved 8 February 2005. <http://magnet.undp.org/policy/chapter1.htm>

the purposes for which they were appropriated and in compliance with relevant laws and regulations. Performance audits analyze cost-effectiveness (economy), operational efficiency, and the general effectiveness of government programs in achieving their objectives.²² There has been a trend in recent years among SAIs toward increasing the number of performance audits as these audits are seen as revealing more about the effectiveness of government operations.²³ However, a comprehensive audit framework requires that all three types of audits (financial, compliance, and performance) be combined to provide a complete overview of public financial management.

2.2 Institutional Weaknesses in SAIs

Despite its critical role in enforcing accountability, SAIs are beset by severe institutional and operational limitations. In some countries, SAIs are not created by legislation that provides adequate independence and freedom from executive interference. Even in cases in which SAIs have sufficient auditing mandates²⁴, they may lack additional investigative powers to enable them to follow-up on apparent violations and ensure the prosecution of relevant agencies or individuals. Similarly, SAIs in many countries do not have adequate powers to decide what should be audited or how the audit findings should be presented. In many developing countries, SAIs lack skilled staff to perform the tasks expected of a modern auditor, such as detecting fraud using information technology. Similarly, financial constraints on SAIs often mean that they lack adequate infrastructure (office space, computers, and vehicles for transport), which further hampers the effective conduct of their work.

In many countries, SAIs report their findings to legislatures and particularly the public accounts committee (PAC) within legislatures. Due to time constraints, the PAC is able to consider only some of the audit reports²⁵ and audit findings—and poor

²² Transparency International. *Anti-Corruption Handbook*. Updated 23 December 2004. Retrieved 8 February 2005. http://www.transparency.org/ach/oversight_bodies/supreme_audit/discussion.html

²³ Dye, Kenneth M., and Rick Stapenhurst, p. 19.

²⁴ Borge, Magnus. "The Role of Supreme Audit Institutions (SAIs) in Combating Corruption." Transparency International. Updated October 1999. Retrieved 8 February 2005. http://www.transparency.org/iacc/9th_iacc/papers/day4/us2/d4ws2_mborge.html

²⁵ Krafchik, Warren. "What Role Can Civil Society and Parliament Play in Strengthening the External Auditing Function?" International Budget Project. Updated May 2003. Retrieved 8 February 2005. <http://www.internationalbudget.org/auditorgeneral.htm>

coordination with the SAI may prevent the PAC from taking up the most critical findings. The audit reports in these cases are then shelved and no action is taken against agencies or individuals that have broken the law or committed fraud.

While substantial anecdotal evidence of these problems is widely known and cited, two recent surveys provide concrete evidence of the challenges SAIs face.

2.2.1 International Organization of Supreme Audit Institution Survey

The Lima Declaration of Guidelines on Auditing Precepts was adopted at the Ninth International Conference of SAIs in Peru in 1977. This declaration sets out the internationally accepted basic tenets of public sector auditing, including emphasizing the need for SAIs to have independence from the executive, defining the audit powers that should be granted to SAIs, detailing the relationship that SAIs should have with the executive and with the legislature, and explaining the nature of the reporting that should be carried out.²⁶

In 2001, more than two decades after the adoption of the Lima Declaration, the International Organization of Supreme Audit Institutions²⁷ (INTOSAI) published the results of a survey conducted in 113 member countries (excluding the European Organization of SAIs, which had previously been surveyed). Using the parameters set out in the Lima Declaration, the survey examined the independence (or lack thereof) of SAIs in each country.²⁸ The INTOSAI Task Force report summarizes its findings by stating, “...it can be concluded that a considerable number of the SAIs surveyed are not really in a position to fulfil their mandates in a manner consistent with the requirements of the Lima Declaration of Guidelines on Auditing

²⁶ International Organization of Supreme Audit Institutions. “The Lima Declaration of Guidelines on Auditing Precepts.” Updated 2005. Retrieved 8 February 2005. http://www.intosai.org/Level2/2_LIMADe.html

²⁷ International Organization of Supreme Audit Institutions (INTOSAI) is the professional organization of supreme audit institutions (SAI) in countries that belong to the United Nations or its specialized agencies. INTOSAI was founded in 1953 and has grown from a membership of 34 SAIs to a membership of more than 170 SAIs. For more information refer to: <http://www.intosai.org/>

²⁸ International Organization of Supreme Audit Institutions. “Independence of SAIs Project: Final Task Force Report.” Updated 31 March 2001. Retrieved 14 February 2005. http://www.intosai.org/Level2/2_Indep_E.pdf

Precepts [italics added].” Some of the major limitations in the independence of SAIs cited in the report include:

- In 41 countries, SAIs felt that there was significant room for improvement in their constitutional autonomy.
- In 73 countries, SAIs felt that there was significant room for improvement in their financial autonomy.
- In 63 countries, SAIs felt that there was significant room for improvement in their managerial and administrative autonomy.
- In 33 countries, SAIs felt that there was significant room for improvement in their freedom to report findings.

2.2.2 The International Budget Project Survey

In 2004, the IBP²⁹ conducted a survey³⁰ in 36 developing countries (drawn largely from Africa, Eastern Europe, Asia, and Latin America) to assess transparency in national budgetary processes. The survey focused in part on key issues concerning public disclosures of audit findings. Respondents in each of the countries covered in the survey were experts drawn from civil society organizations.

The results of the IBP survey reinforce the concerns that the earlier INTO-SAI survey highlighted regarding the institutional and other weaknesses of SAIs in many countries. As the responses to the survey cited below show, public audit systems can often exclude civil society organizations—and, in some cases, even national legislatures – from effectively discussing major audit findings.

- **Accessibility:** The results of the IBP survey show that not all the annual audit reports are made public. In 12 of the countries surveyed, citizens did not have access to the auditor’s reports *even though the reports were*

²⁹ The IBP is a non-profit organization that works with organizations around the world to assess the impacts of budgets on poor and low-income people in developing countries or new democracies. The overarching aim of the project is to assist in developing budget systems that are more responsive to the needs of society and, accordingly, to make these systems more transparent and accountable to the public. For further information refer to: <http://www.internationalbudget.org/>

³⁰ Gomez, Pamela, Joel Friedman, and Isaac Shapiro. “Opening Budgets to Public Understanding and Debate: Results from 36 Countries.” International Budget Project. Updated October 2004. Retrieved 15 February 2005. <http://www.internationalbudget.org/openbudgets/index.htm>

produced in 11 of these countries.³¹ In 19 of the countries surveyed, the year-end audit reports of departmental expenditures that are released to the public do not include an executive summary.

- **Timing:** Only 6 of the 36 countries included in the IBP survey reported that the SAI produced its attestation report within six months of the end of the fiscal year as recommended by *The OECD Best Practices for Budget Transparency*.³² In 15 countries, final audited accounts of national departments are either not completed within two years after the end of the fiscal year or are not released to the public; in 8 countries, final audit accounts are released more than a year after the end of the fiscal year.
- **Comprehensiveness:** In 19 of the countries surveyed by IBP, the SAI either does not release to the public reports of audits of extra-budgetary funds or it does not audit such funds. No audit report is viewed or scrutinized by a committee of the legislature in 4 countries, while in 11 countries only some of the reports are viewed and scrutinized.
- **Follow-up:** In 7 of the countries surveyed by IBP, the executive does not report (either to the legislature or publicly) on the steps it has taken to address audit recommendations nor does it release findings that indicate a need for remedial action. In 23 of the countries surveyed by IBP, neither the SAI nor the legislature release to the public a report that tracks actions taken by the executive to address audit recommendations.

2.3 Summary

In the first part of this section, we demonstrated that SAIs play a critical role in strengthening a country's governance and the administration of anti-poverty and other social-development programs. For example, SAIs assist legislatures in

³¹ Only in Nicaragua did the country's SAI, the Contrólaria, not produce a report at all.

³² Organization for Economic Cooperation and Development. *OECD Best Practices for Budget Transparency*. Updated May 2001. Retrieved 15 February 2005.
<http://www.oecd.org/dataoecd/33/13/1905258.pdf>

The Organization for Economic Cooperation and Development's (OECD) Best Practices, released in 2001, detail the information that should be publicly available as part of a government's budget documents and during each stage of the budget process.

enforcing accountability from executive agencies by producing audit reports; they conduct audit tests to detect fraud and misappropriation of public funds; and they make recommendations to public agencies on how to strengthen their financial management systems.

In the second part of this section, we reviewed two surveys that identified weaknesses in many national SAIs that prevent them from meeting the requirements of the Lima Declaration and therefore from enforcing their primary mandate of holding the executive accountable for its use of public funds. The INTO-SAI survey suggested that the SAIs' weaknesses arise from lack of autonomy (legal, administrative, and financial). The IBP survey suggested that the SAIs' weaknesses include ineffective dissemination and late reporting of audit reports, lack of comprehensiveness in audit reports, and weak follow-up on audit reports.

The next section explores the skills and experiences that civil society organizations bring to the conduct of public audits that can help SAIs to overcome some of their weaknesses.

3. Role of Civil Society Organizations in Audits

Over the last 10 years, the capacity of civil society organizations to understand, analyze, and influence public budgeting has grown dramatically. In more than 60 developing countries in Africa, Asia, and Latin America, non-governmental organizations (NGO), think tanks (research organizations), community and grassroots organizations have been involved in the growing movement to make public budgeting more transparent and accountable.

Civil society organizations engaged in budget-focused work contribute to public expenditure management and oversight in several ways. First, they provide one of the few sources of critical and independent information on the impact of the budget on poor and low-income citizens. Second, they can help build budget literacy among citizens and facilitate discussions and debates on budgetary issues within civil society. Third, by collating, synthesizing, and disseminating information on public finances, budget groups add new data into the budget process. Finally, civil society budget groups provide training on public finances to citizen groups, the media, and legislatures, thereby strengthening the capacity of all of these groups to exercise oversight over budget process and to demand accountability from government agencies.

Although civil society is a relatively new actor in public budgeting, evidence that they are having a positive impact on budget decision-making and implementation is beginning to emerge. For example, in Mexico, a local NGO, Fundar, has worked with a coalition of civil society organizations to monitor and increase the government's commitment to reducing maternal mortality. In South Africa, the Institute for Democracy in South Africa played a substantial role in strengthening the new financial management act by insisting on the inclusion of stronger *virement*³³ rules and of a provision requiring direct departmental responsibility for overspending. Similarly, the expenditure tracking work of the Uganda Debt Network has helped to curb corruption in the intergovernmental fiscal relations system in that country and to generate new information on the quality of expenditures in health and education.³⁴

To date, most civil society budget-focused activity has concentrated on examining the passage of the budget through the legislature and the subsequent implementation of the budget by the executive. There has been much less civil society engagement with the auditing process and the office of the SAI. Nevertheless, as the case studies presented in this section demonstrate, there are important opportunities for civil society engagement in the auditing stage of the budget process that can strengthen the oversight function of both civil society organizations and the SAI.

Audit reports tabled in the legislature often contain vital information on public financial practices of executive agencies. Unfortunately, these findings do not always lead to sanctions and appropriate corrections. Shortcomings in public audit processes are detailed in Section 2 of the paper. Evidence is provided for these assertions through four case studies of pioneering work undertaken by civil society organizations. While illustrating the role that civil society organizations can play in strengthening auditing in each of our case studies, we wish to acknowledge that we have not done justice to the extensive non-audit related initiatives undertaken by these organizations.

³³ *Virement* refers to the extent to which a government department can spend in a way that is not congruent with budget plans without reverting back to the legislature for approval.

³⁴ Krafchik, Warren. "Can civil society add value to budget decision-making? A description of civil society budget work." International Budget Project. Updated 2005. Retrieved 8 February 2005. <http://www.internationalbudget.org/resources/library/civilsociety.pdf>
For more information on the role of civil society organizations in budget formulation and implementation processes, see above link.

3.1. Social Audits—Tracking Expenditures with Communities:

The Mazdoor Kisan Shakti Sangathan (MKSS) in India³⁵

Against the backdrop of rural Rajasthan, the largest state in India, an organization called the Mazdoor Kisan Shakti Sangathan (MKSS) has, in a little over a decade, developed into one of India's most potent social justice movements. The organization is a union of peasants and workers and has successfully demonstrated the power of information as an effective tool to enable citizens to participate in governance. The MKSS uses innovative forums called public hearings—also called social audits—to facilitate structured and focused discussions among residents on government expenditures of public development funds in their communities.

MKSS-sponsored public hearings have had a significant impact in limiting corruption in public works projects in rural Rajasthan. The success of MKSS social audits has even influenced the state government of Rajasthan to introduce aspects of social auditing within local governance processes. The state government now requires that a social audit be held annually within each village; as part of this process, all village residents must be given an opportunity to vote on a resolution verifying that the projects in their village have been successfully completed. While this process has its limitations, it represents a radical change in the institutional space provided to citizens to *audit* public funds.

Typically, a social audit conducted by the MKSS includes five stages:

Gathering Information: MKSS members start by gathering all documents that are maintained by the public agencies on development projects. These include some relatively easy-to-understand documents, such as cash books, muster (pay) rolls, and expenditure voucher files with bills showing materials purchased for project work. MKSS also gathers records that a layperson seldom encounters, such as project engineer measurement books and utilization certificates providing complete details of the project's expenditure. In the initial public hearings, the MKSS depended upon sympathetic officials who provided them with the information they sought. Later, after a right to information law was enacted in the state of Rajasthan, the MKSS uses the provisions of the law to request documents.

³⁵ Ramkumar, Vivek. "Case Study, Part 2: The Right to Know Movement in India." *Making Change Happen*. Just Associates. 2004. Retrieved 19 March 2005. <http://www.justassociates.org/MKSS%20Case%20Study%20Section%20II.pdf>

This section has been adapted from the above case study.

Collating Information: Initially, MKSS members faced a major challenge in deciphering and categorizing the details contained in the records that they had obtained. Over a period of time, they became familiar with the management systems in public agencies and the project documents maintained by them. MKSS members developed a simple methodology for collating the information into matrices that summarized the different kinds of information obtained from the project records. Thus, one matrix was prepared from pay rolls that detailed for each worker the days in a year that he/she had received employment in a particular project site. This matrix was very useful as it identified cases of fraud in which a single worker was shown to have been working on two different project sites on the same day. Similarly, a matrix summarizing and re-classifying materials used in a project was developed. Volume measurements presented in official records as 'metric tons' were translated into camel or bullock cartloads.³⁶

Distributing Information: MKSS members and other volunteers involved in the social audit make several copies of the project documents and the matrices developed. Teams of volunteers then go from house to house in the villages in which public hearings are to be held and distribute and explain this information to the residents. Residents who have worked on project sites become valuable resources for verifying the accuracy of project documents. The copies of the pay rolls, for example, become sources of enormous excitement as residents identify names of dead or fictitious people in the rolls. This verification process also helps to identify workers who have received smaller sums than those shown to have been given to them in the pay rolls. Bills drawn in the name of camel cart owners are shown to be false when the person in question verifies that he has never owned a camel all his life.

This information distribution process can take from one week to a couple of months and provides an opportunity for MKSS members to build momentum within communities prior to the day on which the actual public hearing is held. Using creative media like songs, street plays, banners and posters, MKSS members and community volunteers encourage residents to scrutinize project information and to attend the forthcoming public hearing.

³⁶ As the villagers are more familiar with measurements expressed in terms of bullock cartloads they are able to comment on whether the material had been delivered to the project site or not. Many instances of corruption in billing by over-charging materials supplied to project sites are disclosed by villagers and workers during the public hearing.

The public hearing: Public hearings sponsored by MKSS have a very festive atmosphere around them. There is a lot of anticipation among residents of the village in which the public hearing is being held about the possible outcomes of the day's events. The hearing is normally held on an open field in the village. Special efforts are made to ensure that the location of the public hearing is in a place that is conveniently accessible by all residents, such as an open field in the village. The hearings are attended by public agency officials, local elected representatives, the media, and residents of the area. A panel comprised of eminent citizens of the area is set up to administer proceedings.

MKSS members control the flow of discussions so as to enable residents and public officials to systematically provide their opinions on the project/program under discussion. Often, discussions in the public hearings bring out explosive findings in the conduct of public projects. Instances of corruption and inefficiency in the utilization of public funds, and poor planning within public agencies may be uncovered in the testimonies provided by speaker after speaker. Workers and residents may identify false information contained in public records. Discussions become especially animated when the public officials try to defend the projects that they supervised and village residents point out lies in their statements. The process is so effective that in some public hearings, family members of corrupt officials have testified against them. In some instances, public officials have even confessed their wrongdoings. In front of an audience of 200-300 village residents, officials have handed over cash – the proceeds obtained through the corrupt use of project funds – to the panel adjudicating the public hearing.

Follow-up to the public hearing: A formal report is prepared by the MKSS following each public hearing. Copies of this report are sent to senior state government officials, the media, and other groups engaged in anti-corruption campaigns. The report contains details of the proceedings and the findings resulting from the public hearing. These findings include recommendations to the state government regarding action that should be taken against errant officials, as well as changes that should be implemented in official programs and policies to make them more effective and more responsive to public demands.

Realizing that its dependence on the intervention of sympathetic officials to obtain records remained a significant barrier to broader engagement in public discussions of official programs, the MKSS launched a massive state-wide campaign

in 1995 demanding a law on right to information for all citizens. The campaign achieved success when in 2000 the state government of Rajasthan passed a right to information law. Spurred by its success, the campaign was replicated in other Indian states too and led to the formation of the National Campaign for People's Right to Information (NCPRI). The NCPRI demand for a national law on right to information is currently being considered by the Indian Parliament.

3.2. Monitoring Follow-up to the Auditor General's Report:

The Public Service Accountability Monitor (PSAM) in South Africa

"Accountability Lacking in Eastern Cape" proclaimed a June 18, 2004, headline in Grocott's Mail, South Africa's oldest surviving independent newspaper.³⁷ This provocative finding headed an article quoting researchers from the Public Service Accountability Monitor (PSAM) on the poor monitoring of public service delivery agencies in the Eastern Cape Province. The article noted that PSAM had long argued for the need for effective oversight of public agencies, which was *"woefully lacking"* and cited a statement made in 2002 by the Auditor-General (the SAI in South Africa) noting that *"not a single one of the Standing Committee on Public Accounts recommendations had ever been implemented by any provincial department."*

PSAM was established as an independent research project at Rhodes University in 1999. It initially took on the task of tracking actions taken by the provincial administration in response to reported cases of corruption. A number of these cases had originally been identified in Auditor-General's reports. PSAM collected this information in a database that was made available to the public on its website.³⁸ The database shows that effective corrective action had been taken in response to less than 10% of reported cases.³⁹ The database became a source of information

³⁷ Farley, Jessica. "Accountability Lacking in Eastern Cape." *Grocott's Mail*. 18 June 2004. Public Service Accountability Monitor. Retrieved 10 April 2005. <http://www.psam.org.za/common/ssisipsamnrdetails.asp?qs=fld,newspaperreportid,op,e,sv1,3345>

³⁸ For more information on the case monitoring website, visit <http://case.psam.ru.ac.za/cmwsindex.asp>.

³⁹ Current figures appearing on the PSAM's website indicate that of 691 reported cases of misconduct only 62 of these cases (or 8 percent) are deemed to have met with a satisfactory resolution. These cases involve 338 instances of corruption of which only 28 cases (or 8 percent) are deemed to have been resolved, and 170 cases of maladministration of which only 3 cases (or 1.7 percent) are deemed to have been resolved. [Figures correct as at 11 April 2005]. See <http://case.psam.ru.ac.za/cmwsstats.asp>

that citizens and civil society organizations could use to gauge the commitment of government agencies to take combat corruption involving agency members.

Over time, PSAM began to shift its focus to the structural context of weak financial management that was responsible for many of these acts of corruption and maladministration. It began to systematically monitor the compliance of provincial administrative agencies with public finance regulations and administrative directives. This included creating a database of information on the coherence of strategic planning within agencies and their annual and audit reports. In particular, PSAM monitored whether recommendations to improve financial controls made to agencies by the Auditor-General and the legislature's oversight committees were being implemented.

PSAM utilizes a wide variety of means to obtain documents pertaining to financial management, maladministration and corruption including, when necessary, using freedom of information provisions. It publicizes its findings on a regular basis, including by producing a weekly column (the "Accountability Monitor") in a provincial newspaper. PSAM produces analyses that are geared to public understanding and specifically designed to engender and support public involvement in governance processes. It endeavours to produce and distribute its analyses of public expenditure management in a manner timed to coincide with the budgeting and oversight cycle in order to influence budget and spending priorities and improve service delivery.

PSAM has achieved encouraging results in the Eastern Cape Province in spite of working in a hostile political environment.⁴⁰ Its research and advocacy efforts have contributed to the improvement of financial reporting standards in provincial government agencies, which in turn has led to a dramatic decrease in the number of *audit disclaimers*⁴¹ issued by the Auditor-General to these agencies since 1996.

PSAM documented that audit disclaimers were issued to 10 of the 13 major public agencies in the province from 1996 to 2000. However, while the auditor's

⁴⁰ Due to the very nature of its work – holding government accountable – PSAM is often seen as a threat by many government agency personnel. While this has been a challenge for the organization, over the years they have managed to earn the respect – begrudging as it might be – of government officials, who now acknowledge the value of PSAM's interventions and extend regular invitations to the organization's researchers to participate in the strategic planning and budgeting processes (Source: Interview with Colm Allan, PSAM, March 2005).

⁴¹ Audit disclaimers are issued when the public auditor's office is unable to form an opinion on the accuracy of the financial statements reported by an agency due to omissions or insufficient documentation.

office was reporting the issuance of large scale audit disclaimers to the provincial legislature, little action had been taken by the oversight authority to rectify the situation. In response, PSAM began actively publicizing the gravity of this state of affairs. PSAM staff members gave numerous radio and newspaper interviews in which they explained the meaning of audit disclaimers in non-technical language. They explained that the issuance of audit disclaimers meant that the provincial administration could not account for more than 90% of its total budget over a period of several years.

Faced with increasing pressure as a result of the media scrutiny, several major agencies improved their financial reporting processes. As a result, in 2002-2003, audit disclaimers were issued by the Auditor-General to expenditures that comprised only 41% of the total provincial budget — a reduction of more than half.⁴²

PSAM's advocacy efforts highlighting the lack of corrective action on corruption contributed to a decision taken by the South African national cabinet to institute a specialized Joint Anti-Corruption Task Team (JACTT) in January 2003. The JACTT consisted of members from various anti-corruption and oversight agencies⁴³ including the Auditor-General and was given a mandate to investigate and prosecute the huge backlog of corruption cases in the Eastern Cape Province. PSAM shared with the JACTT its extensive database, documenting cases of corruption in various provincial agencies. Preliminary reports seem to indicate that the JACTT has achieved significant success in its task.⁴⁴

The PSAM has also continued to highlight the failure of government agencies to improve their financial control systems in response to the Auditor-General's audit findings. In April 2005, the provincial Premier established a judicial commission of inquiry to investigate the finances and expenditures of the Eastern Cape

⁴² www.psam.org.za click 'what's new', 'how much of the Eastern Cape budget can be accounted for since 1996?'.

⁴³ Members were drawn from the national prosecuting authority, police services, and the auditor general's office.

⁴⁴ In September 2003 the South African national Minister for Public Service and Administration reported that JACTT had, at that point, investigated 374 cases, made 144 arrests, and obtained 18 successful convictions with an additional 113 cases before the courts. See Minister For Public Service And Administration, Ms Geraldine Fraser-Moleketi's, Parliamentary Media Briefing, 11 September 2003, <http://www.info.gov.za/speeches/2003/03091209461002.htm>

administration from 1994. The terms of reference of this commission included establishing “the reasons why the Auditor-General’s recommendations and forensic audit report to Provincial departments were not acted on.”⁴⁵ The PSAM believes that the establishment of the judicial commission illustrates the potential for civil society organizations to conduct research and advocacy and thereby strengthen the oversight of public agencies. The potential for such civil society action is particularly relevant in cases where executive agencies ignore the findings of their oversight agencies.

3.3 Participatory Audits: The Concerned Citizens of Abra for Good Governance (CCAGG) in the Philippines

The Concerned Citizens of Abra for Good Governance (CCAGG) is a non-governmental organization that monitors government projects in the Abra region of the northern Philippines. CCAGG was formed in 1986 when new opportunities were created for civil society organizations to participate in development programs by President Corizon Aquino. Under the new community participation policy, CCAGG members signed a memorandum of understanding with the National Economic Development Authority and received training from the agency in project monitoring. CCAGG members used the local media (radio, newspapers) and organized community meetings to inform residents about public infrastructure projects.

While monitoring community employment and development projects, CCAGG members were shocked to see a newspaper advertisement by the Ministry of Public Works and Highways (MPWH) declaring that it had successfully completed 27 projects in Abra province. Knowing that this declaration was untrue, CCAGG members decided to take action against the agency’s misinformation. To make a strong case against the agency, the members of CCAGG developed detailed documentation of the actual state of projects that had been declared as completed—but in fact were only just beginning or were mid-way through the construction stage—including affidavits composed by residents of project areas and photographs of the project sites. CCAGG submitted these findings to the national government and demanded that the Department of Public Works be investigated.

⁴⁵ Notice 12 of 2005, Eastern Cape Provincial Gazette, Appointment of Commission of Inquiry into finances of Eastern Cape provincial administration, 8 April 2005.

An official government audit concurred with CCAGG's findings and several officials were charged with corruption. While several officials were convicted, the prosecuting lawyers argued for leniency on behalf of the government officials and asked that they receive only official reprimands as punishment. Outraged by this development, CCAGG members mobilized public opinion and the Office of the Secretary of MPWH was bombarded with telegrams from concerned citizens demanding that the convicted officials receive more severe punishment.

The Secretary finally relented and 11 government officials found guilty of dishonesty and misconduct were suspended.⁴⁶ In addition, the Chief and the Deputy Chief Engineer of MPWH in Abra were not only suspended without pay but were also debarred from serving in the province in the future. This was probably the first case in the history of the Philippines in which a civil society organization's vigilance had resulted in the conviction and punishment of government officials on charges of corruption. Further, as a result of this case, the Regional Director of the MPWH issued a directive requiring that projects in Abra province be funded only after they had obtained clearances from CCAGG.

Subsequently, CCAGG consolidated its activities and its members developed a unique technique for monitoring government projects. Members of CCAGG—primarily house-wives, students, and other youth members—observe road construction projects and report their findings to specialist colleagues, such as engineers and accountants. These staff members in turn conduct detailed investigations on project sites.

CCAGG investigations monitor a variety of corruption in government projects, especially road construction projects, including the use of sub-standard materials (cement mixtures) and/or poor construction techniques, and fraud in contracting procedures (such as rigged contracts). In one road construction project, for example, CCAGG members found that contractors had embezzled project funds. In response to these findings, the government forced the contractor to pay from its own resources to expand a road.

⁴⁶ Transparency International. "Fighting corruption at the local level in the Philippines." Updated 2000. Retrieved 1 February 2005. http://www.transparency.org/pressreleases_archive/2000/2000.09.28.i_award_portraits.html#3

Recognizing the critical role the organization plays in preventing corruption, as well as the expertise it has developed in monitoring public works projects, the national Commission on Audit (COA) – the SAI of the Philippines – entered into a partnership with CCAGG to conduct participatory audit exercises in the Abra region. The exercises focused on assessing the impact of the audited government program/project to determine whether the program/project achieved its desired results. This exercise was sponsored by the UNDP and was described as successful by all the concerned parties. The chairman of the COA described the results of the exercise as “very focused and efficient.”⁴⁷ The lessons from the audit process were later incorporated into a manual on the Conduct of Participatory Audit published by the COA.

While successful, the experience of the COA-CCAGG participatory audit highlights several challenges that need to be addressed for future cooperation between civil society organizations and public auditors.

Audit Methodology: The COA staff objected to demands made by the CCAGG staff to discuss preliminary audit findings with community members. In turn, CCAGG staff were concerned that restricting official audits to the post-project period increased the likelihoods of losing potentially valuable findings.

Sustainability: Even though the participatory audit exercise was declared a success by all participating organizations, it was discontinued with a change in the COA administration. The new COA commissioner had other priorities and shelved participatory audit exercises. This raises serious questions on the sustainability of participatory audits.

3.4. Advocating for Transparency in Public Procurement: Procurement Watch, Inc., (PWI) in the Philippines⁴⁸

During the late 1990s, there was a growing feeling among concerned government officials in the Philippines that official procurement practices needed to be

⁴⁷ Commission on Audit. “COA, UNDP launch Manual on the Conduct of Participatory Audit.” *COA News*. December 2002-January 2003, Volume 4, Number 2. Retrieved 6 February 2005. http://www.coa.gov.ph/COA_btm/COA_News/2003/v4n1/news5-2_n1.asp

⁴⁸ Campos, J. Edgardo. Telephone Interview. 16 March 2005. This case study was primarily developed from a telephone interview that the authors conducted with one of the founders of PWI, J. Edgardo Campos.

reformed. The appointment of a sympathetic Secretary⁴⁹ as head of the Department of Budget and Management provided an opportunity for this process.

The new Secretary appointed a task force⁵⁰ comprised of experts from within government agencies as well as private consultants to examine the problems affecting procurement practices and to suggest revisions to procurement laws. The task force met and eventually recommended a new law, however, the law failed to pass in the legislature. In response, the task force members decided they needed to involve civil society groups to build public opinion in favour of the law and thereby bring pressure for its adoption in the legislature.

Two private consultants from the task force joined two concerned citizens in 2001 to form a non-governmental organization called Procurement Watch, Inc. (PWI). PWI was formed with the express mandate to advocate for the new procurement law and to monitor enforcement of the law after it was enacted. The government task force invited PWI to become a member of the task force and to help it in redrafting the law and in analyzing regulations promulgated after enactment of the law. PWI staff members used their proximity to the technical experts that comprised the task force to develop their own understanding of the nation's procurement practices and eventually became regarded as experts in their own right.

Over the next two years, PWI staff took on the task of contacting other civil society organizations—primarily groups working on anti-corruption—and mobilizing public opinion in support of procurement reforms. PWI found a key ally in the Catholic Church, widely perceived to be the most influential non-governmental institution in the country, during its efforts to mobilize public opinion on this issue. The media (newspapers, radio, and television) too became part of a strategic and well-planned awareness campaign.

In January 2003, PWI's efforts paid off when the legislature passed a new procurement law—the Government Procurement Reform Act (GPRA). This was a unique victory for PWI. For the first time in the history of the Philippines, a civil society organization was successful in advocating for a law to be enacted on a

⁴⁹ Later, the Secretary was succeeded by his deputy, who in turn was also very committed to instituting reforms in the procurement process.

⁵⁰ The task force was officially called the Inter-Agency Technical Working Group.

subject that required a high degree of technical expertise normally not associated with civil society initiatives.

Now widely recognized for its expertise on procurement law and practices, PWI conducts a wide variety of activities with different groups including the Ombudsman, government agencies involved in large procurements, and civil society organizations and citizens. PWI has developed very close relationships with the national Ombudsman in particular and even conducts training sessions on the Government Procurement Reform Act for officials in the office of the Ombudsman. As a partner of the Ombudsman, PWI has also established a “Feedback and Complaint-handling Mechanism” to process and respond to reports and other information provided by procurement observers.⁵¹

In many developing countries, citizens prefer not to contact government officials with complaints (due to the fear of harassment from corrupt officials) and are more comfortable dealing with non-governmental organizations to address such issues. The presence of PWI as an intermediate organization that can serve as citizens’ link to the Ombudsman helps make citizens comfortable in registering complaints on procurement irregularities that they have observed.

PWI has also developed partnerships with government agencies to observe and study the systems in place for soliciting proposals and evaluating bids and awards. As part of this process, PWI conducts diagnostic exercises on procurements managed by the Bids and Awards Committee (BAC) of various agencies, including the health and defence agencies. Similarly, PWI has assisted the Philippine Ports Authority in preparing the terms of reference for the bidding of its port security services.⁵² PWI also develops research papers and press releases on the subject of best practices in procurement procedures.

A new partnership is now being planned between the Ombudsman and PWI to take advantage of a law in the Philippines that requires all college graduates to

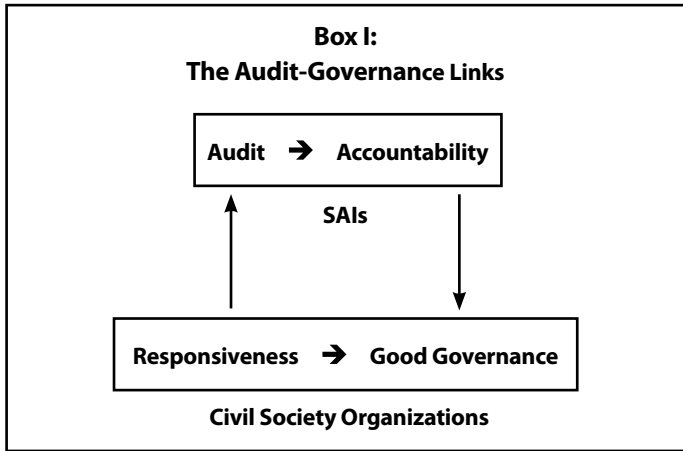
⁵¹ Marcelo, Simeon V. “Enhancing the Role of Civil Society in Anti-Corruption Work.” Organization for Economic Cooperation and Development. Updated December 2004. Retrieved 14 February 2005. <http://www.oecd.org/dataoecd/41/28/34097995.PDF>

⁵² Procurement Watch International. “PWI Observes Bidding Activities of Its Partner-Agencies.” Updated 2003. Retrieved 14 February 2005. http://www.procurementwatch.org.ph/press_septpresent/aug_a.htm

participate in 3-4 weeks of mandatory community service. The Ombudsman is advocating with the authorities concerned that they recognize time spent by college graduates as observers in government bids and award decisions as community service. If allowed, this initiative would produce a steady stream of citizens who are familiar with contract bid and award procedures. The Ombudsman has asked PWI to assist in this initiative by training the trainers in the Ombudsman's office to implement this program.

4. Recommendations

The argument was made in section 2 that SAIs are essential institutions for ensuring that governments are held accountable for their utilization of public funds. In our case studies, we have seen how civil society organizations utilize innovative methodologies to complement and strengthen the role that external auditors play in enforcing government accountability. In Box 1, we illustrate how SAIs and civil society organizations can partner each other to improve good governance.



When a government is accountable, it means that it is answerable to its citizens and is therefore also responding to their needs. Audits (in their expanded modern versions, which include performance audits) provide citizens with concrete measures of how governments have performed against accepted standards. Civil society organizations can use the information gathered through audits to pressure governments to respond to audit recommendations and improve governance. In

turn, civil society organizations, through social audits and other such processes can provide information to the SAI that can complement and augment the work of the SAI. As such, each institution can complement the other's work in promoting good governance.

The case studies illustrate how SAIs can cooperate with civil society organizations to strengthen the role of audits in promoting good governance and poverty reduction.

1. *Civil society organizations build citizen literacy on public financial management. To facilitate the creation of a cadre of activist citizens, SAIs should develop accessible and understandable reports that are freely available and widely distributed to the public in a timely manner.*
 - PWI provides training courses for civil society organizations and individuals on procurement law. They have been successful in building a cadre of citizens who have the capacity to monitor public agency procurement practices and to demand changes when corruption occurs.
 - PSAM maintains a scorecard of public agency performance. This database is used to educate the media, other civil society organizations and individuals on specific problems with public finance management in agencies through reports released by the public auditor.
2. *Civil society organizations have the networks and expertise to detect potential cases of corruption and to report these to SAIs. To take advantage of these networks and expertise, SAIs should create communication channels that civil society organizations can access to report these cases as potential subjects for formal audits.*
 - Social audits conducted by the MKSS have yielded a wealth of information and documentation on corruption in public projects. Ironically, many of these projects had been previously cleared by the public auditors.
 - CCAGG extensively monitors public projects even as they are being undertaken by government agencies. They have documented numerous instances of corruption in public projects.
3. *Civil society organizations can augment limited SAI capacity to undertake performance and procurement audits*

- PWI's specialization in procurement systems and its advocacy on improving procurement law make it a potentially critical ally for auditors in strengthening their own capacity to perform specialized procurement audits.
 - MKSS sponsored public hearings provide platforms for citizen-beneficiaries to comment on the effectiveness (or lack thereof) of government programs that can be then fed into the findings of official performance audits.
4. *Civil society organizations, (together with legislatures/parliaments) can monitor and build pressure on the executive to implement audit recommendations. While SAIs are traditionally prevented from engaging in policy processes, civil society organizations can use their networks to add political weight to SAIs recommendations.*
- PSAM tracks and documents – in its databases – public agency responses to cases of corruption and mismanagement, and on corrective action (if any) taken by the agencies in response to the findings of the Auditor-General. As shown in the case study, PSAM research and advocacy on audit disclaimers enable it to advocate for improvements in financial reporting systems and in the presentation of financial statements.
5. *Civil society organizations have pioneered innovative audit methodologies to monitor public projects/programs. SAIs should adapt and adopt these methodologies, where appropriate, to augment their own audit procedures.*
- Public hearings of the kind sponsored by the MKSS can provide the public auditor with critical evidence on the propriety of funds spent on public projects/programs. In addition, the auditor can engage beneficiaries and residents of public projects/programs in the course of conducting performance audits.⁵³
 - The participatory audit experience of CCAGG in the Philippines establishes that civil society organizations can develop the skills needed to perform auditing tasks traditionally undertaken by the public auditors but

⁵³ Audit practices could incorporate tools such as the matrices prepared by the MKSS to facilitate the sharing of accounting information with citizens, from whom, in turn, SAIs can obtain input regarding the utilization of project funds.

that they also bring skills and information that can improve the practice of performance audits.⁵⁴

The future of public auditing: the need for audit activism

Democratic governments derive their legitimacy from the constitutions that create them. Furthermore, constitutions provide framework of checks and balances among the government institutions that derive their mandates from the constitutions (e.g., the legislature, executive, and judiciary).

In modern times, the term ‘judicial activism’ is used to describe instances in which jurists may seemingly exceed their constitutional mandates in ruling on the cases before them. Controversial as it may be, there are many proponents who defend the need for judicial activism – especially in the face of corrupt and negligent executives on the one hand and poor and ineffective legislatures on the other.

Perhaps, SAIs also need to incorporate elements of activism while conducting their duties. In many constitutional democracies, the SAI derives its legitimacy from the constitution. As watchdogs of the public purse, the SAI is given constitutional authority to report on the use (and misuse) of public funds. Experiences in many developing countries have shown that while SAIs have been successful, in many instances, in carrying out the technical requirements of their office – i.e. in conducting competent audits – they have been less successful in ensuring that action is taken on their findings.

Perhaps, to be effective, SAIs need to reach out not only to legislative oversight committees but also to civil society. In doing so, they might be accused of violating a strict interpretation of their constitutional audit mandates, which frequently restrict SAIs to reporting to the legislature. The examples cited in the case studies amply illustrate the point that civil society organizations have the capacity to monitor public agencies and the expenditure of public funds. Strategic partnerships between civil society groups and SAIs can assist both entities in creating the

⁵⁴ While making this suggestion, there is an awareness of the fact that the CCAGG-COA participatory audit experience has raised important issues that need to be resolved for future participatory exercises. These issues include client confidentiality, the timing of the release of audit findings to the public, and the type of audits to be conducted i.e. post-project audit or on-site audits etc.

political capital needed to push legislatures and the executive to take corrective action to protect public funds.

In their current form, audits do not always provide a direct measure of government performance in those specific areas in which citizens have the greatest interest. For example, the citizen might be interested in measuring the performance of the government on health policy. The usual methodology employed by the government auditor when auditing the health department will comment on the veracity of the funds expended for health programs but will rarely comment on the appropriateness of the government's health policy. How then can a citizen measure whether health programs reflect health policy – and whether the underlying health policy responds adequately to the nation's health needs?

There are two ways to increase the ability of audits to provide information on government performance that is directly relevant to citizens. First, the scope of audit mandates can be increased and audit methodologies developed that will enable auditors to offer some comments on the government policies that underpin agency performance. SAIs in Germany, Vietnam,⁵⁵ and the U.S.,⁵⁶ for example, now comment on the appropriateness of government budgets in addition to examining government expenditures. But these SAIs are the exception to a norm which holds that audits should be limited to examining the performance of government agencies in implementing policies. The expansion of the scope of audits require that the mandate of SAIs be expanded and that sufficient funds be allocated to these audits.

A second way to improve the ability of audits to provide information directly relevant to citizens is by allowing citizens to participate in the conduct of audits. As citizens will look for specific measures of performance, they will use their access to (and participation in) audit institutions to obtain information on those measures that they are interested in reviewing. Allowing citizen participation in audits will require that audit institutions create spaces in which citizens can meaningfully participate in audit programs and thereby obtain specific measures of government performance.

⁵⁵ Dye and Stapenhurst, 1997, p. 20.

⁵⁶ Walker, David. "GOA Answers the Question: What's in a Name?" Roll Call. 19 July 2004. Retrieved 11 March 2005. <http://www.gao.gov/about/rollcall07192004.pdf>

The audit sector faces substantial challenges in the future. Returning to the spirit and practice of ‘*audire*’—the public hearings of accounts—will assist the sector in meeting several of these challenges.

References

- Association of Chartered Certified Accountants. "Different Models of Supreme Audit Institutions." Updated 2005. Retrieved 21 April 2005. <http://www.accaglobal.com/transparency/publicsector/audit/models>
- Borge, Magnus. "The role of Supreme Audit Institutions (SAIs) in Combating Corruption." Transparency International. Updated October 1999. Retrieved 8 February 2005. http://www.transparency.org/iacc/9th_iacc/papers/day4/ws2/d4ws2_mborge.html
- Commission on Audit. "COA, UNDP launch Manual on the Conduct of Participatory Audit." COA News. December 2002-January 2003, Volume 4, Number 2. Retrieved 6 February 2005. http://www.coa.gov.ph/COA_html/COA_News/2003/v4n1/news5-2_n1.asp
- Dye, Kenneth M., and Rick Stapenhurst. "Pillars of Integrity: the Importance of Supreme Audit Institutions in Curbing Corruption." The Economic Development Institute of the International Bank for Reconstruction and Development, 1997, p. 19.
- Farley, Jessica. "Accountability Lacking in Eastern Cape." *Grocott's Mail*. 18 June 2004. Public Service Accountability Monitor. Retrieved 10 April 2005. <http://www.psam.org.za/common/ssi/ssipsamnrdetails.asp?qs=fld,newspaperreportid,op,e,sv1,3345>
- Gomez, Pamela, Joel Friedman, and Isaac Shapiro. "Opening Budgets to Public Understanding and Debate: Results from 36 Countries." International Budget Project. Updated October 2004. Retrieved 15 February 2005. <http://www.internationalbudget.org/openbudgets/index.htm>
- International Organization of Supreme Audit Institutions. "Independence of SAIs Project: Final Task Force Report." Updated 31 March 2001. Retrieved 14 February 2005. http://www.intosai.org/Level2/2_Indep_E.pdf
- International Organization of Supreme Audit Institutions. "The Lima Declaration of Guidelines on Auditing Precepts." Updated 2005. Retrieved 8 February 2005. http://www.intosai.org/Level2/2_LIMADe.html

- Krafchik, Warren. "Can civil society add value to budget decision-making? A description of civil society budget work." International Budget Project. Updated 2005. Retrieved 8 February 2005. <http://www.internationalbudget.org/resources/library/civilsociety.pdf>
- Krafchik, Warren. "What Role Can Civil Society and Parliament Play in Strengthening the External Auditing Function?" International Budget Project. Updated May 2003. Retrieved 8 February 2005. <http://www.internationalbudget.org/auditorgeneral.htm>
- Marcelo, Simeon V. "Enhancing the Role of Civil Society in Anti-Corruption Work." Organization for Economic Cooperation and Development. Updated December 2004. Retrieved 14 February 2005. <http://www.oecd.org/dataoecd/41/28/34097995.PDF>
- Online Etymology Dictionary. Douglas Harper. Updated November 2001. Retrieved 21 April 2005. <http://www.etymonline.com/index.php?term=audit>
- Organization for Economic Cooperation and Development. "OECD Best Practices for Budget Transparency." Updated May 2001. Retrieved 15 February 2005. <http://www.oecd.org/dataoecd/33/13/1905258.pdf>
- Procurement Watch International. "PWI Observes Bidding Activities of Its Partner-Agencies. Updated 2003." Retrieved 14 February 2005. http://www.procurementwatch.org/ph/press_septpresent/aug_a.htm
- Public Service Accountability Monitor. "How much of the Eastern Cape budget can be accounted for since 1996?" Updated March 2005. Retrieved 11 March 2005. www.psam.org.za
- Public Service Accountability Monitor. "PSAM Annual Report 1 April 2003 – 31 March 2004. Updated March 2005." Retrieved 11 March 2005. www.psam.org.za
- Ramkumar, Vivek. "Case Study, Part 2: The Right to Know Movement in India." *Making Change Happen*. Just Associates. 2004. Retrieved 19 March 2005. <http://www.justassociates.org/MKSS%20Case%20Study%20Section%20II.pdf>
- Transparency International. *Anti-Corruption Handbook*. Updated 23 December 2004. Retrieved 8 February 2005. http://www.transparency.org/ach/oversight_bodies/supreme_audit/discussion.html

- Transparency International. "Fighting corruption at the local level in the Philippines." Updated 2000. Retrieved 1 February 2005. http://www.transparency.org/pressreleases_archive/2000/2000.09.28.i_award_portraits.html#3
- Treasury Board of Canada Secretariat. "History of Internal Audit in the Federal Government." Updated 26 May 2004. Retrieved 21 April 2005. http://www.tbs-sct.gc.ca/ia-vi/policies-politiques/history-histoire/history-histoire_e.asp
- United Nations Development Programme. Governance for Sustainable Human Development. Updated January 1997. Retrieved 8 February 2005. <http://magnet.undp.org/policy/chapter1.htm>
- Walker, David. "GOA Answers the Question: What's in a Name?" *Roll Call*. 19 July 2004. Retrieved 11 March 2005. <http://www.gao.gov/about/roll-call/07192004.pdf>
- Wehner, Joachim. "Back from the Sidelines? Redefining the Contribution of Legislatures to the Budget Cycle." The World Bank Institute of the International Bank for Reconstruction and Development, 2004, p. 8

Interviews

- Campos, J. Edgardo (co-founder of Procurement Watch, Inc.). Telephone interview. 16 March 2005.
- Allan, Colm (Executive Director of PSAM). Telephone interview. 11 March 2005.
- Sumangil, Pura. (Executive Director of CCAGG). Telephone interview. 9 March 2005.

This page intentionally left blank

Audit and Legislative Oversight: Developing Country Perspective

*Mr. Vinod Sahgal*⁵⁷

The countries of the Commonwealth share a common framework of public financial management and accountability rooted in the Westminster form of government⁵⁸ for over a hundred and fifty year – a system which has played a major role in the socio-economic development of countries rich and poor⁵⁹. The paper details the working mechanism and recent experiences of this system, particularly: critical relationships involved in the process of holding the executive arm of government to account in pursuit of democratic governance—the role of “the three men in the boat”; first principles that underlie the legislative oversight function; factors that legislators believe are most important for the effectiveness of public scrutiny; constraints and challenges ahead and suggestions for further improvements that have been based upon research on the system. In doing so the author draws heavily from his work with the Commonwealth Parliamentary Association (CPA) and the World Bank Institute (WBI).⁶⁰

Background

The system of legislative control of the public purse goes back to the nineteenth century⁶¹. In the United States, the system of congressional “appropriations” along with audit was introduced in the early part of that century⁶². In the U.K., the system was

⁵⁷ The views expressed in this papers are those of the author and do not necessarily represent those either of the United Nations or its Member States.

⁵⁸ This form of Government has its roots in the United Kingdom and is still prevailing in most of the British Commonwealth countries. In recent years the evolution has taken the direction of increased democratization and public participation.

⁵⁹ UK, Canada, Australia, New Zealand, India, Bangladesh, Sri Lanka, Botswana, South Africa and so on.

⁶⁰ The System emerging in Europe is not discussed in this paper.

⁶¹ A Conference on the subject was organized by the Speaker of the Legislative Assembly of Utter Pradesh in 2000 at Lucknow.

⁶² In the US, the external Auditor is the General Accounting Office, an arm of the US Legislature. This model of audit and oversight has had influence in Latin America. Public accountability is well served.

built on the principle of parliamentary control of all finance transactions incurred by the executive with Gladstone induced reforms for “closing the loop” by the Public Accounts Committee going as far back as 1861. In France too, the system worked with expenditure controls introduced by law and powers provided to the “Court of Accounts” to independently scrutinize the expenditure incurred by the executive.

Budget: Over the last three centuries, the process of the annual budget and supplementary grants evolved from pure control over every item of expenditure, to groups of expenditures sorted out by function, to appropriations and reporting arrangements on aggregates of transactions. The other features of the “system” worth mentioning at this time are the secrecy behind budget formulation and the ceremonial nature of the budget presentation in the legislature. The budget is the big event of the year; it sets the direction for public expenditure. Economists dominate this aspect of public finance.

Does this “System” serve the citizenry well? Is this the model of the future? Is it sufficient in the context of developing countries? Does the system scrutinize right things at the right time? Such questions are being raised in several countries.

The System of Public Financial Management & Accountability

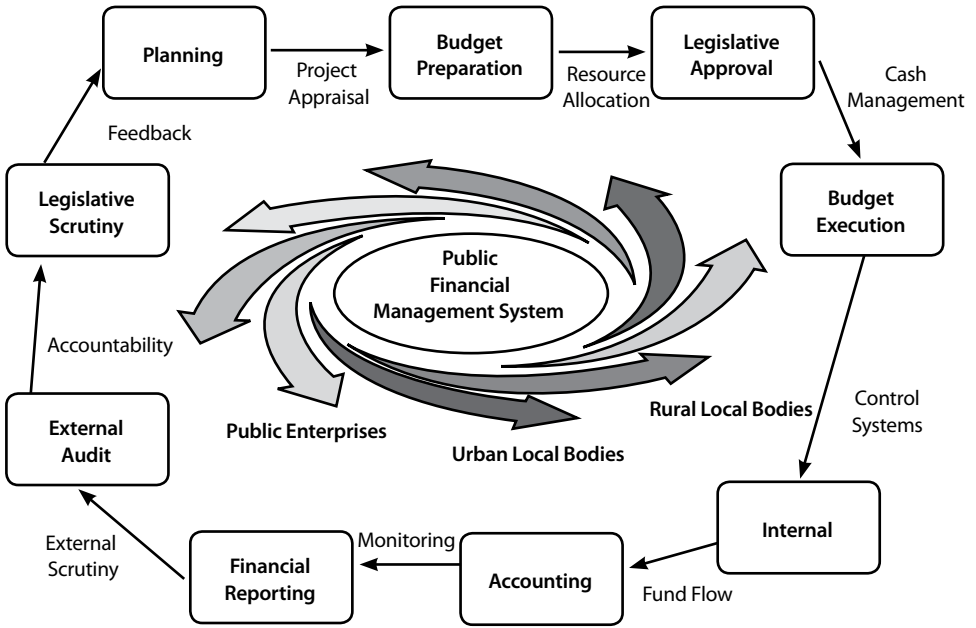
So what is the “System” that is being referred to? There are nine key components.

Main Components⁶³: (i) Planning; (ii) Budget Preparation; (iii) Legislative Approval; (iv) Public/Legislative Scrutiny; (v) Budget Execution; (vi) External Audit; (vii) Financial Reporting; (viii) Accounting; (ix) Internal Controls & Internal Audit. These are all interconnected. The health of one affects the others. Underlying the system are the accountability relationships between the executive and the legislature and between the external auditor and the legislature.

Accountability Assessments: In India, a State Financial Accountability Assessment was undertaken in Orissa. One of the features of this study was a report of the CAG of India pointing to a large amount of irregularities in the case of a poverty related program for rural employment. The external auditor reported that only 38% of funds provided by the government were used for the purposes intended without any financial irregularity.

⁶³ A description of the System as used by the SARFM Group of the World bank, New Delhi Office.

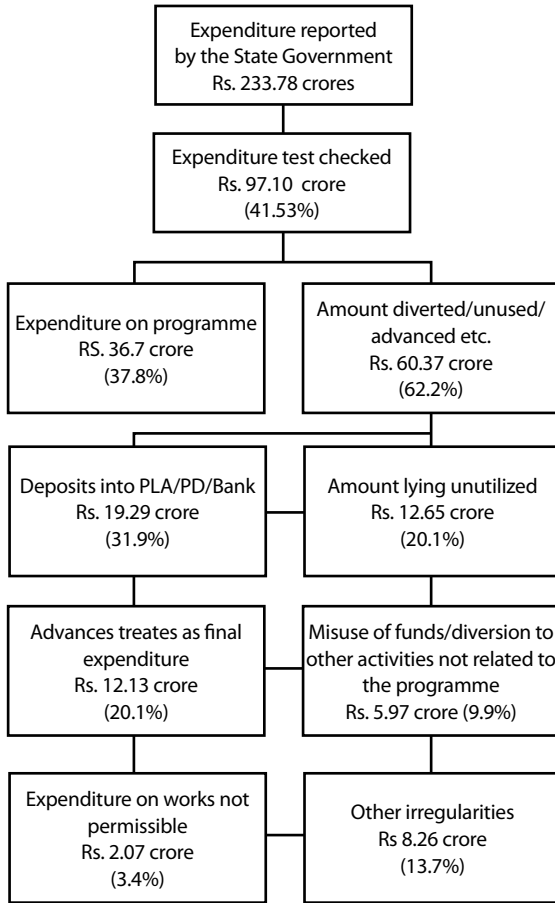
'The System'



Risk: Funds are not being fully used for purposes intended

Scrutiny: The example below is one of a result of the scrutiny provided by the audit and legislative oversight function. This function is dominated by the accounting profession. Audit has done its share by reporting the irregularities; however what the legislative oversight function does with the Report in most developing countries is not normally as transparent. The Public Accounts Committee (PAC) often meets in “camera”. What happens at the Committees can only be learned from second hand information. Press briefings are rare. The audit reports, year after year point to key similar deficiencies. Whether this lack of transparency of the PAC has contributed materially to the limited impact of the public audit function is becoming more evident. Public interest is limited unless there is a major scam with political implications.

SWARNJAYANTI GRAM SWAROZGAR YOJANA ⁶⁴



Values based System Re-examination: The underlying values associated with good governance and public scrutiny are widely accepted⁶⁵: economy and efficiency, effectiveness, accountability, responsibility, less bureaucracy, transparency, participation and equity. Perhaps the time has come to re-examine the system

⁶⁴ Source: Pg. 129, Report of the Comptroller and Auditor General of India, for the year ended 31 March 2002 (Civil), Government of Orissa

⁶⁵ Gunpala Nanayakkara- Public accountability & the Role of the Citizen in Government – Postgraduate Institute of Management University of Jayawardanepura

from the perspective of a focus on regularity of cash in-flows and out-flows to a broader set of parameters that incorporate a variety of inputs from a development perspective such as cash and other assets—financial and physical, as well as human resources and a host of outputs, outturns and development outcomes. This raises the question of good governance and accountability for the management and control of public resources where *information* – financial and non-financial, is in the driver’s seat, and governance is value based.

Holding the Executive to Account – The Role of the Public Accounts Committee

Compliance to Value for Money: The main emphasis of audit and oversight has so far been on “Moneys *spent* for the purposes intended” as recorded in the books of accounts. And the scrutiny has been primarily on cash transactions. Whether money was *used* for the purposes intended has been a more difficult task for developing country auditors. The impact of audit has become a burning issue in parts of the world where modernization has been constrained⁶⁶. Here lies the problem. Auditors tend to rely overly on documentary evidence which is increasingly limiting in the digital age. They often do not look at other sources of evidence such as electronic transfers, physical inspection and rational argumentation to form their conclusions. Additionally, they do not provide examples of excellence for others to follow. Furthermore, at times the materiality of their findings has been questioned⁶⁷. The emphasis today is changing to look beyond mere “compliance” with financial rules and books of accounts to questions of “value for money” and best practice related performance⁶⁸.

Fair Presentation of Financials: Another aspect of holding the executive to account is one of fair presentation of financial statements prepared by the executive for tabling in the legislature. There are generally accepted international standards

⁶⁶ Strategy for Strengthening the Public Audit Function in South Asia –Risks and Opportunities. Vinod Sahgal.

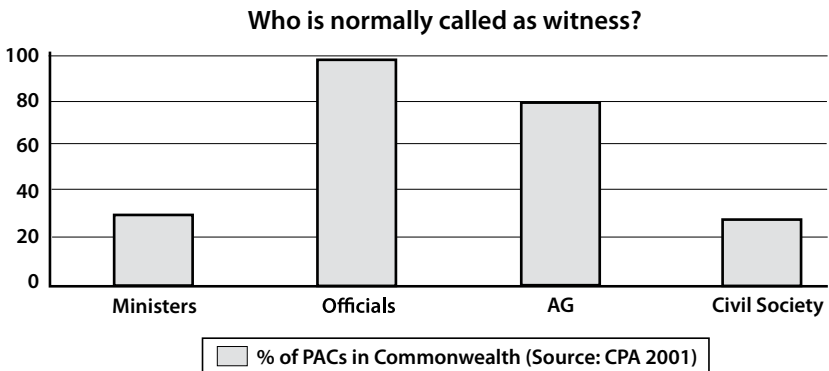
⁶⁷ Regional Auditors General Conference on Harmonizing Institutional Efforts for Promoting Accountability in the Public Sector, Dhaka.

⁶⁸ Audits focus on economy, efficiency and effectiveness related issues more recently along with environmental and equity considerations.

for accounting and for auditing being formulated. But here again most developing countries are not sufficiently advanced on this front. Many SAIs are *de facto* insufficiently independent to provide third party assurance. Executive control can be bothersome⁶⁹. Often they lack institutional capacity to perform auditing in line with standards set by IFAC⁷⁰.

Modernization: A more modern system of public financial management and accountability would encourage the executive to develop ongoing monitoring and evaluation procedures as well as carefully structured risk management and reporting on the performance of schemes funded by tax payers and citizens. These performance oriented aspects of holding the executive to account are at the embryonic stage in most of the developing world. The focus has been on the nature and extent of compliance by officials to the financial rules which are too often set by the executive⁷¹.

Witnesses at PAC hearings: It is interesting to note the results of a recent survey (CPA 2001) revealing that while officials and the SAI are almost always called upon as witnesses at hearings, it is not so for Ministers and the Civil Society.

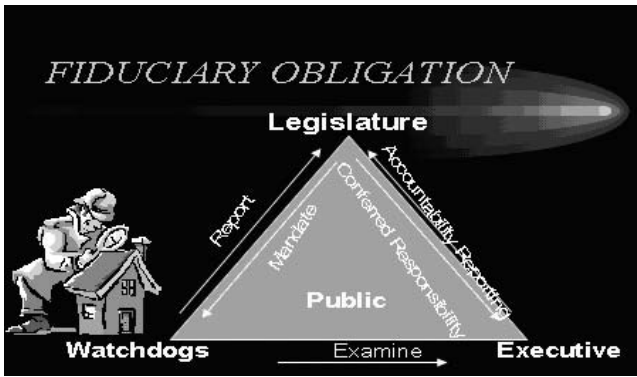


⁶⁹ INTOSAI Study on Independence carried out by the Auditor General of Canada 2002

⁷⁰ International Federation of accountants.

⁷¹ Subordinate legislation

Critical Relationships



There are three critical relationships involved:

First, there is the accountability relationship between the legislature and the executive – the paramount relationship. This is where the rules of the game should be set. The rules inform the budget planning and preparation process to the external audit and scrutiny process. This “bargain” between the legislature and the executive⁷² can be one of the most critical aspects of good public financial management and accountability. This matter is unfortunately least understood. Often the bargain is struck within the executive without any visibility to the public, and over the years many developing countries have been unable to make the debate on setting the “rules of the game” public⁷³; the scope for light at the end of the tunnel remains wishful thinking in this regard⁷⁴, posing a major constraint.

Second, the relationship between the external auditor and the executive. As one observer pointed out the relationship should be “cordial” not “cosy”. This issue is also complex. In many cases, the executive does not see value added from the work of the auditor and accordingly does not participate in the audit process, and perhaps in many cases there is no invitation to do so, at least till it is too late in the process. It has been argued that the time to start a dialogue with the auditee is towards the beginning of the audit and not towards the end. A course correc-

⁷² Reflects contemporary values of those framing the rules.

⁷³ Absent primary legislation.

⁷⁴ The PACs meet behind closed doors.

tion is advisable. Modern auditing standards are attempting to fill this gap. And we are seeing movement in this area in India and Sri Lanka. Here, auditors are being encouraged to meet with the executive regularly during the conduct of the audit⁷⁵.

Third, there is the relationship between the auditor and the legislature. This too is a strong relationship. Does the oversight committee of the legislature depend primarily on the AG's Report? 85% responded "yes" to this question posed by the CPA in 2001.⁷⁶ The auditor operates in a proactive manner and in most cases the report is tabled in the legislature. The report is almost always a public document. OECD sought the answer to yet another question.

Are the findings of the national audit body available to the public?⁷⁷

	Number of countries	Percentage of total
Always	20	50%
Generally, but with some exceptions*	18	45%
Never or rarely	2	5%
Total	40	100%

Note: * For example audits of the military.

Timeliness and quality: The main issues of continuing concern are of timeliness and quality. There is a debate going on whether the focus should be on individual transactions, management systems or program results and so on. There is no clear cut answer. Most developing countries' auditors tend to report on individual transactions. The emphasis is on "accidents" (deliberate or inadvertent) rather than on "road conditions. There are hosts of related issues in this area, some technical others cultural and some that could be dealt with by greater clarity of need expressed by the legislature. The difficulty is getting consensus on what the ideal "mix" should be between reporting on transactions, systems and program results.

⁷⁵ The objective is to inject quality control at entry with regular monitoring thereon.

⁷⁶ The Overseers – Public Accounts Committees and Public Spending Page 99

⁷⁷ Source: OECD (2003), <http://ocde.dyndns.org/>

Competing Institutions of Accountability: While the struggle to develop these relationships continues, a number of competing accountability institutions have sprung up to fill the gap. Public access to information is one such institution⁷⁸. The rise of the institution of the Ombudsman being another⁷⁹. The media is playing a critical role in scrutiny and the proposal of expanding the ambit of the social audit by community groups and concerned NGOs is very much alive. The traditional Westminster model of governance and audit in the context of colonial times did not emphasize social development as much as financial compliance.

Contract Appointments: Another interesting reform on the plate is the increasing number of appointments of top civil servants on contract basis. This is a new feature for developing countries. Sri Lanka is a case in point. This relatively recent move is significant in that the “CEO Concept” is emerging with greater clarity vis-à-vis performance expectations. There is convergence taking place between public and private sector management. There is an emerging consensus on the need for a common set of accounting and audit standards to govern the accountability regime associated with public financial accountability. An issue is the role of the “Audit Committee” of the legislature. Should this evolve on the lines of the private sector (corporate world) where the Committee plays a pivotal role in the oversight function and is subject to legal liability associated with members of the Board of Directors? Perhaps this is too far into the future.

Speed of Modernization: In most developing countries the evolution of audit and legislative oversight from financial compliance towards more effective system of oversight of executive performance, based on strengthening of the above noted critical accountability relationships, has been relatively slow.

First Principles

The success of the audit and legislative process rests very much on the principles on which the process is embodied⁸⁰.

⁷⁸ Preliminary work is underway by the author on criteria for assessing public access to financial information India.

⁷⁹ A number of Anti corruption agencies are also springing up in countries such as Nepal and Sri Lanka.

⁸⁰ Frederick Stapenhurst – CPA Conference at Colombo 2004

(i) Policy Neutrality

The Westminster model of governance calls for a bi-partisan approach (to oversight) and the expectation is to audit policy implementation rather than *policy per se*. The U.K. legislation, for instance, specifically refers to avoid deliberations on “the merits of policy”. Not so in the U.S. or India and other countries where the lines between audit and evaluation are blurred. The increasing emphasis on auditing of results and more performance audit orientation suggests that it will be increasingly difficult to draw the lines in a traditional manner. Some audit institutions have already begun the process of examining the nature and extent to which intended beneficiaries do in fact derive the benefits of the program funded from public money. India is one such country. I think this is a commendable move that needs to be expanded in line with the more modern risk based approach to audit advocated by professionals in the world of both public and private audit.

(ii) Performance of the Bureaucracy

The focus of legislative oversight is mainly on the performance of the bureaucracy⁸¹. Officials are almost always the main witness at a PAC hearing. Ministers are called in less than 40% of cases and civil society witnesses are called in less than 25% of cases surveyed by the CPA.

There is less going on in developing countries by way of self-evaluation on the part of legislative auditors on their own performance or their combined effort with legislative committees responsible for oversight⁸², than in more advanced countries. The effectiveness of the traditional audit system has been questioned in one country by way of a Public Interest Litigation⁸³. The impact of the audit function would be greatly enhanced if greater attention was paid on the need for a more holistic approach; one where the contribution of audit and the legislature

⁸¹ In Commonwealth countries, Auditors focus on the Bureaucracy’s responsibility to implement Government policy.

⁸² The Peer Review process is very recent. It should be welcomed. Lessons learned have not been researched so far. Countries such as Canada and UK are examples of those that see merit in this procedure.

⁸³ A Public Interest Litigation has been filed recently in one developing country calling for greater attention to expenditure control.

oversight function taken together was also subject to some form of measurement and public reporting⁸⁴.

While the author is not aware of Public Accounts Committees in developing countries providing annual performance reports to the public, nonetheless, he gives due credit to the SAI⁸⁵ community, where the development of auditing norms now incorporate the need for members to meet the standards of management and performance in line with those of the executive subjected to audit scrutiny.⁸⁶ In another words, there is recognition that what applies to the 'goose should apply to the gander'. Unfortunately PACs in developing countries do not have an equivalent forum for their professional growth and development. For example there is no web site to locate PAC recommendations or action taken notes. PACs are generally far behind the legislative auditor in this regard; additionally, there is no concept of Peer Review among developing country PACs.

(iii) Inter-party co-operation

The need for a bi-partisan approach to legislative oversight has already been mentioned. While many PACs are chaired by members of the opposition—the key rests in the manner in which the committee is able to develop a consensus on what issues need priority, the manner in which committee hearings are organized and recommendations formulated. The PAC's stature is greatly enhanced by strong inter-party cooperation; additionally, whether the chair is from the opposition or the ruling government is not half as important as the strength with which the chair can induce a common front to promote answerable, honest and productive government operations. The tenure of the committee, regularity of its meetings, timely actions and rigorous follow-up are equally important areas for promoting the effectiveness of the oversight function.

(iv) Unanimity in Decisions

Following through on the question of inter party cooperation is the requirement for unanimity in decisions of the oversight committee. This approach adds to the

⁸⁴ The New Delhi Conference on Governance and accountability held in 1998 pointed to the breakdown in the chain of accountability at the PAC level.

⁸⁵ INTOSAI – International Organization of Supreme Audit Institutions.

⁸⁶ INTOSAI- Strategic Plan 2005-2010, 2005

clout of the committee. Most importantly, the likelihood of timely remedial action on the part of the executive is enhanced. Without question a case can be made for retaining a dedicated committee for dealing with the reports of the SAI. This is however presently open to debate given the evolution from “financial compliance” audit to “performance” audit. In countries where there are proactive subject matter committees in the house, the call has arisen for audit reports to be dealt with by the relevant subject matter committee. This reform should be seen as a step forward. The need for effective co-ordination by the PAC goes without saying. A dedicated committee for follow through of the audit reports issued by the SAI regardless of where the “hearing” takes place needs to be preserved. And the Public Accounts Committee would be the preferred choice in this regard.

Recent Experience

(i) CPA Study Group

The CPA Study⁸⁷: The “Overseers” is a landmark study on the working of Public Accounts Committees across the Commonwealth. It was held in Toronto in 2001 where the author served as a technical adviser and was impressed by the dedicated effort made by the members from around the globe to evaluate the role and functions of the committee (PAC) as well suggest ways to move forward. Many common issues emerged and also the challenges ahead. For instance, the need for public oversight in relation to international transactions and cross border funds flow was raised well before September 11 2001⁸⁸.

Openness: Of special interest was the discussion on openness with which the Committees work across the Commonwealth. It became clear at the meeting that most developing countries lagged in terms of the speed of evolution towards greater transparency of their hearings and deliberations. The split between committees—those that are open to the public and those that are not was about 55:45. This needs to change. Pakistan and Nepal have already moved in this direction and to the best of the author’s knowledge, no committee has regretted the move from “closed door” meetings to “open” public hearings.

⁸⁷ David McGee, *The Overseers—Public Accounts Committee and Public spending*, Pluto Press, London 2002

⁸⁸ One of the weaknesses of the SAI/PAC System in many countries is that it excludes scrutiny of the banking system. In India, for instance the public sector banks are not audited by the SAI.

Functioning of Committees: The Toronto meeting raised important questions on a host of issues such as the nature and extent of research undertaken by committees, the tenure of its members, access to information on developments internationally, the independence of auditors (*de jure and de facto*), the relevance of global development goals to legislators and the distinct challenges facing small countries such as Botswana and Nepal where resources available to the committee are extremely limited.

**Selected results from survey of Public Accounts Committees
in the Commonwealth⁸⁹**

	Yes	No
Is the chairperson from an opposition party?	67%	33%
Are departmental officials normally summoned?	97%	3%
Is the auditor general normally summoned?	79%	21%
Are ministers normally summoned?	31%	69%
Are committee reports freely available to the public?	87%	13%
Are hearings open to the press and the public?	55%	45%
Committee depends primarily on audit report?	85%	15%
Is the committee report debated in the legislature?	57%	43%
Executive required to respond to recommendations?	80%	20%

Main Conclusions and Recommendations: The Toronto meeting of the study group came to the conclusion that there were three main areas for serious consideration.

(a) **Capacity building:** A constant theme was the need to improve institutional capability, that is, the ability of parliaments, PACs and auditors-general’s offices to

⁸⁹ Source: McGee (2002); based on a survey of 70 branches of the Commonwealth Parliamentary Association.

carry out their functions by being provided with sufficient resources and having adequate training and access to the expertise that they require. The audit of central banks, for instance requires special expertise.

(b) **Independence.** Particularly for the auditors-general, it is essential that they be free from political or legal constraints that could inhibit them carrying out their duties diligently and impartially. Administrative constraints too need to be watched.

(c) **Information exchange:** PACs in particular need to have the means to exchange information and ideas so as to keep them up-to-date with important developments, changing standards and best-practices as they emerge. The World Wide Web provides an opportunity to overcome this difficulty.

The following are the main individual recommendations of the study group⁹⁰:

(i) The International Dimension:

- There should be greater direct contact between parliaments, especially PACs, and international financial institutions.
- The CPA should include good government as a subject of the theme or sub-theme of its conferences

(ii) Auditors General:

- The auditor general should be an officer of parliament independent of the executive
- The appointment process for an auditor general should involve consultation with a wide range of stakeholders
- An auditor general should only be removed from office on limited grounds that are specified in advance by law
- Central banks should be subject to the auditor general's audit mandate in the same way as other public sector agencies
- The auditor general should take account of the views of PACs in framing their work programs

⁹⁰ As listed in the paper : Scrutinizing Public Expenditures: Assessing Performance of Public Accounts Committees –WBI 2005 paper developed by Rick Stapenhurst, Vinod Sahgal, William Woodley and Ricardo Pelizzo based on WBI Survey and research 2003-2005

- Parliaments should be involved at the pre-budget stage in determining the resources to be allocated to the auditor general
- Auditors general and their staff must have appropriate legal protections conferred on them to enable them to carry out their duties
- PACs should keep under review any proposals to change the auditor general's audit mandate
- Any company receiving public funding to deliver public services should be subject to the auditor general's audit mandate in respect of those services
- Auditors general should present their reports in an attractive form and devise active communications strategies
- Auditors general should take steps to measure their own performance
- The main of PACs work should be guided by the work of the auditor general
- Auditors general should actively participate in international auditors general associations
- Auditors general should actively introduce themselves and their services to all parliamentary committees, not just PACs
- Auditors general have a role in approving internal audit standards

(iii) Public Accounts Committees:

- Parliaments should regard the PAC as their pre-eminent committee
- Senior opposition figures must be associated with the PAC's work
- There should always be sufficient experience and seniority among the membership of the PAC
- Specially structured training be provided to PAC members
- It is crucial that the chairperson of the PAC has the qualities to ensure that the PAC works effectively
- PACs must be adequately resourced to carry out their functions
- PACs, while not being bound to act unanimously, should strive for some consensus in their reports

- PACs should promote greater public awareness of their role
- PACs should consider using subcommittees for specific inquiries
- Senior opposition figures must be associated with the PAC's work
- There should always be sufficient experience and seniority among the membership of the PAC
- Specially structured training be provided to PAC members
- It is crucial that the chairperson of the PAC has the qualities to ensure that the PAC works effectively
- PACs must be adequately resourced to carry out their functions
- PACs, while not being bound to act unanimously, should strive for some consensus in their reports
- PACs should promote greater public awareness of their role
- PACs should consider using subcommittees for specific inquiries
- The Internet should be used to disseminate information on PACs
- Procedures for follow-up action in recommendations in PAC reports are critical
- Parliament should hold an annual debate on the work of the PAC
- PACs in smaller and developing parliaments need improved access to information technology
- A rational local method of allocating funding to PACs needs to be put in place to ensure that they have adequate resources
- Smaller parliaments need to take innovative steps to expand the pool of personnel available to serve on the PAC
- Special attendance allowances, rather than a special salary, should be considered for PAC attendance
- Links between PAC websites should be developed
- The CPA should explore the potential for the use of a news group to encourage information exchange on PAC matters

- The CPA should examine what options exist for conferences of associations of PACs
- A compendium of Commonwealth PAC practice be established to be managed by a CPA branch or parliament
- Research should be undertaken into establishing a basis for making international comparisons of PAC performance

(ii) World Bank Institute Survey

The CPA study outlines how the PACs work. A survey conducted by the WBI subsequently explored the reasons behind the practices employed by PACs. What are the critical success factors? And what are the main constraints?

(a) Success Factors:

The success factors that PACs themselves consider most important included:

- Having a broad scope of enquiry
- Power to select issues without government direction
- Power to report conclusions, suggest improvements and follow-up on these
- Strong support from the legislative auditor, members and research staff that creates a unity of purpose about PAC work
- Having a bi-partisan relationship among committee members
- Involving the public and encouraging media coverage.

There are other factors that were rated highly, many of which support these listed above. The survey results support the view, for example, that a PAC will be more effective if: it meets regularly, keeps up to date with the progress of public business, members are well prepared for committee hearings and detailed records are kept of committee meetings for the public record.

As regards results achieved by the PAC: How frequently has the PAC achieved the following results in percentage terms:

Result achieved	Frequently (%)	Rarely (%)	Often (%)
Recommendations accepted	78.8	15.2	33
Recommendations implemented	63.6	27.3	33
Better information	60.8	18.2	33
Disciplinary action	27.3	15.2	33
Modification of legislation	15.2	54.5	33

(b) Major constraints – cultural and technical

Some of the most significant constraints that hamper progress included:

Cultural

- Partisan climate
- Executive dislike for legislators
- Weak civil society/media
- Lack of ethical base
- Belief: audit reporting is the end of the responsibility
- Unduly adversarial approach to politics
- Ministers on the oversight committees

Technical

- “System” design: performance reporting?
- Dated and/or immaterial audit findings
- Audit reports that focus on “accidents” rather than “road conditions”
- Executive non response
- Capacity for research and follow through
- Communications capacity at the SAI
- By convention: team work discouraged by adversarial environment

(c) Suggestions for enhancing the impact of the Legislative Oversight Function

(i) Chair of the Committee: A strong chair with leadership qualities and desire to forge a consensus among members was referred to earlier as a key ingredi-

ent of success. Next, experience shows that smaller committees (5-11 members) are likely to be more effective than very large committees (over 12 members). A senior parliamentarian who is well respected by all parties, fair minded, visionary and subscribes to openness as an important value makes for an ideal chair.

(ii) Tenure: Tenure of members is also important. Ideally the tenure of the committee should be the life of the legislature. A PAC system where there is constant turnover with change of members on an annual basis may not provide for adequate continuity and therefore, could lack effectiveness. Sri Lanka and India tend to have this kind of difficulty.

(iii) Selection of Topics: Providing *Suo Motu* powers to investigate is another suggestion for enhancing the scope and clout of the oversight function. A number of committees are able to select topics of their choice for investigation over and above those pointed out by audit. But most do not. An example of one that does is the Public Undertakings Committee of Sri Lanka.

(iv) Research Support from SAI: In many developing countries, the contribution of the SAI at Public Accounts Committee hearings is limited to “a friend, philosopher and guide” to the chair of the committee. This convention has led to a situation whereby the SAI is highly subordinate to the committee; the SAI representative sits “behind” the chair rather than in front of the chair and the committee. The SAI is rarely questioned on the validity of the report or cross-examined by the members for his/her analysis and views supporting the “cause” of the problems reported by the auditor. Some believe that this practice needs to evolve towards more open debate on issues of public interest raised by audit, whereby the SAI is also a witness and subject to public scrutiny as in the case of more advanced countries such as the UK and Canada. This reform would likely lead to a more level playing field for officials hauled in for scrutiny. It would also allow for a more informed discussion on the auditor’s findings and recommendations. This, together with the presence of other witnesses that could provide subject matter expertise would encourage a higher quality of discussion. At the same time, some believe that the auditor would be even more conscious of the importance of quality of audit work and the need to defend, if necessary, the basis of his/her judgments.

(v) Relevant Topics: Other suggestions include greater attention to the selection of relevant topics for discussion at the PAC. Topics that are current, relate

to areas of high fiduciary risk and those that are of greatest interest to the public tend to invite the best debate. Canada provides a good example in this regard. The quality of strategic thinking and planning that goes on at the Audit Office has had a salutary effect. The recent issue of what appear to be highly “irregular” disbursements to individuals recently uncovered by the Gomery Commission is a follow through of a previous audit report on this matter.

(vi) Performance Report: The annual performance report on the workings of the PAC and its tabling in the legislature is another area of importance. A question was posed by the CPA—is there any mechanism in place for the measurement of PAC performance? The response was instructive. 33% responded ‘Yes’ and 67% ‘No’.

(vii) Evaluation of Performance: Common mechanisms in place for measuring the performance of PACs are annual reports and corporate/business plans that provide performance indicators and targets. In this regard, it was found that PACs are far more likely to have their performance measured in Africa (47%) and Canada (50%) than in Asia. And when the question was posed – has there been any recent study or comment on the strengths and weaknesses of the operations of the committee? 8% responded ‘Yes’ and 92% ‘No’.

(viii) The working of the PAC was considered at a conference of chairmen of central and state Public Accounts Committees at Parliament House, New Delhi on 17 and 18 January 2001. The need to improve performance was widely accepted, the need for regular meetings stressed and methods to reduce backlogs explored. Consideration to open PAC hearings to the public was deferred. This event is a good example of a self evaluation process.

(ix) Other comments on the subject of performance generally derive from the media. It was reported in the media of one Caribbean country, for example, that the PAC was not as effective as it should be. Information tabled was often dated.

(x) Media Coverage: The overall suggestion remains to encourage public and media coverage of the oversight function. Given the increasing role of other institutions of public accountability such as social audit, ombudsmen, vigilance, media and civil society interventions—there is a strong signal emerging to harmonize efforts among the various institutions of public accountability.

(d) An Ideal PAC: In the light of the findings of the CPA and the WBI work, presented below (with certain caution) are some aspects of an ideal PAC.

An “Ideal PAC Committee”

- The committee is small; committees seem to work well with 5-11 members, none of whom should be government ministers;
- Senior opposition figures are associated with the PAC’s work, and probably chair the committee;
- The chair is a senior parliamentarian, fair minded and respected by parliament;
- The committee is appointed for the full term of the parliament;
- The committee is adequately resourced, with an experienced clerk and a competent researcher(s)
- There is clarity on the committee’s role and responsibilities;
- The committee meets frequently and regularly;
- Hearings are open to the public; a full verbatim transcript and summary minutes are quickly available for public distribution;
- A steering committee plans the committee’s work in advance and prepares an agenda for each meeting to the full committee;
- The typical witness is a senior public servant (the “accounting officer”) accompanied by the officials that have a detailed understanding of the issues under examination;
- The auditor’s report is automatically referred to the committee and the auditor meets with the committee to go over the highlights of the report;
- In addition to issues raised by the auditor, the committee occasionally decides to investigate other matters;
- Committee strives for some consensus in their reports;
- The committee issues formal substantive reports to parliament at least annually;
- The committee has established a procedure with the government for following up its recommendations and is informed about what, if any, action has been taken;
- In all its deliberations, the committee uses the auditor as an expert advisor;
- Parliaments hold an annual debate on the work of the committee.

Conclusion

Audit and legislature oversight are crucial links in the chain of public financial management and accountability. The system of public financial management and accountability cannot function effectively without a strong audit and legislative oversight function. The Public Accounts Committee acts as the crucial agent among the “Three Men in the Boat”—the Legislator, the Executive and the Auditor. There is a call for both the public and private sectors of the economy in developing countries to strengthen public governance & accountability.

The success of a PAC depends, to a large extent, on how it is institutionalized and the institutional features and characteristics that it has—its power and mandate. In this respect, recent research points towards: first, PACs should focus on governments’ financial activity (implementation and service delivery) and accountability for performance rather than evaluating or assessing the content of the governments’ policies. Second, PACs should have the power to investigate all past and present government transactions regardless of when they were made. Third, PACs should be given the power to verify whether the executive actually undertakes concrete steps to implement the recommendations of the PAC itself. And finally, PACs must have a close working relationship with the auditors general. The relationship is truly symbiotic.

The success of a PAC does not depend exclusively on institutional design; equally importantly, it depends on the behaviour of its members and in the functioning of the committee itself. Here, some obvious best practices can be identified: PACs’ members must act in a non partisan fashion and should try to have a good working relationship with other committee members in spite of possible partisan differences. In its functioning the PAC should always strive for consensus. The WBI Study has revealed that the effectiveness in the PACs’ activity increases whenever the PACs members study the documentation and prepare themselves before the PAC meetings. The PACs should keep the transcripts of their meetings, they should publish their conclusions and recommendations, and they should involve the public and the media. Public opinion can in fact be a strong incentive for governments to improve their financial accountability and avoid possible allegations of ineffective management of public resources.

Many developing countries need to catch up with their counterparts in more advanced democracies. The traditional “compliance” based regime needs to be

broadened to a more “performance” based regime. For audit and legislative oversight to remain effective there is an urgent need to modernize the system of public financial management and accountability in many developing countries. One way is to change the focus of audit and legislative oversight from “cash outlays” to “development outcomes” and of audit from reporting on “accidents” to “road conditions”. There are many common issues to tackle, good practices to follow, ways to support the harmonization agenda and building capacity by sharing and learning.⁹¹

References

- Stapenhurst Rick, Sahgal Vinod, Woodley William and Pelizzo Riccardo. “Scrutinizing Public Expenditure: Assessing the Performance of Public Accounts Committees.”
- McGee David G. “The Overseers – Public Accounts Committees and Public Spending” QC
- India – Orissa State Financial Accountability Assessment
- Nanayakkara, Gunapala (Editor). “Public Accountability and the Role of the Citizen in Government–Think Globally–Act Locally.” Postgraduate Institute of Management, University of Sri Jayewardenepura.
- Review – Quarterly Journal of the Office of the CAG, Bangladesh – Special edition on Regional Auditors General Conference on Harmonizing Institutional Efforts for Promoting Accountability in the Public Sector
- Public Interest Litigation filed in the Supreme Court of India by Mr. Era Zezhian, Ex-Member of Parliament.
- Mendal, Tony. “Parliament and Access to Information: Working for Transparent Governance.” December 2004- CPA

⁹¹ Barbara Kafka senior manager at the World Bank speaking to Auditors General of Asia, at Dhaka 2004.

This page intentionally left blank

Auditing for Social Change: Learning from Civil Society Initiatives

*Samuel Paul*⁹²

Recent years have witnessed a growing concern in development circles about issues of governance and accountability in developing countries. There are several reasons behind this trend. First of all, there is mounting dissatisfaction with the manner in which the state has performed its functions in these countries. Both citizens and outside observers have questioned the efficiency and effectiveness of resource use by governments. Public investments have resulted in meagre returns and low productivity in many cases. Failures in terms of lack of transparency, rule of law, and corruption are often highlighted as the key contributory factors underlying this phenomenon. The plea for a restructuring of the state and its functions has been greatly influenced by these perceptions. Second, the failure of many developing countries to achieve significant poverty reduction and the consequent inequity and injustice suffered by millions of marginalized people is yet another reason for this global concern about governance. The weak bargaining power and organizational capabilities of the poor have no doubt contributed to this outcome. The global campaign under UN auspices in support of the Millennium Development Goals (MDGs) is a response to this reality. Third, there is a growing realization that existing mechanisms for ensuring public accountability have not been able to resolve these problems. Supreme audit institutions (SAIs) exist in almost all countries. But the efficacy of traditional accountability mechanisms and their impact on the functioning of governments have come in for serious questioning.

International development agencies and donors have given increasing attention to the issues of governance and accountability referred to above. Their responses can be divided into two categories. The first consists of international efforts to reform and restructure government systems and practices so as to strengthen their performance and accountability. It covers a mix of interventions that range from administrative reforms to the redesign of judicial and audit institutions. Many

⁹² The views expressed in this papers are those of the author and do not necessarily represent those of the United Nations or its Member States.

foreign aid projects include reform programs of this nature. The second focuses on strengthening public accountability through pressure from outside of governments, especially through civil society institutions. The endeavour here has been to experiment with different types of pressure that civil society or citizens at large can bring to bear on their governments to be more accountable to the people. Some donors have begun to invest in the creation of civil society capabilities to play this role in specific country contexts.

Since the purpose of this paper is to discuss ways and means for SAIs to enhance the relevance and impact of the audit function by drawing upon civil society perspectives and feedback, it aims to focus primarily on the current thinking on this approach to strengthen public accountability. This is not to deny the importance of restructuring governments. A lot of good work is going on in this regard, and it should continue to receive high priority. But, as noted above, in the context of this paper, linking the audit function to the potential of civil society pressure as an aid to accountability has greater relevance.

This paper is divided into three sections. The first section presents some basic concepts and approaches that may help us to understand how civil society pressure can act as an influence on accountability. A narration of recent civil society initiatives to strengthen public accountability is provided in the second section. A case study of one of these initiatives, namely, citizen report cards on public services, in which this author was personally involved, is also presented here. The third section offers some ideas on how SAIs might draw upon these concepts and experiences to make their audit of social change more focused and effective.

I. Accountability and Citizens' Voice

In a democracy, the State is the servant of the people. It performs many functions essential for the welfare and development of its citizens and provides an array of essential services many of which are "public goods." The State collects taxes from the people to discharge its functions and is accountable to society for proper use of the resources entrusted to it. Periodic elections are seen as the ultimate lever that citizens can use to hold those wielding power in the name of the state accountable for their performance. But the dilemma is that while much happens between

elections in terms of transactions between the state and its citizens, there is little an individual citizen can do in the short run if things go wrong in the discharge of functions or services by the state's agencies. Waiting for the next election is of little help to a citizen who needs immediate corrective action. The problem arises because the citizens have no "exit" unlike in the market place where they can exit from one supplier of a good or service to another. When citizens have no exit option, they can only vent their feelings through "voice." Voice may take the form of protest, non-cooperation or the rejection of political representatives through the ballot process.⁹³ Collective action in any of these forms can act as an instrument of accountability, signalling the authorities that they must listen to the people's voice and take remedial action. Of these different forms of voice, the ballot process is the most difficult to access because of the long time gap between elections. Other forms of collective action (a form of voice) are more easily resorted to when people face problems continually with the functioning of governments, especially with the delivery of services.

There is a growing literature on the use of voice as an aid to accountability and on the evidence from numerous experiments based on this approach.⁹⁴ Illustrative of this trend is the framework for accountability presented in the World Development Report (WDR) 2004. WDR uses the term "client power" to denote the voice of the users of public services. It is true that as customers of a service, citizens are clients. Nevertheless, it is important to note that their role as citizens is larger and has more power than what a mere client can command. Citizens, for example, have rights and avenues for action that may not always be available to mere clients. The preference of this paper's author, therefore, is to use the term "citizens' voice."

Diagram 1 below presents a graphical representation of WDR's framework for accountability.⁹⁵ Its focus is on accountability with respect to the services for the poor. But its implications are by no means limited only to the services or functions

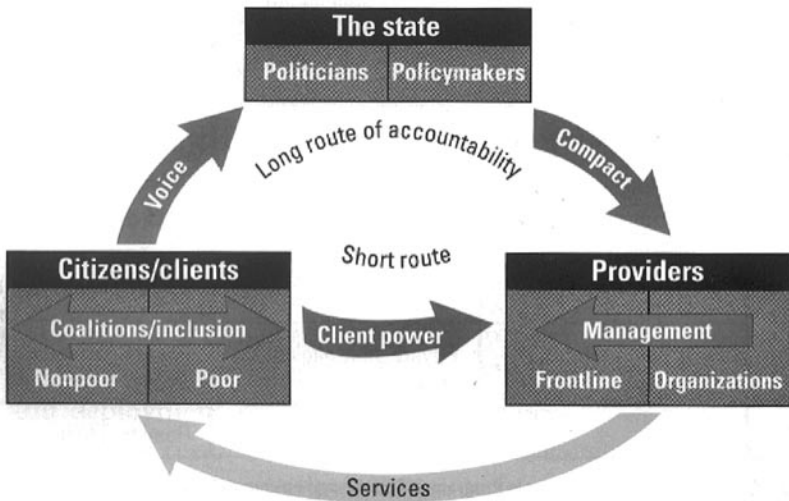
⁹³ For a fuller discussion, see Paul, Samuel, "Accountability in Public Services: Exit, Voice and Control". *World Development*, July 1992.

⁹⁴ See *World Development Report* (2004), World Bank, Washington DC; Manjunath and Balakrishnan, *Civic Engagement for Better Governance*, Public Affairs Centre, Bangalore, 2004.

⁹⁵ The diagram is taken from Chapter 5 of WDR 2004.

that matter only to the poor. This framework brings together four sets of players, namely, citizens/clients, political leaders/policy makers, public service providers, and frontline professionals. Citizens participate in the political process both individually and in groups. But they are also clients of the public agencies that provide different services. Their interests and goals need not always be the same and hence, conflicts between groups cannot be ruled out. Elected leaders and policy makers have the power to formulate policies and laws, and allocate and supervise resources and their use. Service providers are line departments and agencies charged with the responsibility for the design and delivery of public services. Providers may also be from the private sector, but are required to function under the regulation of public authorities. Frontline delivery personnel such as teachers and doctors work under the supervision of service providers. But their goals and incentives need not always be in tune with those of their service providers or policy makers.

Diagram 1: Key Linkages in Accountability



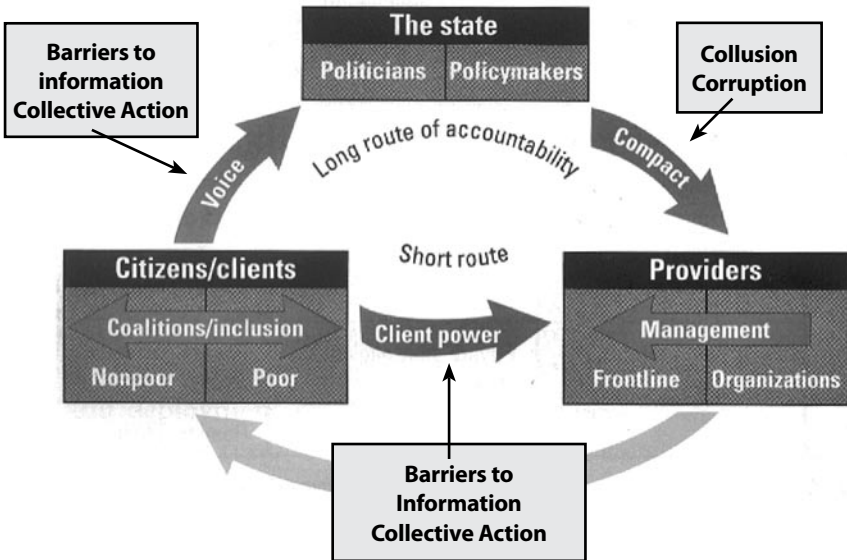
The WDR framework refers to the long route and the short route of accountability. Both operate in a circular fashion (see Diagram 1). Citizens/clients can use voice to signal policymakers/leaders on their needs and problems. The latter in turn can hold service providers accountable for the delivery of services through a

compact, much as a contract with explicit terms and obligations of a mutual kind. Service providers then deliver services through their frontline workers and units that directly interface with citizens. Accountability here is enforced through the use of voice that works through the political process. In the short route, the linkage between citizens and providers is more direct. Here, client voice directly impacts on the provider and accountability is achieved through this direct pressure.

It is not our objective here to delve deep into this framework and its merits. Suffice it to note that it is a departure from the traditional notions of vertical accountability mechanisms. The latter have not been assumed away in this diagram. The traditional audit function is presumably built into the right side of the diagram. The operation of the compact and the resources deployed for services are subject to audits of various kinds.

But the new feature here is the mechanism of voice and the manner in which it acts as an aid to accountability. But the big question is whether this framework can actually be made to work. The logic is appealing. In a democratic setting, listening to the people or responding to their collective voice seems desirable and feasible. Are there barriers that can derail or weaken these linkages? Diagram 2 provides some answers.

Diagram 2: Barriers to Accountability



The diagram on the previous page illustrates the kinds of barriers that can break the neat relationships and influences implied in Diagram 1. It highlights two sets of barriers, one that could weaken the power of voice and the other that can render the compact ineffective. Voice, for example, will not work when citizens/clients do not have the necessary information or knowledge to make it effective. This can happen when people have limited knowledge in a specific area and are therefore unable to digest new information and make use of it. Even if they are educated, but have no access to information, then again the outcome will be no different. Thus, governments can create barriers to voice by denying people knowledge about their rights and entitlements, and standards and norms pertaining to services. Even when such information is available, if citizens do not have a sufficient background for understanding this information, it can potentially act as a barrier to voice. The poor often tend to suffer from this handicap.

There are equally important barriers to collective action as a form of voice. Collective action calls for time, organizational skills, and resources. It requires capacity to identify key issues and knowledge about possible remedies. The poor typically are weak in terms of these capabilities. When they are struggling to survive, they may neither have the ability nor the incentive to invest in collective action. It is the reason why intermediary organizations (such as NGOs) enter the scene and organize the poor and marginalized communities. Collective action is easier to organize for the better off sections of society. Nevertheless, it is an uphill task even for them because of the “free rider” problem and the indifferent characteristic of many middle class citizens who seek easy exits. It is not uncommon, for example, for people to pay a bribe to get their work done.

There is a similar set of barriers on the right hand side of the diagram that can turn the compact between policy makers and providers into a hollow ritual. There may be a nominal compact, but in reality, both parties may agree to ignore its provisions and collude to follow their own interests rather than the public good. When those who are meant to enforce the compact dilute or ignore it, there is no one left to demand accountability, and the casualty is the service provider’s performance. In a country where citizens’ access to information is limited, the latter will be unable to challenge collusive conduct. More often than not, corruption and political patronage are at the heart of this phenomenon. Extreme cases of this kind signal the existence of a predatory state that citizens are unable to break.

What is described above applies to both the long and short routes of accountability depicted in the diagram. Barriers to information and collective action could render voice ineffective when citizens try to influence service providers directly (the short route). Delivery of services to the poor and the accountability of the providers to the people will not improve under these conditions. To conclude, unless the barriers to information and collective action are somehow eliminated, and citizens' voice is strengthened enough to weaken the grip of collusion and corruption in the machinery of government, it is unrealistic to expect that public accountability will improve.

II. Accountability Initiatives by Citizens

Despite the barriers discussed above, there have been numerous efforts by individual citizens, civil society groups and NGOs in several countries to improve the accountability of governments and service providers. Their interventions have taken different forms, depending on the context, the problems involved, and the skills and resources of the participants in these movements. Whether they have made any lasting impact or led to systemic changes within governments is difficult to say. Some of the interventions have been documented and assessed, and their lessons have been widely disseminated. In all cases, they have exerted pressure from outside the system. And some of them have resulted in models and approaches that have been replicated or adapted in other settings and even countries.

The civil society initiatives for accountability presented below fall into five categories: (1) community management of local services, (2) independent budget analysis and tracking, (3) public hearings, (4) public interest litigation, and (5) citizen report cards on services. A brief description of each follows.

1. Community Management of Local Services

There are many public services that lend themselves to direct monitoring and supervision by local communities.⁹⁶ In many cases, citizens and users of the services could participate in aspects of managing and monitoring such services. A good

⁹⁶ See *Development Outreach*, World Bank Institute, January 2004 for a number of applications of this nature.

example is the local school where the parent-teacher association could actively participate in planning and supervising the school programs. Similarly, the maintenance of drinking water facilities and community toilets has benefited from the participation of user groups. A recent case from the slums of Mumbai, India has shown how local communities have pitched in to manage and maintain the newly built toilet facilities. NGOs and local communities have played a lead role in this project and the government has funded it through a World Bank project.

The initiative for community management has come largely from NGOs working in the field in local communities. Their primary interest is in promoting community participation in local development programs and services so as to make them more relevant to the people and more sustainable. But it turns out that such participation is also a powerful means to hold the government or service provider accountable to the people. When the latter influence the design of a service and monitor its delivery or contribute to the maintenance of public facilities, they have a strong interest in ensuring that the agencies involved are responsive to their problems and needs. Being closer to the scene and with a seat at the table, they can observe and challenge abuses and poor performance. Community management of local services can thus act as an aid to accountability, and to a large extent, compensate for the inherent problems in monitoring local activities that higher level officials encounter. In several countries, governments and international donors are now encouraging and facilitating community management of public services and facilities.

2. Independent Budget Analysis and Tracking

Budgets are the basic instrument of governments to mobilize, allocate and monitor scarce resources (money and personnel). By bringing government budgets under public scrutiny, civil society groups are able to raise important questions about taxation, public expenditure, and the distribution of benefits to different groups of people. This initiative, of course, calls for special skills in terms of analysis and evaluation. Examples of civil society groups engaging in budget analysis and using the findings for advocacy are therefore not many. But wherever it has been attempted, the process has resulted in informing and educating both the people and the authorities (legislators and officials) on the implications of the allocations

and on the need to modify them to achieve the stated policy objectives. Budget analysis can also be used to advocate reforms, especially with reference to the poor, as their interests are seldom adequately addressed in the complex bargaining processes behind the budgetary allocations.

A classic case of such budget analysis where citizens are actively involved comes from Porto Alegre, Brazil. Here communities participate by articulating their needs and priorities. This is an open process that helps the government to listen to the people's voice and arrive at allocations that take into account public concerns. Needless to say, the process presupposes a government that is inclined to listen and seek ideas from the people. It is also a time consuming process that calls for a great deal of involvement by community groups. Broad based budget analysis has been carried out in South Africa under the auspices of a local NGO. The International Centre on Budget and Policy Priorities in Washington DC is engaged in strengthening civil society capabilities to undertake budget analysis in developing countries.⁹⁷

A more limited form of budget analysis has been attempted by DISHA, an NGO in the Indian state of Gujarat. The focus here has been on analysis of the budget from the standpoint of the poor, especially the tribal population. The findings are used by the NGO to engage in dialogues with elected representatives and officials. The findings are publicized through the media in order to create public support for the proposals made by the NGO.

A third example is from Africa where public expenditure tracking has been attempted to monitor the effectiveness of public spending on services for the poor. The World Bank has led this effort in Uganda and other countries, but the approach lends itself to be used as an initiative to increase accountability. Budget analysis, of course, is primarily a means to improve the process of resource allocation by governments and to nudge them to be effective. But when civil society groups engage governments in this exercise, it can act as a force for greater public accountability.

⁹⁷ See "International Budget Project", Centre on Budget and Policy Priorities, Washington DC, 2003.

3. Public Hearings

Public hearings are a well known mechanism for eliciting the views and concerns of the people on a variety of issues. Regulatory agencies use this approach in the determination of tariff rates and other policies. In recent years, NGOs and other civil society groups have organized public hearings as a means to demand increased public accountability towards the poor and marginalized communities. Being an open process, it attracts the attention of the media and lends itself to being used as an aid to advocacy to improve the conditions of the poor. NGOs act as intermediaries in the process as the poor are not equipped with the skills and organization necessary to make a success of public hearings. When people face highly localized problems, it is possible to stimulate the poor to participate in public hearings.

A documented case from India narrates how MKSS, an NGO based in Rajasthan, India used public hearings in rural areas to publicize the abuses in public employment programs. This adverse publicity led to the authorities taking corrective action that benefited the local communities. It also gave a strong push to the right to information movement that was gaining momentum in the country in the early 1990s. Public hearings were used in this case to demand accountability in the programs that are supposed to benefit the poor. In the absence of the resultant pressure, abuses in the employment program might have continued unabated.

4. Public Interest Litigation (PIL)

Public interest litigation refers to legal action taken in a court of law for enforcing the public interest or to protect the legal rights and liabilities of the public or a community of people. The term, PIL, was first used in the USA in the 1960s to describe a legal development that sought to widen civic participation in governance. In some developing countries like India, PIL has been widely used to get the courts to direct governments to take corrective steps to restore the rights and entitlements of the poor. An independent judiciary and a democratic constitution are essential prerequisites for PIL to succeed. PIL is a potent accountability mechanism when the executive and legislative branches of government are unable or unwilling to protect the rights and entitlements of the poor. Individual citizens, especially the poor, will find it difficult to resort to PIL to hold the government accountable for the denial of their rights simply because of the time and costs

involved. As in public hearings, it is NGOs and organized civic groups that make use of PIL in most countries.

5. Citizen Report Cards – An Accountability Tool

A citizen report card (CRC) is a new way to rate different service providers from a user perspective and to utilize this information to make the providers more accountable to the people. User feedback is a cost effective way for a government to find out whether its services are reaching the people, especially the poor. Users of a public service can tell the government a lot about the quality and value of a service. Surprisingly, this is not a method that is known to or used by most developing country governments. The continuing neglect of the quality of services is in part a consequence of this gap. This is in sharp contrast to the practice of seeking “customer feedback” that is common in the competitive market place.

A CRC on public services is not just one more opinion poll. Report cards reflect the actual experience of people with a wide range of public services. The survey on which a report card is based covers only those who have had experiences in the use of specific services and interactions with the relevant public agencies or other aspects of public services. Users possess fairly accurate information, for example, on whether a public agency actually solved their problems or whether they had to pay bribes to officials. Of course, errors of recall cannot be ruled out. But the large numbers of responses that sample surveys generate lend credibility to the findings.

Stratified random sample surveys using well structured questionnaires are the basis on which report cards are prepared. It is generally assumed that people from similar backgrounds in terms of education, culture, etc., are likely to use comparable standards in their assessments. But these standards may be higher for higher income groups than for the poor whose expectations about public services tend to be much lower. Dividing households into relatively homogenous categories is one way to minimize the biases that differing expectations can cause.

Since the author of this paper played a modest role in launching the first CRC in Bangalore, India, a brief case study of this experiment will be presented. Public Affairs Centre (PAC), founded in Bangalore, has taken this initiative much further over the past decade. The first report card on Bangalore’s public agencies in 1994

covered municipal services, water supply, electricity, telecom, and transport. Since then, PAC has brought out report cards on several other cities, rural services and also on specific sectoral services such as health care. But since it has tracked services for a longer period in Bangalore, this experiment shall be referred to in detail below.⁹⁸

The findings of the first CRC on Bangalore were most striking. Almost all of the public service providers received low ratings from the people. Agencies were rated and compared in terms of public satisfaction, corruption, and responsiveness. The media publicity that the findings received and the public discussions that followed brought the issue of public services out in the open. Civil society groups began to organize themselves to voice their demands for better performance. Some of the public agencies responded to these demands and took steps to improve their services. The inter-agency comparisons and the associated public glare seem to have contributed to this outcome. When the second report card on Bangalore came out in 1999, these improvements were reflected in the somewhat better ratings that the agencies received. Still several agencies remained indifferent and corruption levels continued to be high.

The third CRC on Bangalore in 2003 has shown a surprising turnaround in the city's services. It noted a remarkable rise in the citizen ratings of almost all the agencies.⁹⁹ Not only did public satisfaction improve across the board, but problem incidence and corruption seem to have declined perceptibly in the routine transactions between the public and the agencies (See the charts below). It is clear that more decisive steps have been taken by the agencies to improve services between 1999 and 2003.

What accounts for this distinct turnaround in Bangalore's public services? What lessons can we learn from this experiment? Needless to say, without deliberate interventions by the government and the service providers, improvement in

⁹⁸ See Paul, S., *Holding the State to Account: Citizen Monitoring in Action*, Books for Change, Bangalore, 2002; Paul and Shekhar, *Benchmarking Urban Services*, Public Affairs Centre, Bangalore, 2000; Ravindra, A., *An Assessment of the Impact of Bangalore Citizen Report Cards on the Performance of Public Agencies*, OED Working Paper NO: 12, Washington DC, 2004.

⁹⁹ For details, see Paul, S., *Citizen Report Cards in Bangalore: A Case Study in Accountability*, mimeo, PAC, Bangalore, 2005.

services would not have taken place. But the key question is—what made them act? A whole complex of factors seems to have been at work. The new Chief Minister of the State who took over in 1999 was very much concerned about the public dissatisfaction with the city's services. He set in motion new mechanisms such as the "Bangalore Agenda Task Force," a forum for public-private partnership that helped energize the agencies and assist in the upgrading of services. Civil society groups and the media supported and monitored these efforts. What is significant is that the initial trigger for these actions came largely from the civil society initiative called "citizen report cards."

What are the pre-conditions for such civil society initiatives to work? It is obvious that these initiatives are more likely to succeed in a democratic and open society. Without adequate space for participation, CRCs are unlikely to make an impact. A tradition of activism within the civil society can also help. People should be willing to organize themselves to engage in advocacy and seek reforms supported by credible information. Political and bureaucratic leaders must have the will and resources to respond to such information and the call for improved governance by the people. Last, but not least, the credibility of those who craft CRCs is equally important. The initiators of the exercise should be seen as non-partisan and independent. They need to maintain high professional standards. The conduct of the survey and the interpretation of the findings should be done with utmost professional integrity.

When service providers and governments on their own improve their services and accountability, initiatives such as CRCs may not be necessary. Even under these conditions, a report card can be an effective means for civil society groups to monitor the performance of government and its service providers. Public agencies can on their own initiate report cards on their performance as indeed some in Bangalore have done. But when a government is indifferent to these concerns, advocacy based on a CRC can act as an accountability tool to challenge the government to perform better.

Agencies Covered by CRC 3

BMP	The City Municipal Corporation
BESCOM	The Electricity Authority
BWSSB	The Water & Sanitation Board
BDA	Land Development Authority
BSNL	Telecom Department
BMTC	City Transport Company
POLICE	City Police
RTO	Motor Vehicle Office
Gov. Hospital	Government Hospital

Chart 1: Decline in Problem Incidence

Problem Incidence across Report Cards

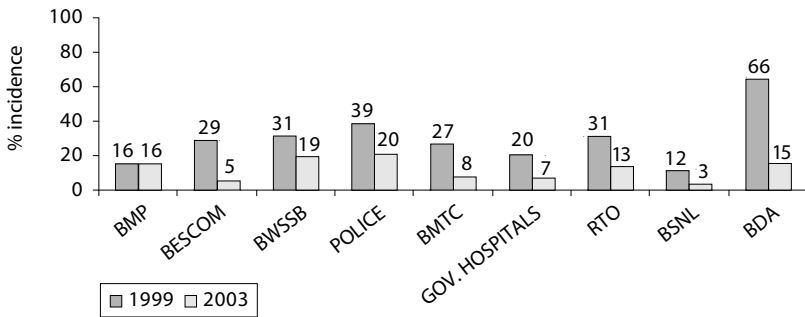
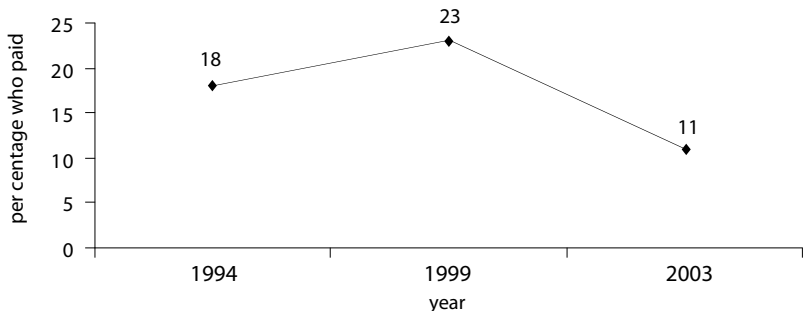
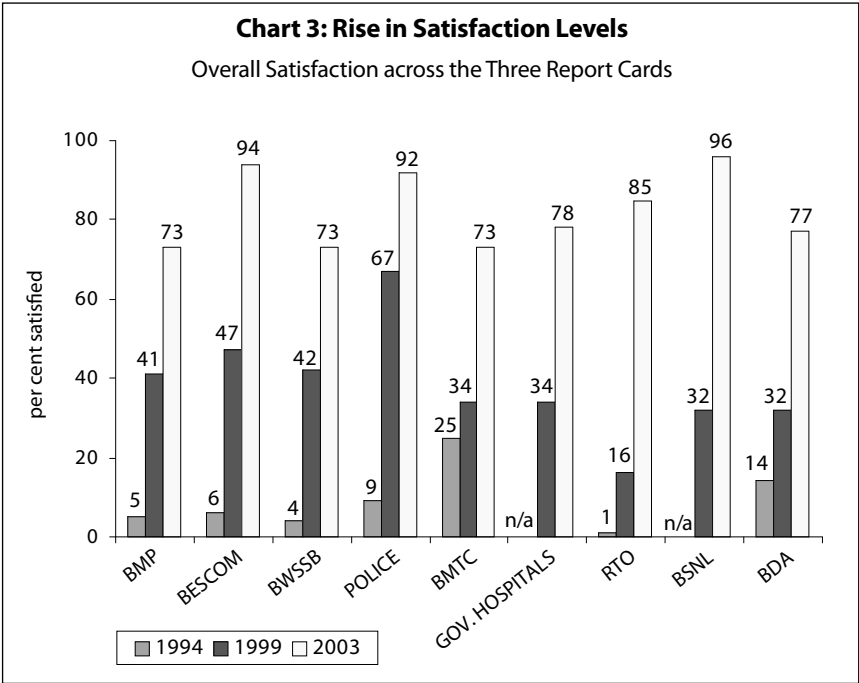


Chart 2: Decline in Corruption Levels (routine transactions)

Speed Money Incidence across Report Cards





III. Policy Implications for Supreme Audit Institutions (SAIs)

The range of accountability initiatives described above tells us the story of how civil society has responded to the weak public accountability that prevails in many developing countries. In a real sense, they represent a form of audit by the people on the effectiveness and outcomes of what government does. Note that it does not focus on the internal processes of government. A common thread that runs through these diverse experiments is the manner in which they have empowered citizens with new information and knowledge that could be used to hold a government or service provider accountable. These initiatives emerged in different countries and contexts and in response to different problems. That some of these concepts and tools are being replicated in other countries and sectors testify to their wide applicability.

Despite the potential power and impact of these civil society initiatives, it is difficult to imagine that they are the answer to the accountability deficit in

developing countries. They do inspire and provide models for others to follow. In critical situations, their pressure may make service providers and public agencies more accountable. And such initiatives will continue to emerge in different places. But they cannot assume the role of the institutions of government that have been assigned the responsibility of making accountability mechanisms work. In the final analysis, it is the governments and their supreme audit institutions (SAIs) that have a duty to make public accountability a reality.

What are the policy implications of the civil society initiatives for SAIs? Do they offer new ideas or practices that can be incorporated into the agenda of SAIs? Are there ways to tap into the energies and insights of civil society that can be an aid to the work of SAIs? Admittedly, all of the civil society initiatives discussed above are not equally relevant to SAIs. PIL is clearly not an approach an audit institution can adopt. It cannot get involved in community management. Nor can it be in the business of budget analysis. But there are several other things that SAIs can do. What follows are some tentative ideas for consideration.

1. Incorporate Citizen Feedback into Performance Audits

The audit function in developing countries is, for the most part, compliance oriented. Compliance is certainly a legitimate concern. But in the context of MDG goals and poverty reduction, concern for effectiveness needs to receive far more attention from auditors than at present. Performance audits and value for money audits represent moves in this direction. These practices are beginning to be adopted by developing countries. But the methodology used in these new types of audits may benefit greatly by incorporating the findings of user feedback. Performance audits should go beyond output measures to get an assessment of the quality and effectiveness dimensions of services. This is what user feedback can provide to the auditor. Performance audits that focus only on physical outputs and costs may miss this insight. In a drinking water supply program, a performance audit may count the number of water taps installed or the volume of water supplied. But the regularity of water supply or the maintenance of the facility that matter a lot to citizens may still leave much to be desired. Corruption may add to users' costs, but do not get reported anywhere. These aspects of effectiveness can be captured only through systematic user feedback.

The diagram below shows the value added that user feedback can offer when taken together with compliance audit.

Diagram 3: Compliance vs. User Feedback

		User Feedback	
		Negative	Positive
Compliance	Low	Weak Internal Systems/Controls Poor Service Delivery	Weak Internal Systems/Controls Effective Service Delivery
	High	Strong Internal Systems/Controls Poor Service Delivery	Strong Internal Systems/Controls Effective Service Delivery

In this 2x2 matrix, the findings of compliance audit are graded vertically, while the user feedback results are graded horizontally. The quality of compliance in a program or department may be rated low or high. Similarly, user feedback may turn out to be negative or positive.¹⁰⁰ Four combinations of these two variables can be seen in the diagram (A, B, C, and D). Insights from user feedback will now enable the SAI to see that some departments/programs may be weak in compliance and yet are more effective in their services (cell B). Cell A refers to departments/programs that are weak on both counts. Cell C shows that a department/program may be high on compliance, yet fails to deliver services effectively. Cell D is the only case where the performance is good on both counts. It is clear from this analysis that a more complete picture of how well a department/program is managed can be generated when information on both variables is taken together. This approach may help SAIs to make more balanced and well focused recommendations to the government.

2. CRC for Monitoring MDGs

Using the CRC approach to assess the effectiveness of all government functions and programs may be unrealistic. CRCs do call for extensive field surveys and the

¹⁰⁰ Grading can be refined further by creating more categories. A 2x2 matrix is being used for the sake of simplicity.

time and cost involved can entail a heavy burden on SAIs. But it should not be difficult for SAIs to use this approach in programs and departments that provide essential services for the people. MDGs are a case in point. The long term targets implied by MDGs will be achieved only through the interventions and service delivery over the years for which the state is responsible. If the delivery is not reaching the people as planned, it is unlikely that MDGs will be achieved. SAIs will be able to give advanced warnings to governments on whether they are on track with MDGs if they can tap into the power of user feedback. The message may stimulate governments to take midcourse corrections.

User feedback is already a component in the performance audits being done by SAIs in some of the more developed countries. USA, UK, and Canada have shown that this approach has merit. India's SAI has sought user feedback in its audit of the public distribution of food program. CRC's feasibility is thus not in doubt. But it is not known or widely used by SAIs. The challenge is to deploy it on a scale that can make a difference.

3. Audit of Government's Information Disclosure

A key lesson from the civil society initiatives for accountability discussed in this paper is that empowerment through new knowledge and information can motivate citizens to demand accountability. Governments are not always proactive in informing and educating citizens on their rights, entitlements, and what they should know in order to access public services and programs. This is an aspect of government that needs a systematic audit. Just as SAIs audit public expenditure, they should also assess the adequacy and quality of the information being provided to citizens to access services. There is much talk of citizen charters, the right to information, e-governance, etc. They lend themselves to be audited in terms of their relevance, implementation, and effectiveness. If citizens can be empowered through information, they will complement and reinforce the efforts of SAI.

4. Educate Citizens on SAI Audits

In many countries, SAI's reports and recommendations are not widely known to the public. Audit reports may go to the government and legislature, but may or may not get much attention in the press or other public fora. It is also possible that

governments and SAIs restrict their public dissemination. Some of the reports that pertain to the inner workings of the government may not in any case interest the average citizen. If these reports do not get acted on by governments, nothing more will be heard of them. But this is not the case with reports and recommendations on programs that directly impact on citizens. If SAIs can increase citizen access to such reports, it is possible to generate public support for the changes and reforms being proposed. In many countries there are public interest groups and NGOs that may help initiate public debates on their implications. Stimulating informed debates on audit findings can be a powerful way to facilitate increased participation by citizens in governance processes and to strengthen the constituency for accountability.

This page intentionally left blank

Media and Audit: Strengthening Peoples' Right to Public Resource Management

*Mahfuz Anam*¹⁰¹

The function of audit has progressed beyond a mere exercise in accounting to a medium for social planning. The successful advent of this evolution owes in part to the remarkable commonality that exists between the media and the audit profession – likened to two family members separated at birth that are only now discovering that they belong to the same family. Thorough examination of the relationship between media and auditing reveal a mutually beneficial partnership leading to transparent, accountable, progressive, and democratic societies.

The paper examines the challenges to good governance that have led to an evolution of the context within which the media currently functions, and outlines the expansion of the media's vision as a result of this evolution. It discusses how the partnership between the traditional 'watchdog' role of media and audit institutions produce greater government accountability leading to good governance. It categorizes the relationship of Audit with Legislative Oversight, Planning & Budgeting as supply side initiatives, while categorizing the relationship of Audit with Civil Society & Media as demand side initiatives, to bring about good governance and accountability. The ultimate struggle lies in establishing the right to information as a fundamental right, a demand side initiative to be advocated by the media & civil society. The paper goes on to highlight specific advocacy roles played by the news media in Bangladesh as well as the challenges that lie ahead.

Challenges to Good Governance: Corruption

The demand for participatory and transparent governance swelled simultaneously with the demise of state-cantered command economies. Democracy has become the most universally accepted political system, with elected representative government as its institutional expression. An increase in public demand for

¹⁰¹ The original paper presented by Mr. Anam has been revised and updated by Numayr Chowdhury of Policy Analysis & Coordination Unit (PACU) of UNDESA and augmented with segments of Mr. Anam's verbal presentation from the workshop on "Auditing for Social Change"

greater involvement in state management and greater knowledge of the use of national resources has led to rising intolerance for corruption, which hinders overall progress as scarce resources are devoured by powerful vested groups. Consequently, public service institutions today face stricter scrutiny and greater pressure to deliver ‘good governance.’

Good governance is lacking in most developing countries due to a variety of reasons which include corruption, poor planning, lack of transparency in budgeting, ineffective public policies and failure to establish a pro-poor focus. In Bangladesh, the principal hindrance to good governance is corruption which permeates all levels of socio-economic life. In 2005, Transparency International’s (TI) Corruption Perception Index ranked the perception of the level of corruption in Bangladesh the highest among 159 nations (along with Chad) for the fifth year running. The nation scored a measly 1.7 out of a scale of 10 with 10 being highly clean and 0 being highly corrupt. Corruption in Bangladesh has gradually corroded and debilitated the basic institutions that have the task of upholding the states administrative structure, leading to the destruction of public confidence upon which democratic governance must necessarily rest. Consequently, there is an urgent need to eliminate corruption in order for democracy to deliver. *Iftekhhar Zaman, Executive Director of Transparency International Bangladesh* identifies corruption as the most formidable challenge to governance, development and poverty reduction and goes on to state that:

“One of the early lessons we learnt in TI Bangladesh is that when political will is absent or not strong enough at the highest level to fight corruption without fear or favour; when the key institutions like the parliament, the executive, the law enforcement agencies, the judiciary and the anti-corruption commission are not independent and effective enough; and when people are denied access to information; the ultimate source of strength in anti-corruption movement is the awareness and participation of the people at large.”¹⁰²

The malaise of corruption as a hindrance to good governance is not only limited to Bangladesh, and TI concludes that corruption is still rampant in more than 70 countries, most of them being developing economies. According to David

¹⁰² Iftekhhar Zaman, *CPI and the Anti-corruption Movement*.

Nussbaum, TI's Chief Executive. "Leaders must go beyond lip service and make good on their promises to provide the commitment and resources to improve governance, transparency and accountability."¹⁰³ TI states that for low-income countries to combat corruption effectively they must "enable greater public access to information about budgets, revenue and expenditure".¹⁰⁴ Supreme Audit Institutions (SAIs)¹⁰⁵, parliamentary oversight committees and other institutions of accountability must be strengthened.

Supply & Demand Side Initiatives for Good Governance and Accountability

Supply side initiatives for enhancing accountability and good governance incorporate existing audit mechanisms created by the government in their own "good judgment", with the stated intent of monitoring spending and improving governance. These include oversight bodies, parliamentary bodies and SAIs among others. Demand side initiatives create greater expectation in the public mindset with regards to knowing how their resources are being spent and whether they are getting the right "bang for the buck". Civil society and media are essential tools for creating such demand, whereby the public clamours for greater monitoring and supervision. In order to place demand side initiatives on a theoretical context, they should be looked at as a part of democracy, which thus far has been narrowly viewed as a set of political and civic rights confined to constitutionality, the right to vote, elect and reject one's own government, as well as the freedom of speech, expression, movement and so on. Subsequently, democracy has been subconsciously confined to political and civic freedoms in the popular mindset.

The aforementioned notion of democracy has now evolved to incorporate the right of the citizenry to govern their own resources. The citizenry is increasingly less willing to be a passive spectator in the administration of his/her country and the allocation of its scarce resources, as evidenced from uprisings in Georgia, Ukraine, Kyrgyzstan and Lebanon that have effectively altered the status

¹⁰³ Transparency International, Corruption Perception Index 2005.

¹⁰⁴ Transparency International, Corruption Perception Index 2005.

¹⁰⁵ Offices of the Comptroller, Auditor and Inspector General

quo. Democracy now incorporates one's right to know how public resources are being utilized, creating the notion of "I want to know for I am the owner of my country's resource".

In several countries, the 'Right to Know' has progressed from a distant concept to a practical demand with the passage of "Freedom of Information Acts", establishing the citizenry's right to access information pertaining to resource management by the state and the private sector. This includes keeping close tabs on the utilization of taxes, revenues, investments, and external aid, and necessitates the compulsory 'disclosure' of assets of elected officials.

Nevertheless, in many countries, it is still not an uncommon feature for people to consciously demand their rights as citizens and voters, while disregarding their right to know how their national resources are being managed. While this demand has emerged from time to time in public discourse, it needs to be established as a right—in the same vein as voting and citizenry, given the fact that the ultimate ownership of national resources rest with the people.

Owners have a singular mindset and such a mindset is what society should be striving for. Once people begin to believe that the national budget is public money which the government has been entrusted with to utilize for their benefit, the scenario shifts. It is at this point that the media steps in, advocating to implant a sense of resource ownership in the popular consciousness. While this sounds relatively simple, almost like a truism, those living in evolving democracies recognize that the reality is quite different, for they are not empowered to demand information as a right. Information comes at the whim of the government where the quantity and quality of information received depends entirely upon the goodwill and cooperation of government leaders. It is the right to information as a fundamental right where the battle for accountability and good governance must be fought.

Evolving Role of Media: Gender and Environmental Advocacy

To date, the ethos of the media profession has been to refrain from advocacy which is seen as another form of propaganda commonplace in command economies & socialist states. Consequently the media in the "free world" considered their role to be confined to simply informing their audience and leaving the

judgment up to them. Thus, the fundamental ethos of media was just to inform, not to advocate or suggest.

However, in the past two decades, emboldened by the spread of democracy, by the irrepressible demand for the 'Right to Information', by greater public awareness of the need for government transparency and accountability, media as an institution was no longer satisfied with its limited role to simply inform; the time was now ripe to advocate.

The coverage of social issues such as environmental degradation and gender inequality have played a pivotal role in bringing about a change in the media's approach from 'information dissemination' to 'public education'. Greater scientific findings regarding 'limits to growth', reckless use of natural resources, negative impact of technologies that damage the environment, global warming and the depletion of resources in the ocean bed were all concerns that needed to be addressed in order to allay irreversible damage to societal existence. Consequently, in covering environmental issues, the media realized that it was not only necessary to inform, but also to advocate for the preservation of forests, water and clean air. In doing so, the media unconsciously and inadvertently shifted from pure information dissemination to an "advocacy mindset".

Gender inequality was another platform for media advocacy. Gender discrimination was so ubiquitous that it cut across all cultural lines as well as the north-south divide; consequently it was necessary not only to uphold women's rights but also to advocate for them consciously and actively. This agenda gradually and inadvertently expanded to include advocating for democracy and fundamental freedoms, such as the freedom of expression and freedom of the press, in order to resist their erosion at the hands of the government or extremist groups. The global anti-terrorism campaign has further contributed to the media's advocacy mind set.

The media's advocacy role coupled with the expanding notion of democracy incorporating peoples right to govern their own resources, has created the scope for a mutually beneficial partnership between Supreme Audit Institutions and the media to come together for the purpose of protecting public resources. The paper is accordingly titled "Media and Audit: Strengthening Peoples' Right to Public Resource Management".

Obstacles to Media Advocacy of Peoples' Right to Public Resource Management

The media's current challenge involves realigning its advocacy role to focus on the management and expenditure of scarce resources by state and corporate policy-makers. In addition to reporting on corruption, wastage, misappropriation, and other financial irregularities, the media should also advocate their demise through encouraging the citizenry to pressurize the government to respond to these ills. The media must collaborate with SAIs and other 'watchdogs' to publicize alternative policy options. Major obstacles that the media need to overcome to attain the aforementioned objectives include:

1) Tradition of Secrecy

A tradition of secrecy permeates most developing societies characterized by the legacy of feudalism (with its social hierarchy) and the Asian obsession for 'saving face' (where the truth must be concealed to preserve ones social standing). This contradicts the prerogatives of democratic society where openness is highly valued. Democracy's core premise is founded on an informed public opinion that guarantees judicious decision-making in the day to day operations of a society. Informed public consent, often unpalatable in the short run, provides wider benefits in the longer term. The spirit of 'taking the public into confidence' imposes on governments, private corporations and NGOs, the duty to share information with the public; this in turn brings with it a sense of accountability on the part of institutions entrusted with managing public funds.

Openness generates self-confidence given the knowledge that the power to make changes ultimately lies with the people. Public opinion consequently becomes a key factor in the decision making process, subjecting all government actions to public scrutiny. The media is informed of governmental activities in most western democratic societies because the idea that the public has a 'right to know' has been accepted. The challenge faced by the media in the developing world pertains to the fact that information is considered to be the ruler's prerogative rather than a right. Consequently, in the absence of a tradition of openness, in the absence of a freedom of information act, the media often runs into a 'wall' when attempting to inform the public on the activities of the state, particularly when these activities pertain to wastage, misallocation or outright corruption.

In Bangladesh, neither the government nor the bureaucracy has an obligation to share information with the media. There seems to be a continued adherence to Articles 123 and 124 of the Evidence Act of 1872 dating back to the colonial British administration. Article 123 clearly states that “no one shall be permitted to give any evidence derived from unpublished official records relating to any affairs of State except with the permission of the officer at the head of the department concerned, who shall give or withhold such permission as he thinks fit.”¹⁰⁶ Consequently any information available to the media depends upon the benevolence of the concerned official. Furthermore, Section 124 of the Act states that “no public officer shall be compelled to disclose communications made to him in official confidence when he considers that public interest would suffer by the disclosure.”¹⁰⁷ Given that no clear guidelines or parameters exist to define the “public interest”, any and all information can be potentially withheld under this premise of protecting the greater good.

Access to information was further restricted by the “Official Secrets Act” of 1923, where section 2: sub-section 8 of the Act defined “prohibited areas” very broadly, further limiting the scope of information collection. The post-independence government incorporated the spirit of the aforementioned acts into the “Government Servant (Conduct) Rules” of 1979, where Rule 19 affirmed that a sitting government official cannot disclose any information “to other Ministries, Divisions or Departments, or to non-official persons or Press”.¹⁰⁸ While the “Rules of Business 1996” assigned the Ministry of Information with the responsibility of interpreting the policies and activities of the Government of Bangladesh to the press,¹⁰⁹ this has not been put in practice.

This results in a situation where the media is committed to the people’s right to know, but institutions and public representatives, whose main job is to inform the public, have no obligation to disseminate the requisite information. In this sce-

¹⁰⁶ Shaheen Anam, *Right to information in Bangladesh: Challenges and Opportunities*. The Daily Star, September 28, 2005

¹⁰⁷ Shaheen Anam, *Right to information in Bangladesh: Challenges and Opportunities*. The Daily Star, September 28, 2005

¹⁰⁸ Shaheen Anam, *Right to information in Bangladesh: Challenges and Opportunities*. The Daily Star, September 28, 2005

¹⁰⁹ Shaheen Anam, *Right to information in Bangladesh: Challenges and Opportunities*. The Daily Star, September 28, 2005

nario disgruntled government officials become the primary source of information. Other occasional sources of information include apologist debates in parliament as well as the budget. Consequently, the media in Bangladesh has taken to cultivating disgruntled civil servants and like groups, “going to town” with whatever information they can gather, and facing litigations as a consequence.

2) Archaic Legal Systems

Colonial administrations offered minimal scope of popular participation in managing the affairs of the state. They made no pretence of popular accountability and maintained strict secrecy in financial matters. Accounting and auditing existed purely for the benefit of those in charge. Post-colonial administrations in a number of developing countries adopted the mindset of their predecessors, consequently retaining the same command and control psychology, similar rules and regulations to govern auditing, and the same ambience of secrecy when it came to making expenditures public. In Bangladesh, the budget is made public not as a demonstration of the governments commitment to accountability, but rather a tool to justify the government’s point of view.

In recent decades, many developing countries have enacted amendments to their legal framework, allowing for public reporting and parliamentary hearings open to the public and the media. Unfortunately, the vast majority of the changes that have taken place in Bangladesh are not in line with modern auditing procedures. While parliamentary oversight bodies (ex. standing committees on public expenditures) and the Office of the Comptroller and Auditor General (CAG) are entrusted with monitoring government expenditures (and do so with varying degrees of effectiveness), there exists no binding law to ensure that the public has access to the findings of audit institutions. The CAG’s reports are sent to parliamentary committees whose discussions on the findings are not disclosed to the public. Media coverage is totally dependent upon the willingness of informed officials to speak to them at their own discretion.

3) Corruption as a Consequence of Freedom without Accountability

The pressure to globalize has forced many countries to abruptly lift control mechanisms before they could create an adequate legal framework that allows for a

healthy free market environment. Consequently, businesses enjoy the freedoms of the open market without the demands of transparency and accountability that are necessary hallmarks of western free market economies. Corruption, malpractice and a wrecked economy has resulted from this freedom without accountability.

4) Absence of Bureaucratic Performance Orientation

Economic growth is highly dependent upon the bureaucracy in countries where the private sector relies heavily upon government contracts for their survival. Since the bureaucracy is not performance-oriented, the speedy or accurate execution of development projects is ignored, and a nexus develops between businessmen, bureaucrats and elected officials who drain scarce national resources and operate beyond the law.

5) Lack of Transparency in the Business Community

Business communities in most developing countries are not transparent, paying only a fraction of the taxes that are legally due and accumulating the remainder as undeclared wealth. The accumulated wealth is then preserved through a network of bribery incorporating anyone and everyone who has any role to play in the tax collection process.

6) Criminalization of Politics

The exponential growth in the cost of competing in elections has led to elected offices being viewed as “investments” which need to be “recovered” through exploiting the privileges of the post. Consequently, corrupt members of the business community have muscled their way into elected office, at the expense of traditional politicians, through heavy initial investment. Traditional politicians and even established political parties that try to survive must now increasingly turn to corrupt business elites to underwrite their campaign expenses. Consequently, the result has been to legitimize criminals who earn ‘respectability’ through the acquisition of elected office.

Functions that the Media can Undertake to Strengthen the Role of SAIs

Wealth creation and utilization takes centre-stage as more countries enter the globalization process. Resource management has become a far greater concern than

ever before, given mounting scientific evidence that resources are limited and in some cases non-renewable. Consequently, the manner in which a government spends its resources is central to the public discourse on governance. Accordingly, institutions that monitor the usage of financial resources, like SAIs, are increasingly in the public spotlight. The media can undertake a number of important functions to strengthen the role of SAIs:

1. Media as a Mindset Changer

Media can become a very powerful instrument of inculcating the notion of public ownership of resources. The submissive mind-set of the general public needs to be transformed and made far more demanding about how national resources are spent. This involves instilling in the minds of the general public that it is their wealth, that they have a right to know about it, monitor it, and supervise it. The mass media can play a vital role in this transformation process by regularly carrying news articles to reinforce the point that the people—as citizens, voters, and taxpayers, have a right to know how their resources are being used. The casual acceptance that government can keep information away from citizens has to be vigorously challenged. The media has to work towards raising public demand about their basic right to know.

2. Media as a Resource Protector

In as much as the popular conception of democracy needs to be expanded to include people's right to resource management, the media must also probe deeper into resource-related issues such as corruption, waste, inefficiency, politicization, and cronyism. Just as it acts as a “watchdog” of fundamental freedoms, the media must also see its role as the guardian of public wealth with equal vigour. In other words, by becoming a powerful instrument for monitoring the waste of public resources, the media automatically become a protector of the public resource.

3. Media to Ensure Transparency and Accountability in the Workings of the Government

Just as justice must not only be done, but it must also be seen to have been done, similarly a government must not only obey all laws, but the public must see that it is obeying all laws. The people must have the right to ask questions at any time

and demand any relevant information, and the government must be obliged to provide it. Only then can accountability and transparency be established. History has shown that the fear of public knowledge of one's actions automatically improve the quality of governance. The "Freedom of Information Act" must be enacted to ensure transparency and guarantee people's right to be informed of their government's actions. The media must raise public awareness of its necessity and benefits, and support civil society initiatives in favour of this act.

4. Media as the Upholder of the Law

The legal framework within which society operates constitutes a vital part of 'intellectual infrastructure'. The legal environment has a gravitational effect in that it influences our every action even though we are not generally aware of its omnipresent company. Given their status as institutions responsible for upholding the legal framework, governments are cognizant of the ways and means of manipulating the law, bending it without breaking it or even sidetracking it without bending it. Consequently, in many parts of the world, governments have become the principal violator of the law. Given their unremitting violations, it has now become the full time job of the media to hold the government to the law. The media has three very distinct functions in this regard.

The first is to inform the public of their rights as citizens, taxpayers and voters, as delineated in the constitution and statute books. It is often the case that people are not fully informed of the freedoms encompassed in their rights, and consequently, do not realize it when they have been denied or violated. The second is to play a watchdog role by maintaining a constant vigil on coercive government agencies (secret services, police) and reporting consistently and aggressively all incidents pertaining to the abuse of rights. The third is to collaborate with specialists in examining existing laws, and assess their effectiveness in serving the citizens of modern society. Constant examinations of existing laws are necessary to make them better serve the needs of the citizenry in a modern democracy.

5. Media as an Instrument for holding Political Parties to their Election Pledges

Populist political parties in developing countries promise the world to the electorate in order to attain their votes. Once an election is won, the pledges are forgot-

ten and the voters are marginalized. Elected officials go about acting according to their own self-interest which amounts to nothing more than siphoning the nation's resources. Unfortunately, in most developing countries, there are no 'petitions' or 'recall' mechanisms, either to bring something to the government's attention, or reprimand it for having broken a promise. Voters are helpless between elections, being totally at the mercy of their elected representatives. The media is the only medium through which the citizenry can pressurize elected representatives and the ruling party to fulfil their election pledges.

The Daily Star & Media Advocacy in Bangladesh

The role of the media has become "larger than life" as a result of the deterioration of the government's oversight institutions (parliament, judiciary) and manipulative capacity. Within this context The Daily Star was first published in January 1991 with the slogan(s) "Journalism without Fear or Favour" and "Committed to Peoples' Right to Know". The Daily Star firmly believes that a major part of its work is accomplished if it can uphold this one single right.

The Daily Star blends straight reporting, news, commentary, and editorials with advocating environmental conservation, gender equality, human rights and democracy. It is a staunch believer in media independence and advocacy, a position prompted by several bouts of military rule and a consequent desire to negate the possibility of a similar eventuality through the indoctrination of democratic values. The social and developmental challenges faced by Bangladesh necessitates The Daily Star to be socially responsible in their journalistic endeavours, and wholeheartedly committed to pertinent issues like poverty alleviation, human resource development, education & public health.

Conscious Citizens Committees (CCCs)

The fight against corruption has become the principal focus of The Daily Star, with all the major institutions in the country being afflicted by this 'disease', stymieing overall growth and performance. The Daily Star regularly carries out investigative reports on corruption, abuse of power, cronyism, and other related subjects. It interviews people from all walks of life to build an atmosphere of public outcry against corruption. Additionally, in close cooperation with the Bangladesh chap-

ter of Transparency International, The Daily Star has created Conscious Citizens Committees (CCCs) in seven district towns outside the capital. The CCCs exist primarily to discuss corruption in public institutions.

Environmental Conservation: “Save Dhaka, Save Buriganga”

The Daily Star’s environmental advocacy role is clearly evident in its opposition to the encroachment upon the river banks of the capital city (Dhaka) by real estate agents, who take advantage of the fact that these banks are not properly demarcated. Encroachment has proceeded to such an advanced stage that the river bed, upon which the capital city is located, is essentially dying. The river might well have been reduced to a stream had it not been for the medias constant reporting on the issue. The Daily Star carried out special reports on the illegal occupation of land by unscrupulous developers as well as reports on the ‘disappearance’ of parks, lakes, and open spaces in the city centre. The paper went a step further and created a campaign titled “Save Dhaka, Save Buriganga” in a joint collaboration with all the environmental groups fighting for the survival of the river. The Daily Star’s reportage has made significant inroads into safeguarding the urban landscape.

Urban Planning

Another example of media advocacy deals with the reporting on irregularities in urban planning. Shopping centres are illegally receiving construction permits in zones where they are officially prohibited, as even a single deal can be highly lucrative for the parties involved. Protecting the city, the environment and the rivers have become a full-time job for the media, and The Daily Star has made a noteworthy contribution in this endeavour.

Round Tables

The Daily Star has further expanded its advocacy role through organizing round tables on a regular basis. These roundtables bring together decision makers, political leaders, professionals, researchers, stake holders, civil society members, and representatives from NGOs under one roof and they are made to answer questions from the public. While some participate for the sake of publicity, the principal

achievement of this event lies in all sides getting the opportunity to debate, something which has not happened in the Bangladeshi parliament for many years due to its perpetual boycott by the major opposition party. A sense of dialogue is realized among the participating groups as a consequence of the open and democratic nature of the discussion. What results is a series of recommendations where all the participants can feel a certain level of ownership. The discussions are taped, transcribed, edited and subsequently published as a four page supplement to the daily edition. This supplement allows the general reader to inform him/herself about the substantive ideas discussed by the participants within the confines of the conference room. Following the publication, the editorial page is opened up to the general public to commentate on the discussions, covering issues ranging from the independence of the judiciary, the role and independence of the Auditor General's Office, election of clean public representatives and means to ensure their adequate performance.

Children in Jails

One such round table focused on the Daily Star's discovery of children in jails, who were there because of the lack of any judicial assistance. The newspaper established that there were more than 710 adolescents languishing in jails alongside adult criminals. As a result of the roundtable process and a subsequent campaign, more than 570 adolescents have been released while another 110 still remain in jail.

The roundtable mechanism has been effective in bringing together all the opposing parties in a controversy and encouraging them to work out their differences in order to move towards a solution. The Daily Star's successful experimentation with round tables has popularized the concept into a standard practice among other newspapers and the NGO community. Round tables on auditing and issues related to monitoring should be organized in order to generate strong public interest in this matter.

Comptroller and Auditor General (CAG) Reports

In carrying out reports on corruption and wastage of resources, The Daily Star has made extensive use of the reports published by the Office of the Comptroller and Auditor General (CAG). Established by the constitution in 1973, the CAG

audits the accounts of 22,885 administrative units through 10 audit directorates with the purpose of identifying administrative & financial irregularities and corruption. Introduction of performance audits have added a new dimension to the accountability process. Still at its infancy in Bangladesh, performance audit is not fully understood by all and the CAG's office is finding it difficult to make significant headway.

Two major problems faced by the CAG include: a) the delay in reporting and b) the lack of discussion in Parliament of the reports produced. The utility of audit reports are greatly diminished as a consequence of the 4-8 year time lag in publishing them. While this delay has been somewhat reduced in recent years, the reports are far from being current. The tragedy lies in that even when these delayed reports are submitted to Parliament through the Office of the President, they are not adequately discussed.

According to CAG's office, as of August 2002, a total of 770 reports were submitted to the parliament of which 690 were annual reports, 75 special reports, and five performance reports. Of them only 120 annual reports, 20 special reports, and one performance report were discussed. This means that only 141 of a total of 770 reports were actually discussed. This is a good example of how the accountability process stands subverted by Parliament not doing its job on time. These reports, not officially accessible to the media, were obtained as a result of an internal leak and subsequently published by The Daily Star. Efforts by the CAG's office come to naught when concerned legislators cannot even bother to review them. Given the aforementioned indifference of the parliamentarians to their oversight responsibilities, corrupt officials have little to fear with regards to the auditing process. Consequently existing limited oversight mechanisms are either unused or not effectively utilized to serve the public interest.

The media needs to advocate the strengthening of the Office of the CAG, with regards to its authority, independence, resource, staff, training, and public recognition. The CAG's Office must be made totally independent of all controls, both direct and indirect, from the executive branch of the state. Without this separation, the audit function cannot reach the effectiveness that is required in a 'transparent and accountable' democratic state.

Coverage of Auditing Events

The Daily Star has been dedicated to covering workshops and sessions on auditing practices in order to better educate the public of the need for accountability. Coverage of recent sessions includes the Regional Auditors' General Conference on Harmonizing Institutional Efforts for Promoting Accountability in the Public Sector, held in Dhaka in August 2004. Participating experts recommended that partnerships between public and private sector auditors should be undertaken in order to improve the quality of auditing and promote accountability in government spending. They emphasized the necessity of integrating the private sector into the auditing process in order to ascertain that government spending conforms to financial regulations. An accrual accounting system needed to be implemented through public-private partnerships in order to ensure public finance management accountability.¹¹⁰

Failure to Impact on the Government

As a result of the whole-hearted commitment of The Daily Star to the public good, they have been able to create a public opinion that favours transparency, accountability and the people's right to know. The Daily Star has been a success story in one sense and a major failure on the other. Its failure lies in its inability to impact on the government which simply refuses to accept public criticism and public demand, and continues to act according to its whims. The situation is summed up well in a September 2004 editorial piece of the Financial Express, a leading national newspaper:

“When one focuses on Bangladesh, it will be found that all these oversight institutions are functional and active. But the fact of their being active notwithstanding, the wild goose of accountability has forever remained a matter of mere chase and well beyond the reach of governance. One of the reasons for such a state of affairs is the repeated failure of the executive to respond to the critiques, suggestions and recommendations made by the oversight institutions.”¹¹¹

¹¹⁰ Star Business Report, *Audit quality hinges on public-private tie-up*. The Daily Star, August 31, 2004

¹¹¹ Editorial, *Accountability in the Public Sector*. Financial Express, September 1, 2004.

There are many reasons to account for this, all of them being related to the peculiar political situation in Bangladesh. While the media has played its part, the insensitivity of the government hinders them from having much of an impact on public policy and serving peoples' interest.

Conclusion

The conception of democracy in the age of globalization must be expanded to incorporate peoples' right over resource management. As the focus increasingly shifts toward resource generation and national economic growth, greater attention must be paid to tackling the issues of corruption, waste, and the inappropriate use of scarce resources. This can be achieved through strengthening SAIs and other institutions of financial management and auditing. It is essential to generate public opinion in favour of new institutions that can produce trained human resources in the field of auditing. Without greater control over how national resources are being spent, without better financial management, and without greater accountability of government spending, society cannot evolve for the better.

To achieve these goals, it is necessary for the media to play a very supportive role. Tremendous scope exists for effective collaboration between SAIs and the media to push forward a genuinely 'accountable and transparent' governance process without which neither democracy nor economic prosperity can attain their true potential. The media's advocacy role can be greatly strengthened through a network of committed print and audio visual institutions. Additionally, a network of committed media and civil society institutions can become a viable force, both nationally and internationally, in advocating the people's right to know.

Governments have an aversion to oversight institutions and public scrutiny, irrespective of whether they are democracies or not. Consequently there exists an adversarial relationship between the government and oversight institutions, a relationship in which the government is at best a reluctant partner, but most often a totally disinterested party. The stronger the demand for the right to information as a fundamental right, the more effective will be the reluctant supplier, i.e. the government.

References

Iftekhar Zaman, CPI and the Anti-corruption Movement.

www.transparency.org/cpi/2005/dnld/cpi2005.iz_statement.pdf

Transparency International, Corruption Perception Index 2005.

www.transparency.org/cpi/2005/cpi2005_infocus.html#cpi

Shaheen Anam, *Right to information in Bangladesh: Challenges and Opportunities.*

The Daily Star, September 28, 2005.

www.thedailystar.net/2005/09/28/d509281501118.htm

Star Business Report, *Audit quality hinges on public-private tie-up.*

The Daily Star, August 31, 2004

www.thedailystar.net/2004/08/31/d40831050243.htm

Editorial, *Accountability in the Public Sector.* Financial Express, September 1,

2004. *www.financialexpress-bd.com*

On Fulfilling the Accountability Purpose of Audit and Evaluation: Integrating Politics and Public Involvement

Eleanor Chelimsky

Public auditors and evaluators derive their role and mandate, their need for technical competence and credibility, their right to independence, and their duty to publish their findings from the political notion of accountability in government. Accountability is, of course, the widely accepted democratic principle that governments are responsible to the people for their actions. That is, agencies, legal systems, individual officials, and other government entities are expected to obey the law, to work efficiently and effectively, and to act responsively in using the taxpayers' money to carry out their expressed public will. Accountability studies performed by auditors and evaluators therefore have two main components: they measure how a particular part (or member) of government is functioning, and they inform the public of what has been learned. Both of these components are equally important, but the first has generated much more attention from auditors and evaluators than the second.

There are several reasons why this is so. First, performing accountability studies within a political environment has often been so arduous that most of the energy available has been channelled into producing sound and useful work in an inhospitable atmosphere. Second, although it is clear that the concept of accountability always involves a judgment by the people about what their government is doing, the role of informing the public has usually fallen to the legislature and the press in most democracies. Auditors and evaluators have not typically gone beyond getting their reports published and into the public record—a heroic enterprise in some political circumstances—and have dedicated few resources to disseminating their findings to the public. Third, the idea of specifically relating the public to a particular audit or evaluation is a relatively new development. There is on-going experimentation, especially in the evaluation community, but experience has been uneven and not very extensive. Only when auditors and evaluators began grasping the importance of public involvement in accountability studies (not for the empowerment of any group, but to improve study quality) has there been increased public participation in audits and evaluations.

This paper will argue that auditors and evaluators should devote more time and attention:

- To the “fit” of their studies within the political framework involving *both* components of accountability;
- To the potential for public participation in improving the soundness and credibility of findings;
- To increased responsibilities in the dissemination of their work.¹¹²

The paper begins with a closer look at political accountability, particularly its devolution from the government’s structure within a democracy.

Accountability and the Architecture of Government

In most modern democracies and certainly in the United States, government functions are split among different branches. Adopting such a structure has the political goal of keeping too much power from accumulating in any one place or any single pair of hands. In the United States, it is an architecture born of distrust, based on past experience with a coercive central authority, and on fear of “the inevitable corruptions that could result when unseen rulers congregate in distant places” (Ellis, 2002). It is also the fruit of compromise between those most concerned with maintaining a powerful government that functions efficiently, and those most concerned with preventing any central authority from becoming abusive or corrupt.

Such a structure is not without its disadvantages. For one thing, it results in a fragile balance that moves continually between different political goals of opposing camps. For another, the walls that are generated by individual branches or agencies trying to protect their independence also generate suspicion and secrecy. Further, fragmentation (and especially extreme fragmentation, as in the United States) carries with it a host of impediments to even the most basic of public functions. Sharing of information across agencies, for example, is rare. Most democracies are far from attaining efficiency in government. The result is residual ten-

¹¹² To illustrate how this can play out in practice, the author draws upon thirty years of experience in producing, reviewing and reporting accountability studies, particularly observations made while running the Program Evaluation and Methodology Division (PEMD) within the U.S. Government Accountability Office (USGAO) between 1980 and 1994.

sion between optimal performance and the preservation of a nation's liberty (Chelimsky, 2006).

In the United States, the framers of the American Constitution produced a divided and cross-divided governmental structure featuring the distribution of power not only between the federal and state governments (to preserve a certain degree of sovereignty in the states), but also separated power at the federal level (among the executive, legislative and judicial branches). This architecture of "checks and balances," of functions split across multiple players at different levels and branches of government and across multiple jurisdictions, features both external and internal controls against excessive centralized power. Madison wrote of the "necessary partition of power among the several departments" as being part of an external control structure. He also called for internal controls to be established "by so contriving the interior structure of the government as that its several constituent parts may, by their mutual relations, be the means of keeping each other in their proper places." This is, of course, nothing less than a clarion call to agency independence, and Madison stated it clearly: "each department should have a will of its own, and consequently should be so constituted that the members of each should have as little agency as possible in the appointment of the members of the others" (Madison, 1788).

Fortunately, the framers had few illusions about the dangers that could accompany too much agency independence, so they envisaged a check against it in the form of legislative oversight, that is, the particular "authority to supervise the administration of government" which has led to so many confrontations over the years (and continues to do so today) pertaining to accountability and secrecy in the executive branch (Jewell and Patterson, 1966).

The legislature thus has oversight authority over the judicial branch which it exerts, for example, through approval of judicial appointments, and through the power to establish federal courts and to prescribe their jurisdiction. And it supervises the executive branch through such mechanisms as the appropriations power, the impeachment authority, approval of nominations to executive office, and, in particular, the investigation of how well past legislation has been implemented and with what integrity, fidelity and effectiveness (Jewell and Patterson, 1966). It is this authority that engenders accountability studies.

In short, the governmental structure builds in democratic protections through exterior and interior controls, agency independence, and legislative oversight. But this structure depends for its authority on the support of a well-informed public: that is, an electorate possessing the willingness and capability to debate, protest and correct problems in government when they become known. This idea, like the others on structure, independence and control, comes from the framers.

Accountability, the Public, and the Press

Along with the exercise of oversight, “one of the principal functions of a legislature is to inform the people about the activities of their government” (Bradshaw and Pring, 1981). Madison recognized that organizational controls and the like were essentially adjuncts to the real power of the citizenry, which lies behind any governmental structure in a democracy: “A dependence on the people,” he wrote, “is, no doubt, the primary control on the government” (Madison, 1788).

Jefferson went further than Madison in actually grappling with the issue of how even a vigilant population might become aware of excesses or omissions in a distant government and take steps to correct them. He wrote in 1816: “The functionaries of every government have propensities to command at will the liberty and property of their constituents. There is no safe deposit for these but with the people themselves, nor can they be safe with them without information. Where the press is free and every man able to read, all is safe” (Jefferson, 1946). Thus, for Jefferson, the nation could rely on a free press to inform the people.

Today, however, things are less sure. An enormous information industry has grown up since the time of Madison and Jefferson, and this industry, now beset with competition and striving to maintain its profit margins, is less concerned with informing citizens about their government than with featuring stories that sell papers or attract viewers. Although the press and other media are still primary transmitters of accountability study findings, this is more likely to be the case when the study subject has great popular appeal. But when the press views a study as dull, complex, or highly technical, it is very possible that the public will never learn of its findings.

Yet there is no doubt that accountability studies exist to inform the public, no matter who commissioned the study, who asked the policy question, or which

branch of government expects to use the findings. In other words, the ultimate client or user of these studies is the public. Therefore, with declining ability to count on the press, it becomes incumbent on auditors and evaluators to think of new ways to assure the appropriate dissemination of their work.

Even though the foregoing discussion has focused on structural characteristics of government in the United States, it is also the case that most governments in the world today (especially democracies, but even a fair number of authoritarian regimes) have taken at least some steps to implement accountability in different guises. These range from the simple establishment of an auditor general's office, through varied sets of control systems (internal and/or external), to the full-bore separation of powers featuring checks and balances whereby one branch of government holds another accountable. Therefore, even though governmental structures may be quite different, accountability studies will have similar goals and raise oppositions that are similar in kind (if not in degree) wherever they are performed.

If the discussion is restricted to democracies, however, the earlier discussion can be summed up by noting that there are five issues which together generate the need — as well as the form and function — of accountability studies. These are:

- Fragmentation in government;
- Independence of individual government units;
- Secrecy and information distortion as potential protections for unit independence;
- Use of oversight authority to investigate government activities; and
- The need to ensure that citizens are informed about the results of these investigations.

This framework of five issues sets up the political principles and context from which the place of accountability studies in government can be inferred. They sit at the heart of the tension between the need for governmental power, and the need to ensure probity and effectiveness in the exercise of that power. Yet, despite their obvious and unique importance for the public interest, it cannot be said that accountability studies are easy to do in any political environment.

Fitting Accountability Studies into a Political Universe: Some Clashes with the Premises of Audit and Evaluation

Public auditors and evaluators are interested, first and foremost, in getting their work right. Evaluation always involves major, scrupulous, iterative struggles to rule out bias: in the data, in the analysis, in the findings, and in the presentation. Audit leans heavily on established criteria (i.e., norms), and/or on general consensus to achieve legitimacy of measurement and correlation. These efforts on both sides to satisfy requirements for technical competence are needed if a study is to be methodologically convincing. They are also a prerequisite for accountability, since flawed or biased studies will not usually be helpful in holding a mirror up to government. But accountability also requires auditors and evaluators: to insist on independence in their study choices and in their planning, performance and reporting to maintain objectivity and political credibility; to routinize the publication of their findings so as to reach the relevant public; and to seek use of their study in oversight or policymaking, so as to accomplish the larger goal of the audit or evaluation process. Unfortunately, these premises are often threatened, separately or in combination, by the everyday push-and-pull of politics.

For example, the independence of evaluators and auditors can be threatened by the political origins of some accountability questions, especially when negotiation of the study's subject and design is difficult. Indeed, when auditors and evaluators cannot carefully refine and specify both subject and study design, the consequence may be not only loss of independence, but also infeasible, untimely or over-costly studies. In some cases, the political origins of the questions may signal a partisan (potentially ideological) purpose for the study; this engenders expectations among study sponsors for a particular set of findings, thus raising another threat to independence. In a more technical way, political pressures by sponsors—to meet a deadline, say—that intervene in the choice of the most appropriate study design, or prevent the collection of needed data, again strain independence, with likely effects on credibility and future use as well.

Further, no matter how worthy the accountability study being planned, those being held accountable may fear embarrassment and set up roadblocks that both impede the study's performance and eventually weaken its findings. If the "targets" of an accountability study decide to protect themselves by hiding their data,

or producing only favourable data, or obscuring their decision-making processes, this obviously affects the validity of the study, and raises the spectre of advocacy. Skewed data reflect the possibility that there is a relationship between someone's presumptive interests and the direction of the audit or evaluation findings. Yet it is to promote objectivity and avoid improper outside influence (among other purposes) that auditors and evaluators insist on independence in the first place.

Another way in which data may be distorted can result from the auditor's or evaluator's inattention to all of the political interests (including the public) that are involved in an accountability study. Some of the relevant voices may not be as loud as others and may therefore fail to obtain a proper hearing within a study. But auditors who omit these voices from their criteria for comparison, for example, or evaluators who exclude them from their data collection, risk winding up with invalid findings and credibility problems. Audit criteria needs to include representation of all groups involved in a study—that is, patients as well as physicians, students as well as teachers, welfare recipients as well as program managers — if the normative comparisons are to be persuasive. In evaluation, failure to understand the views of, say, program beneficiaries, may mean entirely invalid conclusions about what is happening in a government program.

Finally, during the reporting, publication or dissemination of a study, advocacy may again become a problem if and when political pressures (by special interests, or study subjects, or sponsors, or a variety of other stakeholders) are applied to make changes in report findings, or language, or presentation, or simply to delay the study's appearance. This is not merely a constraint on independence, of course; it vitiates the ultimate accountability purpose, which is the public's right to know.

These clashes—and there are many more—show how difficult it can be to conciliate politics with audit and evaluation in accountability studies; indeed, no one has ever been more than partially successful in this endeavour. Still, the experience of the Program Evaluation and Methodology Division (PEMD) shows that if one can prepare properly for some of the inevitable political contingencies, the auditor or evaluator will be harder to intimidate, better able to avoid or counter political interference, and more likely to emerge with a credible and useful product.

Four PEMD initiatives seem relevant here:

- Getting a clear understanding of the political history and likely stakeholders of an issue to be studied;
- Supporting independence and credibility by negotiating vigorously with sponsors about what study questions will be answered, with what methodologies, and in what timeframe;
- Dealing with data issues such as public involvement in information collection, and governmental denial of access to data; and
- Strengthening the dissemination of study findings.

Understanding the Political History of Study Issues and their Likely Stakeholders

The truth is that public auditors and evaluators are not fond of politics. It is common to hear them lament what they call the “politicization” of their work: that is, the degree to which their studies involve them in the predictably messy political processes discussed above. They would much prefer to envision the political sphere as extraneous to the essentially technical character of their work, which is concerned—as they see it—uniquely with establishing the soundness of their findings, conclusions and recommendations, and with reporting systematically about government activities and their evolution, along with their efficiency and effectiveness.

However, auditors and evaluators practicing in the public service can never escape the world of politics, first, because it is precisely this world which gives their work legitimacy and consequence, and second, because the political struggle to achieve accountability that generated the government’s need for public audits and evaluations in the first place, also triggers the political maelstrom in which auditors and evaluators must exercise their craft. After all, it would be surprising if inquiries into the integrity, efficiency, effectiveness and transparency of government entities were not met with challenge and multiple efforts at manipulation by the subjects of the inquiries.

Thus, the conflict of political values inherent in a program or policy to be studied is both entirely normal and, as befits normalcy, full of passionate advocacies. As Marris and Rein wrote: “Since every society is informed by a great variety of ideals and interests competing for expression, it compromises them all and can

fully satisfy none... This fundamental incompatibility reappears at every level of discussion. Any policy implies the reasons by which it could be refuted. In appealing to the values which justify it, it must disparage others which are also valid, and whatever balance it strikes enjoys only a grudging and provisional acquiescence” (Marris and Rein, 1973). This means that auditors and evaluators must, at very least, be thoroughly aware of these ideals, interests and political conflicts if they want to be able to predict and parry their likely efforts to influence a study.

While PEMD evaluators had always performed literature reviews, it was decided to extend them to include program histories and values, past and current controversies, and probable stakeholder positions vis-à-vis a projected study. This expanded literature review was the first step taken in PEMD towards knowledge construction in every study, but the larger need it filled was to integrate conflicting values into PEMD’s core thinking about the work to be performed.

For example, in beginning a study on the effectiveness of a new program intended to lower infant mortality rates, it became clear that there is not much real knowledge about either causes or solutions, but more than enough ideology to go around. On one side of the spectrum, advocates affirm that the problem is caused by culpable maternal behaviour (i.e., not seeing a physician early enough, becoming pregnant at too young an age, using drugs, failing to comply with medical advice, etc), thus leading to premature or low birth weight babies who are at high risk of mortality. But programs seeking to lower infant death rates by concentrating solely on maternal education or compliance, neglect the fact that there are rival hypotheses about why these rates are high (e.g., lack of health insurance and other financial or social supports for low-income mothers, maternal health problems that are unrelated to a pregnancy but affect its outcome, or simply the quality of the obstetrical or neonatal care received in some hospitals).

A contrasting ideological view is that the “fault” is not maternal but societal, insofar as disadvantaged pregnant women are denied adequate health education and insurance. Partisans of this view advocate universal prenatal care as the solution to the problem, but this also fails to deal with many of the related issues and, in addition, ignores a critical fact: that all disadvantaged population subgroups do not have equally high rates of infant mortality. In the United States, for example, Mexican-Americans, who have many of the same health, education, poverty and

insurance problems that African-Americans do, present infant death rates that are much lower.

What difference did this kind of review make to the study by PEMD? First, it became obvious that the study area was one of major disagreement; that the disagreement was related to some basic differences in political views about society; and that the effectiveness of prenatal care programs had not been demonstrated. Second, PEMD evaluators realized that they would have to deal with these issues in their study design, either by recognizing explicitly that program effectiveness still needed to be determined, or by using the strongest possible methodology to try to determine it themselves. In either case, opposition from a host of identifiable stakeholders was easily predictable. Given this kind of political debate, and given also the uncertain basis for the program's assumptions, it was evident that study design would be critically important, and that entering this combat armed only with a case study or a couple of focus groups was not a realistic possibility.

Third, and more generally, these reviews changed evaluator thinking about stakeholders. It became clear that mutual accommodation between stakeholders and auditors or evaluators had been rare and that it was unlikely they could all sit down as reasonable people and come to agreement in the name of the public good. Usually, the money involved was just too big. In fact, the PEMD experience over fourteen years showed that little or no amicable negotiation ever took place with stakeholders concerned that an accountability study could hurt their interests. Negotiations? Sometimes. Amicability? Never.

The bottom line here seems to be that auditors and evaluators should not expect any gifts from stakeholders, big or little, but that there may be nuances in the general relations with them, depending on the kind of stakeholder and the kind of study involved. However, even in accountability studies that are conducted under warlike conditions, a thorough understanding of the political environment will help auditors and evaluators to predict stakeholder attacks, to plan for them adequately, and, if their arguments are credible and they stick to their guns, to win a fair hearing for their study. PEMD had skirmishes with huge stakeholders such as medical device manufacturers, highway and insurance lobbies, military technology corporations and their media, pharmaceutical companies and the alcohol lobby, not to mention agency managers and liberal or conservative think-tanks. Those

skirmishes went on and on, but PEMD evaluators were usually able to make their argument publicly. In some cases, PEMD even won out, not immediately perhaps, but over time.

Negotiating the Study with Sponsors

About eighty per cent of PEMD's work consisted of studies requested by the U.S. Congress, with about twenty per cent being self-initiated. Most of the latter were methodological in nature (e.g., issues in using statistical samples, developing surveys, generalizing from case studies, applying the research synthesis method, combining data bases and the like). These rarely involved political concerns, except insofar as using new methods may involve some credibility risks. But the legislative study questions PEMD received were often vague, afflicted with underlying political agendas, not always feasible, and fraught with uncertainties about eventual reporting and use.

Soon there was a realization in PEMD that it was necessary to think through carefully when an accountability study should not be done, if the credibility of PEMD products was to be maintained. The author began by adopting Cronbach's resource allocation criteria: that is, "prior uncertainty about a question; costs of information; anticipated information yield; and leverage of the information on subsequent thinking and action" (Cronbach et al, 1980). But although these criteria are excellent as far as they go, they are mostly aimed at knowledge acquisition, they presume a rational use of information by policymakers, and they do not take much account of the political forces affecting the success of an accountability study.

Based on PEMD's early experience, the author ended up with a set of twelve questions for making preliminary resource allocation decisions (see Appendix I, Chelimsky, 1982). The author posed these questions to staff immediately after PEMD received a new congressional request, so as to respond quickly to the requester. If the answers to the question were troubling, PEMD would try, together with the would-be sponsor, to revamp the study to everyone's mutual satisfaction. If that failed, the author, as head of PEMD, sometimes had to refuse a request; this could be for a variety of reasons, some infused by political considerations inherent in the work. In general, the author did not turn down study requests because the subject was controversial, or because the program's objectives were not measurable,

or because they required special expertise from PEMD's staff, or because policy use might be impeded by program advocates or other stakeholders. But the author did refuse them when: (1) it appeared they could not be done convincingly within reasonable funding constraints; (2) there was little or no knowledge base to build on; (3) original data could not be collected and extant data were not available; (4) they could not be finished in time to be useful; (5) there was no policy fix available for implementing potential recommendations; (6) the public interest was not clearly paramount; and (7) the policy questions were too numerous, or too broad, or too trivial, or too biased, and could not be changed.

PEMD evaluators learned to present their reasons for saying "no" to the Congress very carefully, and sometimes their conclusions were accepted, sometimes not. In one case, the author was called "recalcitrant" in a letter to GAO from Senator Ted Kennedy because she had refused a request to estimate the future impacts of a new provision in the immigration legislation without any historical data on which to base the estimates. In another case, the ten-page letter the author had written to a House requester, explaining the reasons for PEMD's refusal, was faxed all over the country by that requester (without the author's knowledge) and accompanied by the query, "Is she right?" The first time the author heard of this was some months later when she received a letter from the requester, enclosed in an enormous packet of mail, saying that, to his surprise, most of his correspondents seemed to agree with the author, and so, where should the requested study go from here?

It will surprise no one to learn that, in both cases, PEMD was eventually obliged to do the studies (USGAO, 1989, and USGAO, 1988c). But the refusals turned out to have been extremely worthwhile because they brought what had not been achievable without them: a serious reconsideration of the requests, major changes in the questions to be answered, appropriate timelines, and agreement for intensive bipartisan committee participation, in the one case, and extensive executive branch consultation, in the other.

Dealing with Data Issues in Accountability Studies: Involving Relevant Public Groups

Many accountability studies are concerned with assessing the effects of government policies and programs on the behaviour or wellbeing of particular popula-

tion groups. It goes almost without saying, then, that these groups have information of the greatest importance for the technical validity and political credibility of those studies. Yet in the 1960s and 1970s, it was common — even typical — to see audits and evaluations of programs for the aged, say, that never interviewed or surveyed a single elderly person. Among the reasons for this apparently strange omission was fear of politicization: the concern that, by involving public groups, auditors and evaluators could lose the very independence and objectivity that make accountability studies persuasive and useful.

On the other hand, specific public groups may have a number of important informational roles to play in data collection for a given accountability study, depending on the particular subject. In an effectiveness inquiry about a public program, for example, auditors and evaluators will always need to know how congruent the project's central objectives are with current public and/or participant views on what should be done to resolve a problem, and what would constitute project success in their eyes. Those views figure once again in setting up study criteria for normative inquiries where the "general consensus" will be compared against study findings. And detailed experiential information from relevant public groups is needed when:

- Their knowledge is related to the study questions;
- There is stakeholder conflict within a program and the risk exists that some views may be drowned out by others; or
- The program itself is situated at the heart of an ideological conflict within the larger society (as in the program to reduce infant mortality, discussed earlier, or any program or policy seeking to equalize educational or employment opportunity, for example).

The two main reasons for involving the public in these three ways are, first, to improve the soundness of the study, and second, to strengthen its objectivity: neglecting or ignoring relevant information from specific population groups not only damages the validity of the findings, but opens the study to charges of advocacy. This is especially likely when stakeholder groups collide within a program, or when business interests stand in opposition to the public good.

PEMD's effort to incorporate public views always began with the literature review. In most cases, when there was strong public disagreement with a program's goals—for example, using law enforcement rather than medical treatment in dealing with drug addiction—this was usually clear from prior study results. When it was not clear, PEMD evaluators did preliminary work of their own.

In looking at public participation in food stamp programs before starting an accountability evaluation, for example, evaluators noted that participation rates by eligible people seemed surprisingly low, but that the reasons for non-participation were not well understood. So in a preliminary study, using extant data, PEMD first confirmed that participation rates were in fact under fifty percent, and second, that there was extraordinary confusion in the minds of potential participants about who was or was not eligible for the program; many needy people simply did not bother to apply (USGAO, 1988a).

These findings obviously raised important questions for an accountability study with regard to:

- Whether potential participants were comfortable with the goals and values of the program and were deterred only by confusion in the program's administration;
- Whether agency managers disliked the program and were purposely erecting administrative barriers to full participation, or were merely inefficient; and
- Whether the major study issue for PEMD to examine was not program effectiveness, but rather the appropriateness of the program concept in meeting participant and agency needs.

In accord with the sponsor, PEMD changed the focus of the new study to a detailed examination, by population group, of both participation and non-participation in the program (USGAO, 1990a).

This kind of public participation analysis, then, was critical in determining the right questions for PEMD's study. And it is a worthwhile endeavour whenever project use and sustainability within a community are in question.

A second kind of use evaluators made of data from public groups in PEMD had to do with including their views in the norms, models, or standards typically

employed in criteria-referenced studies. It was evident that if these were selectively conceived, or favoured one group over another, this could inadvertently introduce a kind of advocacy (and also invalidity) into the study. In establishing standards for the effectiveness of communications in a health service program, say, were the criteria based on physicians' views alone of what constituted quality, or did they include nurses' and patients' views as well?

PEMD dealt with this problem by incorporating small advisory groups into a study's planning process that would include, for example, a program beneficiary as well as an agency manager, a patient as well as a doctor, a student as well as a teacher, a farmer as well as an agro-businessman. The idea here was, of course, to come up with criteria that reflected, to the degree possible, the views of the major groups relevant to the study. PEMD evaluators did not, however, relinquish control over this part of their work, and remained responsible for the blending of those views into the models they eventually used for comparison.

This process worked quite well when conflicts were not overwhelming, but even when they were, PEMD evaluators always gained fresh perspectives on their success criteria by better understanding the specifics of the clashes. In one case, they were able to use the views of both farmers and government agricultural program managers to establish criteria allowing them to evaluate the influence of federal farm policies and programs on different aspects of farm practice (USGAO, 1990b).

The third use made of data from public groups (and by far the most important one) in PEMD was as an integral component of a study. PEMD started doing this in 1983, with an assessment of federal centres that provided assistance to runaway and homeless youth, a program that the Reagan Administration was proposing to eliminate. Here PEMD evaluators collected information directly from parents, youth, program staff, aftercare officers, and rival service organization personnel across the nation, and had the extraordinary experience of finding them all in agreement about the excellence of the program (not without some caveats and suggestions, of course), as well as its value to the communities it served (USGAO, 1983b). After a hearing on the Hill featuring PEMD's findings, the program was reauthorized by the Congress with increased funding, based on PEMD's work.

Other studies in which PEMD involved public groups extensively in data collection included:

- An effort to determine why fewer American agricultural workers were becoming available for employment on U.S. farms in different crop areas (USGAO, 1988e);
- An investigation of whether tax incentives were sufficient, in and of themselves, to lure new businesses to distressed areas, as expected by enterprise or empowerment zone programs (USGAO, 1988b);
- An examination of the extent to which physicians prescribe drugs “off-label” (i.e., for uses not designated by the Food and Drug Administration (USGA, 1991b);
- An evaluation of cataract surgery, including information from patients on their own experiences (USGAO, 1993a); and
- A study of ADA (Americans with Disabilities Act) using the opinions and experience of handicapped people to estimate the effects of the law in eliminating physical barriers restricting their access to goods and services (USGAO, 1993b).

In all of these cases, PEMD included public groups as sources of information, not as designers or conductors of the evaluations themselves. Again, PEMD retained control of all study decisions, as in any evaluation. What PEMD evaluators found was that increasing public involvement in appropriate ways brought them notable technical improvements and information that was often unique. With respect to any political cost, such as the potential appearance of advocacy, PEMD’s experience was quite the contrary: the inclusion of public groups in a study increased its credibility because of the breadth and balance they brought, countering, in many cases, the voices of other, more powerful stakeholders.

These are, of course, felicitous outcomes. But PEMD evaluators were less successful in improving their data access when it came to overcoming bureaucratic protections and denials of information.

Confronting Governmental Secrecy

There can be no more critical issue for auditors and evaluators than open access to data, because of the potential to affect the validity, persuasiveness and usefulness of a study. Yet, as noted earlier, agencies or programs or school systems or the military

may feel threatened by a study and impose constraints—sometimes going as far as the total restriction or classification of information—on auditors' and evaluators' access to data. Whatever the political climate, classification of information is a fact of life in an increasing number of agencies, and it constitutes a danger for auditors and evaluators in that, if they ignore the classified literature, they risk coming to manifestly false conclusions. When PEMD evaluators started their work on chemical warfare, for example, they found that all the open literature had been written by so-called “doves,” or liberals, whereas the classified reports had been signed by “hawks,” or conservatives. This meant that doing a synthesis of information in this area forced the inclusion of classified data, with consequent restrictions for reporting, dissemination, and the public right-to-know (USGAO, 1983a).

Another problem for auditors and evaluators has to do with what is classified. The temptation is, of course, for an agency to hide under a blanket of secrecy whatever might reveal its warts and foibles. For example, PEMD evaluators found in a review of operational test and evaluation at the Department of Defence that once they had examined all the classified information, it became clear that what had been released to the public on an unclassified basis “resulted in a more favourable presentation to the Congress of test adequacy and system performance than was warranted by the facts” (USGAO, 1988f). In other words, unclassified information may be favourable to a system for which funding or approval is sought only because the unfavourable data have been classified or suppressed. Classification, then, by its selective release of data, not only threatens accountability, but also puts auditors and evaluators in a difficult position. They can tell the truth and go to jail for revealing classified information; they can tell only truths that are palatable to the agency; or they can take so narrow an approach on such unimportant policy issues that nobody cares, not even the agency.

Of course, no one contests the idea that some information, such as the design of advanced weapon systems, should be classified. But because secrecy makes life so very much easier for agency managers and officials at every level of government, auditors and evaluators are now seeing its spread beyond the military into domains like health, education or public assistance—where no national security issue can be reasonably invoked. It is thus imperative for evaluators and auditors to confront this situation when it occurs, because it precludes the examination of

all the facts, it makes a mockery of executive accountability to the legislature, and it drastically reduces and distorts the flow of factual information to the public.

Two things were done in PEMD to combat not only specific data restrictions, but also those attitudes prevalent in government that promote and protect secrecy, like fearing to speak out, adhering to “message,” acting like a “team player,” accepting cave-ins to political pressures, and putting loyalty to an agency ahead of the agency’s public mission. First, staff members in PEMD were explicitly instructed to speak out (often in situations that included numerous adversaries, all with different viewpoints and interests) and to insist on their right to independence in speaking out. This takes some courage, of course, even in ordinary times when the normal scepticism of the auditor or evaluator is unwelcome amid the ambient fervour for one program or another. But when accountability studies have to be done in an ideological political climate, then doubting the conventional wisdom can become dangerous, and insisting on access to data, career-limiting. Still, these things must be done, and staff should be strongly supported and rewarded for doing so.

Second, PEMD management pursued every possible means for obtaining the data needed: alerting sponsors, negotiating endlessly, and even invoking court action. If and when these actions failed, PEMD always went on to publish a report documenting data problems, and pointedly eschewing conclusions where data constraints did not allow them. While this was hardly a winning strategy, it did bring PEMD some victories in individual studies, and it sometimes achieved a longer-term deterrent effect. Although many agencies look with irritation on what they see as legislative incursions (also known as oversight) into “their” affairs, most would usually prefer not to see their data-hiding (or -shredding) propensities revealed publicly in an audit or evaluation report, or in the press.

This then leads directly to the accountability issue of dissemination, and whether more should be done by auditors and evaluators generally to increase public awareness of their findings.

Strengthening Dissemination

It is often the case that public officials have a short memory for studies. Indeed, because the political process loses sight of findings almost from one week to another, and because media attention to accountability issues is not guaranteed,

auditors and evaluators sometimes need to be persistent to the point of obstinacy in bringing important study findings to the attention of press and public. Thus, the job of auditor or evaluator in a political environment cannot end with the publication of an important report. There is a need to disseminate the findings in such a way as to keep them at the forefront of the public debate.

It is, of course, impossible for auditors and evaluators to take on the entire accountability burden of informing the public. And even if it were possible, it would not necessarily be a good idea, since there is a fine line between dissemination and marketing, and authors of accountability studies should not be perceived as “selling” their work. Also, despite changes in the press and media, there remain many serious press venues and journalists that can be counted on to understand and explain new findings to the public.

On the other hand, there are a number of efforts that can be made to ensure a hearing for the information. In PEMD, the author and the evaluation staff thought a lot about how to write a technical report so that not only accountants and social scientists, but also policymakers, press and the public might be interested in reading it. PEMD’s big priority here was the writing itself. That is, if people were in fact interested in PEMD’s latest findings, they should not be deterred by a report that was pretentious, obscure, full of jargon, and unnecessarily voluminous. As William Carey once put it, evaluation reports tend to be “over-theologized, spooky, tedious to read, and complicated to understand” (Chelimsky, 1977).

PEMD decided to use the summaries which always preceded full reports to serve as new platforms for displaying clarity, simplicity (at least relative), and plain-speaking. A respected journalist (Robert Pear, of the New York Times) was asked to read through their current summaries, criticize them for structure, limpidity and accessibility, and help them come up with new “rules of the game.” The idea was that even if technical complexity could not always be reduced, it was unwise to add to it through the quality of the evaluative prose.

Second, PEMD evaluators used every means at their disposal to bring their findings to public attention. They employed press briefings, press conferences, legislative hearings, trade publications, staff articles in professional journals, and television interviews to get the word out. Testimony at a congressional hearing, in particular, is a remarkably potent, many-sided form of communication; it can disseminate tech-

nical information more easily, painlessly, and effectively than can a major written report. Here, not only are the findings aired to a much wider audience (all members of a committee, for example, plus newspaper reporters and/ or television and, through them, the public), but the opportunity also exists for both written statements and oral discussions. This was by far the best of all dissemination methods available to PEMD, but it was available only when the sponsor suggested it. In other cases, sponsors might simply decide to issue a press release and, as a result, newspapers would publish articles about one of PEMD's studies without testimony. This pathway, however, lacked the fuller dialogue and debate of a hearing.

Indeed, sometimes a hearing, because of its comprehensive review of a study, can pave the way for new hearings and hence, expanded dissemination. In this type of situation, the testimony based on a report can take on a slightly different perspective or emphasis, in harmony with the particular angle taken by the committee on the issue. An example of this experience is the testimony the author gave to the House Budget Committee based on a PEMD report evaluating "smart" highways (USGAO, 1991a). This Committee's interest was in transportation planning and procurement, rather than in the new transportation technology per se, which had been the sponsoring Senate Committee's orientation. This meant a whole new look at PEMD's data, and although the findings didn't change, of course, the presentation of them certainly did. The same thing happened with PEMD's study of enterprise zones, discussed earlier (USGAO, 1988b). PEMD had found, based on their study of the Maryland experience, that the concept did not appear to have been effective either in attracting new business, in employing the disadvantaged, or in raising tax revenues. This was a disappointing finding for the study's sponsors. Although no one tried to intimidate PEMD evaluators or change the findings or suppress the evaluation, still, no interest was expressed and no hearing was called for by the requesting committee. However, instead of the oblivion PEMD fully expected, the published study was widely cited in the research literature and, about a year after its completion, the author was called to testify on the PEMD findings before a different committee. The dissemination experience here was quite instructive by reason of the cross-fertilization involved, with the communication of findings to the research community having been critical in the reconsideration and use of the evaluation by the Congress.

Finally, PEMD evaluators always looked carefully at their draft study reports to see whether any special targeted dissemination might be necessary. In one case, finishing a study for the House Education and Labour Committee, they found that there were surprising gaps in parents' and students' knowledge of the federal aid available for college education, gaps that could drastically limit families' consideration of different school options (USGAO, 1990c). Since information about financial aid possibilities should have been imparted to families when students were still in high school, PEMD decided to target the dissemination of this report to every high school principal in America. The same kind of focused mailing was done for other reports as well, including one detailing different ways of educating hard-to-reach, high-risk populations about the prevention and transmission of AIDS (USGAO, 1988d). Another study, which revealed much higher rates of Hispanic mortality and morbidity with respect to many preventable or treatable diseases than existed for other population groups, received special dissemination to Hispanic centres across the nation, not by PEMD, but by the Office of the Surgeon General (USGAO, 1992).

In short, the first lesson of PEMD's experience in trying to make the public aware of new findings is to take dissemination seriously. It is, after all, the ultimate point in the study process at which evaluators and auditors can hope to influence the use of their work. And although it is true that a good dissemination strategy cannot ensure either public awareness or policy use, a weak one can certainly impede them. The second lesson was that dissemination strategies have to be carefully planned. They should be flexible and diverse to allow for cross-fertilization, and they need to be looked at again after the findings are in, to examine their significance for different stakeholders. In that way, however uncomfortable the study conclusions, auditors and evaluators can be better prepared to make their case, and to adopt a dissemination strategy that will eventually provide a hearing for their study findings.

Conclusions

This paper has argued that public auditors and evaluators serve the societal purpose of accountability in government, and that, as such, they cannot insulate themselves from the larger political components of that purpose. The author has drawn on exper-

ience at the GAO to describe the different paths taken in PEMD to try to integrate the political and public demands of accountability, without renouncing the critical requirements for independence, objectivity and credibility within the study processes of the division's audits and evaluations. Four efforts were made: to understand the specifics of the PEMD's political environment; to negotiate studies in such a way as to maximize their chances of technical and political success; to expand public involvement in PEMD studies and increase staff access to data; and to improve public awareness of PEMD findings through stronger dissemination strategies.

This is not, however, to argue that auditors and evaluators are the only instruments of accountability, although it may sometimes seem so. To be effective, they count on legislators to ask the right questions and help them access the data they need; they count on executive branch actors to speak honestly and openly about their programs; and they count on the press to tell the public about what they are finding in their accountability studies. So auditors and evaluators are not alone in their responsibility.

But the political environment in which they work can seem disorderly, confusing, complex and difficult to auditors and evaluators. And even though this world of competing political interests emerges from an Enlightenment spirit of balance and compromise, the problem is that all things cannot—and should not—be balanced and compromised in audits and evaluations. Findings are findings, after all, and sometimes, as Albert Hirschmann once said, “it is more important to knock down false knowledge” and mistaken beliefs about what is happening in government, than “to achieve some sort of *modus vivendi*” (Hirschmann, 1994). Indeed, whether in authoritarian regimes or in ideological democratic administrations that shield their decision-making and manipulate their data, the ancient art of speaking truth to power may still be the noblest task that auditors and evaluators can accomplish in their accountability role.

“Truth” however, is not so easily arrived at, especially in the volatile political environment that has been described. Although the emphasis here has been on integrating the audit/evaluation principle of independence with the political/public goal of accountability, it is also the case that the need to improve audit and evaluation methods is a continuing part of the quest for truth (i.e. accuracy and credibility). In this effort, auditors and evaluators can learn much from each other. In particular,

auditors could usefully borrow from evaluators in two areas: first, by moving beyond the case study or the criteria-referenced design to include methods that can address cause-and-effect questions; and second, by much greater involvement in the assurance and confirmation of data, validity and reliability (this last being especially critical in today's electronic environment). As for evaluators, two audit areas are ripe for borrowing: first, more persistence and determination in achieving the kind of political consensus around evaluative independence that auditors have long since gained for their enterprise; and second, a much greater focus on costs and savings in the assessment of program effects, and also in the formulation of policy. These are not, of course, the only areas in which methodological improvements need to be made, but they would certainly constitute important steps in credibility enhancement, and in the rather slow-moving cross-fertilization between the two fields.

In short, the suggestion here is not only that auditors and evaluators should better integrate their studies with the political and public framework that engenders and tests them, but also, that the methodological credibility of audits and evaluations requires no less a commitment to ongoing development and improvement.

Conciliating politics with technical work that stands or falls on its objectivity and methodological credibility can be a tall order, even in quieter political times when there is acceptance of the idea that thoughtful questioning is an appropriate approach to public policymaking. But when ideology takes over in government, the auditor or evaluator is like Tolstoy's General Kutusov, trying to stay afloat during the Napoleonic wars:

“The commander is always in the midst of a series of shifting events, and so he can never at any instant consider the whole import of an event that is occurring. Moment by moment, the event is imperceptibly shaping itself, and at every second of this continuous, uninterrupted shaping of events, the commander is involved in a most complex play of intrigues, worries, contingencies, authorities, projects, counsels, threats and deceptions, and is continually obliged to reply to innumerable questions addressed to him, which constantly conflict with one another” (Tolstoy, 1954).

Like Kutusov, auditors and evaluators are pushed and pulled and bullied by political partisans who care only for outcomes, not methodological triumphs. But

unlike Kutusov, they have at least two real opportunities for detachment, first at the design phase of their work, and then, during the writing of the study report. It is at these points that the time and calm can be found to think not only about the strength and credibility of findings, but also about achieving the political goals of accountability studies.

The suggestions offered here have worked well in practice, and although they are not revolutionary steps, they do expand some traditional notions of audit and evaluation. They can certainly help auditors and evaluators move forward in understanding both the legitimacy and societal purpose of public audits and evaluations, and in integrating the various requirements of political accountability within their studies. Over time, they can hope to improve the “fit” of their work within their political universe, and play a more meaningful role in fulfilling the accountability obligation to the public.

Appendix I

Twelve Questions for Building Evaluation Designs (Chelimsky, 1982)

1. What are the main characteristics of the policy or program to be evaluated? What is its history?
2. What is the background of values embedded in the program? What is the degree of controversy today? Who are the major stakeholders?
3. What is the policy question (or questions) they have been asked?
4. What is the size and quality of the knowledge base for the program? How credible does past research seem? What are the major unanswered evaluation questions about the program? Are there relevant extant data that can be used, or must original data collection be undertaken?
5. What are the alternative methods that could be used to answer the question(s)? Does an evaluation seem feasible, a priori?
6. If the evaluation seems feasible, should it be done? (That is, will the evaluation tap into a key element of the particular problem addressed by the program? Does the likely knowledge gain seem significant? Does a policy fix exist, or is it the kind of issue about which little can be done? If a policy fix exists, is it politically and otherwise implementable? Or is it wise to do the evaluation for its own sake because of its intrinsic importance, even if no policy fix is available or implementable, and even if opposition rather than policy use is likely to be the study's immediate fate?)
7. If the evaluation results are different from the sponsor's hopes, will the findings still be useful to that sponsor? What other potential users are there? Who will oppose the evaluation and why?
8. What kind of evaluation design would be appropriate? What data uncertainties will need to be confronted? Is methodological innovation involved?
9. What will the study cost, approximately? How long will it take, approximately, to complete it? Do the answers to both these questions make sense in terms of the sponsor's needs?

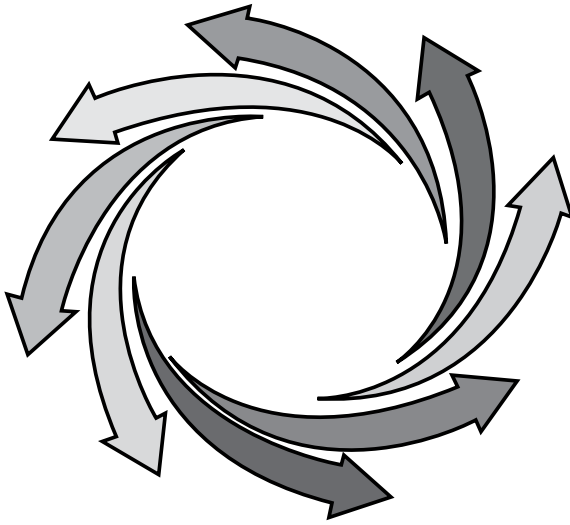
10. What strategies will be needed to assure study legitimacy and accessibility to the public (e.g., an advisory board, consultant help, special presentation or dissemination strategies)?
11. Are there likely knowledge gains for evaluation practice to be derived from, say, the use of a new method, new measures, original data, or combinations of data from different sources?
12. Overall, does the evaluation seem to be worth doing? If not, would it be worth doing if the questions were modified?

References

- Bradshaw, K., and Pring, D. (1981) *Parliament and Congress*, Quartet Books, London, pp. 479, 358.
- Chelimsky, E. (1977) *Proceedings of a Symposium on the Use of Evaluation by Federal Agencies*, Vol. II, p. 43, MITRE Corp., VA
- Chelimsky, E. (1982) *Twelve Questions for Building Evaluation Designs Unpublished*
- Memorandum to PEMD Staff. Chelimsky, E. (2006) "The Purposes of Evaluation in a Democratic Society," in *The Sage Handbook of Evaluation*, forthcoming, Editors: Ian Shaw, Jennifer Greene, and Melvin Mark, Sage, London.
- Cronbach, L.J., Ambrom, S.R., Dornbusch, S.M., Hess, R.D., Phillips, D.C., Walker, D.F., and Weiner, S.S. (1980) *Toward Reform of Program Evaluation*, Jossey-Bass, San Francisco, CA, p.8.
- Ellis, J.J. {2002} *Founding Brothers: The Revolutionary Generation*, Random House, Vintage Books, pp.7-16.
- Hirschmann, A. (1994) Remarks, *Colloquium on Strategic Analysis*, Editions du Seuil, May 1994, p. 290.
- Jefferson, T. (1946) *Thomas Jefferson on Democracy*, Editor: Padover, S., Mentor Books, New American Library, pp. 44, 89, 90, 92-97.
- Jewell, M.E., and Patterson, S.C. (1966) *The Legislative Process in the United States*, Random House, p. 131.
- Madison, J. (1788) "The Federalist No. 51: The Structure of the Government Must Furnish the Proper Checks and Balances between the Different Departments," *Selected Federalist Papers*, Dover Publications, 2001, pp. 120-122.
- Marris, P., and Rein, M. (1973) *Dilemmas of Social Reform*. Aldine Publishing Co., Chicago, p. 236.
- Tolstoy, L. (1954) *War and Peace*, Book Eleven, Simon and Schuster, New York, pp. 921-922.
- USGAO (1983a) *Chemical Warfare: Many Unanswered Questions*, GAO/IPE-83-6. USGAO (1983b) *Federally Supported Centres Provide Needed Services for Runaways and Homeless Youth*, GAO/IPE-83-7.

- USGAO (1988a) *Food Stamps: Examination of Program Data and Analysis of Non-participation*, GAO/PEMD-88-21.
- USGAO (1988b) *Enterprise Zones: Lessons from the Maryland Experience*, GAO/PEMD-89-2.
- USGAO (1988c) *Federal Workforce: A Framework for Study of Its Quality Over Time*, GAO/PEMD-88-27. USGAO (1988d) *AIDS Education: Reaching Populations at Higher Risk*, GAO/PEMD-88-35.
- USGAO (1988e) *The H-2A Program: Protections for U.S. Farmworkers*, GAO/PEMD-89-3.
- USGAO (1988f) *Weapons Testing: Quality of DOD Operational Testing and Reporting*, GAO/PEMD-88-32BR, p. 3.
- USGAO (1989) *Immigration Reform: Major Changes Likely Under S. 358*, GAO/PEMD-90-5.
- USGAO (1990a) *Food Stamp Program: A Demographic Analysis of Participation and Non-participation*, GAO/PEMD-90-8.
- USGAO (1990b) *Alternative Agriculture: Federal Incentives and Farmers' Opinions*, GAO/PEMD-90-12.
- USGAO (1990c) *Higher Education: Gaps in Parents' and Students' Knowledge of School Costs and Federal Aid*, GAO/PEMD-90-20BR.
- USGAO (1991a) *Smart Highways: An Assessment of Their Potential to Improve Travel*, GAO/PEMD-91-18.
- USGAO (1991b) *Off-Label Drugs: Reimbursement Policies Constrain Physicians in Their Choice of Cancer Therapies*, GAO/PEMD-91-14.
- USGAO (1992) *Hispanic Access to Health Care: Significant Gaps Exist*, GAO/PEMD-92-6.
- USGAO (1993a) *Cataract Surgery: Patient-Reported Data on Appropriateness and Outcomes*, GAO/PEMD-93-14. USGAO (1993b) *Americans with Disabilities Act: Initial Accessibility Good But Important Barriers Remain*, GAO/PEMD-93-16.

ANNEXES



This page intentionally left blank

Proceedings

(I)

AGENDA AND POINT FORM SUMMARY

DAY I – 26 May 2005

Welcome address

Jeon Yun-Churl, Chairman

Board of Audit and Inspection (BAI)

Republic of Korea

- Focus: government re-invention and national competitiveness
- Firm conviction that microscopic or fragmentary audits cannot generate solutions to the structural problems facing society
- Advocates as an alternative audit paradigm a ‘system audit’ where the structural problems in government activities are diagnosed comprehensively and systematically to identify thorough solutions
- Public sector audit agencies must move from compliance audit to performance audit
- Change in audit will change government and society
- Sustainable development depends on reinventing government

Welcome address

Guido Bertucci, Director

Division for Public Administration and Development Management (DPADM)

Department of Economic and Social Affairs (UN-DESA)

- United Nations: forum to discuss how audit can become a tool for social change by making the audit process more open and participatory
- DPADM: disseminating information, delivering technical assistance and providing international forum to ensure public institutions in developing and transitional countries function in a sound, participatory and transparent manner

- “A country’s public sector is, arguably, the most important factor in the successful implementation of its national development agenda”
- Lack of governance and accountability in developing countries results in low impact and return for major public expenditures: need to restructure the state and its functions
- Workshop: proposals and techniques for using audit as a tool to promote transparency/accountability in the government and citizen empowerment
- Not a matter of civil society or media replacing formal audit institutions, but how greater interaction between SAIs, civil society, legislative and the media can lead to stronger budgetary oversight and governance.
- Potential impact of “alternate watchdogs”—media, transparency and anti-corruption organizations—on highlighting SAI reports and financial oversight
- Parliaments: getting more engaged in budget overseeing/execution; also key in supporting pro-poor spending and furthering democracy
- Need to consolidate and share best practices and lessons

Introduction of the workshop themes

Speaker: Dr. M. Adil Khan, Chief

Socio-Economic Governance and Management Branch (SGMB)
DPADM, UN-DESA

“Introducing the Workshop Theme: Making Audit a Tool for Social Change”

The overall thrust of the Workshop is to explore innovative ways of engaging the audit community more pro-actively in ensuring that the impact is achieved for the public good, not only as a result of audit recommendations, but also as a result of broader engagement, thereby creating a better environment of ownership to and compliance with these recommendations.

- The workshop was encouraged to discuss how (if at all) some forms of synergic relationship between the citizenry and the audit function could be forged to empower the former to guide public sector initiatives, to implement agreed upon goals (both national and international) of vital importance to the country and its citizens, including the Millennium Development Goals

- The overall context of the workshop was explained. UN-DESA has launched a program on “engaged governance” examining, promoting and advocating the concept of citizen/government dialoguing for pro-poor policies, including pro-poor budgeting, more as a norm rather than as an ad-hoc arrangement
- So far the Supreme Audit Institutions have not received the requisite attention with regards to the benefits or implications of the pro-poor development perspective. Far less attempts have been made to treat audit as an instrument of citizen empowerment, and UN-DESA hopes that the audit community will explore this potential in earnest.
- Many audit institutions even fail to perform their traditional functions efficiently: they lack timeliness, suffer from poor compliance (with their observations and recommendations) and are often subjected to non-disclosures, lack independence, and enjoy weak political clout to enable effective follow up.
- Some key questions:
 1. Can audit really become an empowerment tool for citizens?
 2. How can audit become more pro-active in measuring progress towards MDGs?
 3. What role should be played by the legislature, civil society, media and other stakeholders?
- Five sub-themes:
 1. Audit and Civil Society
 2. Planning, Budgeting and Audit
 3. Audit and Media
 4. Audit and legislative oversight
 5. Audit and evaluation
- Each of these sub-themes chosen for the workshop has bearings on the relationships between audit, empowerment and social change
 1. It is expected that the participation of civil society in the auditing process, whether formally or informally, has the real poten-

- tial to enhance accountability and align public services to the needs of the citizenry
2. Participation of audit in the budgeting and planning process can equally strengthen the accountability process, proactively
 3. Media can help mainstream citizens directly into the auditing process, improve transparency and compliance and build citizen consensus against mistakes
 4. By strengthening the legislative oversight, audit can enable the parliamentarians to play a more pro-active role in public sector expenditure
 5. Challenges of auditing, evaluating and monitoring within the context of participatory governance and UN Millennium Development Goals (MDGs) have to be addressed

Keynote address

Speaker: Esther Stern, Interregional Adviser

Public Financial Management

Socio-Economic Governance and Management Branch SGMB,

DPADM, UN-DESA

“Auditing for Social Change in the Context of the Millennium Development Goals”

- Donors are targeting for key reform areas in the strengthening of parliaments, protecting the autonomy of the judiciary, improving the performance of the public sector, supporting the development of professional media, encouraging private investment, and decentralizing the delivery of services
- In this context, the strengthening of Supreme Audit Institutions (SAIs) in developing countries has received some degree of attention by the donor community
- Not enough attention has been paid to these institutions as potential tools for promoting socio-economic and pro-poor governance
- Reform processes of SAIs should examine how the audit function can become a tool to empower citizens in furthering transparency and accountability for public spending

- In recent years, UN-DESA has taken an interest in the role that audit institutions can play through partnerships and involvement of civil society, in furthering the conventions and treaties adhered to by its Member States, encapsulated in the 2000 Millennium Development Goals (MDGs).

Theme: Audit and Civil Society

Speaker 1: Dr. Samuel Paul, Chairman/Founder

Public Affairs Centre, Bangalore, India

“Auditing Social Change: New Directions?”

- Demand for more accountability: dissatisfaction with state performance, state monopolies in service delivery and its non-responsiveness to citizens needs, growing corruption and failure of existing accountability mechanisms
- Engaging civil society: Participation (local services/programs; budget); empowerment (information; public hearing/litigation); Citizen Report Cards (case of Bangalore) – a citizen engagement tool in public service accountability
- Institutional level: independent regulation, larger scope of performance audit (focus on the poor, audit of info disclosure), reform of political process (transparent elections, internal democracy in political parties)

Speaker 2: Dr. Ho-Bum Pyun, Commissioner

Board of Audit and Inspection (BAI), Republic of Korea

“Audit and Citizen Empowerment: Experience of Korea”

- Audit’s core value: independence
- Other issues: professionalism, scope, disclosure of results
- Important role for civil society: monitoring, criticizing and participating to achieve policy goals (ex: “audit advance notice system”, “citizen request system”)
- Caution with direct civil society participation to keep independence

Theme: Audit, Planning and Budgeting

Speaker: Warren Krafchik, Director

The International Budget Project, Washington D.C., USA

“The Role of Civil Society Organizations in Auditing and Public Finance Management”

- Budget: dramatic growth in civil society participation, but enforcement requires strong oversight in partnership with legislature, Supreme Audit institutions (SAIs), media and judiciary
- Case studies of participatory auditing which have had visible social impact : right to info campaign in India, database on corruption/compliance in South Africa, feasible participatory audit and new procurement law in the Philippines
- Civil society can play an important role, particularly in building literacy on public finance, setting up networks to detect corruption, pressurizing for action on audit recommendations
- But SAIs need to provide clear info and recommendations, and create channels of communication and space for participation

Theme: Audit and Legislative Oversight

Speaker: Vinod Sahgal, Expert

Regional Public Financial Accountability Specialist

The World Bank, New Delhi, India

“Audit and Legislative Oversight: Developing Country Perspective”

- Focus on Commonwealth (Westminster system)
- Legislative oversight: importance of audit and transparency
- Main principles: policy neutrality, focus on bureaucracy, inter-party cooperation, good governance equals good information.
- Developing countries lagging: openness, research capacity, information exchange, independence of auditors
- WBI Survey on success factors for oversight committees: broad scope of inquiry, power to select issues without government intervention, effective auditing, tenure, openness to public, effective follow-up

Theme: Audit and the Media

Speaker: Mahfuz Anam, Editor

The Daily Star

Bangladesh

“Media and Audit: Strengthening Peoples’ Right to Public Resource Management”

- Greater public demand for government accountability; media no longer satisfied with traditional role: gradually transforming from ‘information dissemination’ to ‘public education’
- The more media covered corruption and waste, the more it recognized the crucial importance of auditing and institutions involved in it
- Challenge today: media, with the assistance of SAIs and other ‘watchdog’ bodies, must also inform the public about alternative policy options
- Constrains: tradition of secrecy in the public sector of developing societies, archaic legal systems that hinder access to information, corruption as part of politics, bureaucracy not performance-oriented, non-transparent business community, criminalization of politics
- Possible media roles: mindset changer, resource protector, guarantor of transparency and accountability of government and political parties
- Case of Daily Star in Bangladesh: success: roundtable conferences; problems: delay in reporting by Controller and Auditor General (CAG), reports not discussed by Parliament; important task for media: change laws to allow information accessibility to strengthen CAG

DAY II – 27 May 2005*High-level Panel: External and Internal Auditors’ Responses to the Themes***Speakers: Dr. Ahmed El Midaoui, First President**

Court of Accounts of the Kingdom of Morocco

- Institutional reform in Morocco: 2002 Public Finance Jurisdiction Code put priority on management audit, established Regional Audit Courts and reinforced their mandates, created new forms of assistance to parliament and government
- Scope of audit extended to include regularity audit, prioritizing principles of economy, effectiveness and efficiency of public management.

- Moroccan Supreme Audit institution (SAI) carries out the audit of technical assistance projects co-funded by UNDP and UNFPA
- Adoption of international new approaches and methods to ensure more efficient and economic management that takes into consideration the social dimensions of sustainable development

Colleen Waring, Chairperson of the Government Relations Committee

The Institute of Internal Auditors (IIA)

The Institute of Internal Auditors Government Relations Committee is engaged in activities to assist government auditors. The two most important initiatives we are involved in are: capacity building of government auditors in different part of the world, and advocacy.

- Currently drafting a white paper that is aimed at elected and appointed government officials as the audience. The purpose of the paper is to sell the value-added of government auditing, and to detail the key ingredients that are necessary for any government auditing function to be effective

Ms. Waring shared her experience in partnered audits in her position as Deputy City Auditor of Austin, Texas. Such audits are essential to address the structural problems of government. To be effective, the partners must include:

- Committed elected officials
- Engaged executive and front-line managers
- Auditors from within each key player organization, and who work as hard to build relationships as they do to collect the data
- All actors—nongovernmental organizations included—must be at the table in planning, hearing and commenting on the preliminary results, and responding to the recommendations.

Robert N. McDonald, Past Chairman

The Institute of Internal Auditors (IIA)

Established in 1941, The Institute of Internal Auditors (IIA) is an international professional association of more than 100,000 members with global headquarters

in Altamonte Springs, Florida., United States. Throughout the world, The IIA is recognized as the internal audit profession's leader in certification, education, research, and technological guidance.

Mr. McDonald shared his views on the Workshop's theme:

- External and internal audit bodies must communicate and collaborate to reduce overlaps and to identify gaps in coverage
- Audit for social change: possible, but need for paradigm shift in methods and standards
- Today: 3 "E's", efficiency, effectiveness and economy; but auditing social change requires a number of conditions: appropriate identification of scope and objective, guidance from appropriate standards, identification/building of an appropriate methodology
- Appropriate measures to identify change process and its impact are essential—how to capture, record and monitor changes; timeframes for measurement
- By its very nature, Social Audit would involve a review of Government policy

Theme: Audit and Evaluation

Speaker: Dr. Hyunku Kim, President

Korean Association for Public Administration (KAPA)

"The Conflict between Audit and Evaluation in Korea"

- Overlap and conflict between performance auditing and executive evaluation in Korea: challenges and solutions
- Comparison of Auditing and Evaluation
- Integration: logical (focus auditing on problematic evaluations); informational (info sharing and cooperation, development of indicators, integrated systems); organizational (joint Evaluation Cooperation Committee, budget as integral part of performance evaluation); social (shared training, personnel exchange).

This page intentionally left blank

(II)

Audit and Civil Society

Ho-Bum Pyun

1. Introduction

In the era of globalization, information dissemination and decentralization, society has undergone changes at an unprecedented pace. Tremendous changes have taken place in the public and private sector, creating unforeseen challenges that necessitate adaptability. Historically, governments have imposed taxes and levies in return for having exclusive rights to the provision of the so-called “public goods,” including defence, diplomacy and policing. This is a form of supplier-oriented administration service that disregards the needs of consumers. However, with the maturing of democracy, the awareness of the citizenry has been heightened to the extent that they now demand more rights as taxpayers. Diverse groups/classes with divergent interests have imposed a variety of demands on the government, in addition to increasingly confronting each other. Civil society groups wield significant influence through monitoring government activities and intervening in their decision-making. Consequently, governments are increasingly shifting away from the unilateral, supplier-focused administration that ignores the wishes of the citizenry.

Given that the principal function of audit pertains to critically viewing and monitoring government activity from a third-party perspective, the inter-relationship between the functions of audit and civil society can easily be seen. The following sections explore key issues pertaining to the audit function & discuss the aforementioned interrelationship between audit and civil society with relevant case studies from the Republic of Korea.

2. Functions of National Audit & Key Issues

According to the agency theory, audit refers to a series of activities where auditors, agents or third parties with specialized knowledge assess the economic activities of those subject to audit and report the results to the owner or the principal. By

doing so, the responsibility of the auditor is completed.¹¹³ Likewise, national audit also has the function of monitoring and controlling public servants, with regards to their appropriate management of the taxpayers' money. The only difference between national audit and audit functions/activities in the private sector pertains to national audit being more comprehensive. In other words, it includes the concept of control. While there may be contrasting positions on this viewpoint, if the audit function is viewed in terms of securing accountability, the concept of accountability includes not only fiscal, but also managerial and program accountability. The audit function should be accompanied by a control function, as its realm of accountability is very comprehensive. Given that the head of the national audit agency in the United States, the United Kingdom and some other countries is called the "Comptroller and Auditor General," national audit has both audit and control functions.

The Board of Audit and Inspection (BAI) of the Republic of Korea (ROK) was established when the Board of Audit (previously in charge of accounting audit) and the Commission of Inspection (formerly in charge of inspection) merged to conduct both audit and inspection. Inspection incorporates examining whether governmental activities (excluding fiscal) are conducted efficiently and reasonably, in accordance with relevant laws, and investigating wrongdoings by relevant public officials. These activities clearly represent an expansion in the realm of the audit function.

The core value of the audit function pertains to its independence, for audit results cannot be trusted without first ensuring the independence of the process itself, be it the public or private sector. In the face of daunting challenges from successive administrations, audit institutions (and indeed the auditors themselves) continually strive to maintain their independence and integrity. Several countries have already implanted provisions in their constitution and related laws to ensure the independence of national audit agencies.

¹¹³ The English word "audit" originates from the Latin word "audire" meaning "listen." In the era of the "manor economy" in Europe, aristocrats possessing manorial estates obliged peasants to do the farming. In order to find out whether the peasantry reported harvests accurately, landlords hired third parties to monitor their actions. The hired party listened to and watched the words and activities of the peasantry; after assessing their accuracy, they reported the results to the landlords, hence the derivation of the word "audit".

In addition to stipulating the status and function of the BAI, the selection process of the Chairman and Commissioner(s) of the Board are also clearly outlined in the Constitution, thereby preventing any infringement upon its authority. Although the BAI falls under the direct jurisdiction of the president, its independence in carrying out its duties is guaranteed by the Board of Audit and Inspection Law; additionally, in terms of budget and appointment, several devices are in place to ensure its independence. Politicians have taken initiatives in recent years to transfer the BAI to the National Assembly in order to strengthen its functions; such a move can only take place following a constitutional amendment. Experiences of state audit systems in countries that have undergone a similar transition should be carefully examined as an initial step, and the entire process should be approached from a perspective that ensures the BAI's independence.

Professionalism of auditors, the scope of policy audit, the scope of disclosure of audit results and its limitations constitute a host of pertinent issues associated with the state audit function (apart from its independence)—issues that are closely linked to the relationship between audit and civil society.

3. Interrelationship between Audit and Civil Society

With regards to the relationship between the government and civil society, the function of civil society includes direct participation in, and criticism and monitoring of governmental activities. The monitoring/criticism function of civil society relates closely to the audit function; consequently they can utilize/share the content of the other party's activities. National audit agencies tend to view civil societies as entities playing cooperative and complementary roles, thereby minimizing the possibility of friction between the two parties. For example, civil society groups utilize audit reports to criticize the government in addition to monitoring their activities. Concurrently, information and data on government monitoring gathered by civil society groups can be utilized by national audit agencies.

Civil society groups expect audit agencies to increase their activities in addition to disclosing all their results in a transparent manner. However, the question arises with regards to the extent to which audit results should be disclosed, particularly with regards to the conflict of interest between satisfying people's right to know, and the need to maintain confidentiality on projects related to national

security. Civil society groups often demand transparent audit execution as well as the disclosure of all audit results related to defence expenditure, citing substantial percentage of tax revenues allocated to this field. However, accepting this demand of civic society jeopardizes national security as state secrets pertaining to national defence strategies are made public.

As the activity of the national audit agency falls within the realm of governmental activity, when it is criticized and monitored by civil society groups, the mutual association is transformed from a collaborative to a monitoring relationship. In such a scenario, the audit agency (just like any other governmental agency) adopts a passive/defensive stance and tries to justify its behaviour. Civil society groups, on the other hand, expect the audit agency to conduct its activities and execute its duties with a higher degree of transparency (compared to other government agencies), given that it is an oversight agency.

The participation function of civil society extends to the realm of the national audit agency, particularly in its expectation of the audit agency to conduct audits in areas that are closely related to the interests of the citizenry. Given a maturation in their level of awareness, the interest of the citizenry in governmental activities has grown, such that (in terms of the scope of audit) they not only expect compliance audits (which have taken place in the past) but also performance audits that examine whether policies and projects pursued by the government are conducted in an economical, efficient and effective manner. Consequently, the scope of national audit has expanded to the extent that it is now examining and evaluating the outcome of state policies and projects. Environmental audit (currently conducted in a number of countries) is but one outcomes of this constantly evolving scope, and one in which the civil society can play a major role.

Civil society groups expect experts to have direct or indirect participation in national audit activities. Their direct participation in audit activities, despite the best of intentions, can jeopardize the national audit agency's independence in conducting audit activities. This issue should therefore be approached with due caution and prudence. National audit agencies should maintain independence and neutrality, not only from the audited subjects, but also from outside influence. However, indirect participation – through citizen experts acting as advisors in the audit planning stage – is highly recommended, as it raises the level of expertise, which is not sufficiently evi-

dent within the audit agency. Additionally, it gives the citizenry a voice by publicizing its wishes—something that often cannot be grasped adequately by the audit agency.

4. Case Study of Korea

The work of the Board of Audit and Inspection is greatly enhanced by the Policy Advisory Commission (PAC), which acts as an advisor to the Chairman of the BAI. Commission members are comprised of experts who have gained societal recognition through their active contribution to civil society groups, and come from all walks of life. They offer advice on BAI's audit direction as well as other audit-related policies. Concurrently, they serve as a conduit to convey the demands/suggestions of colleagues and acquaintances to the BAI. However, the BAI has no legal obligation to comply with these suggestions. Additionally, the BAI has separate advisory groups for each of its audit bureaus, whose members are comprised of professors/researchers from professional academic/research institutions. They offer their professional opinions and have an opportunity to reflect their knowledge in the auditing process.

The BAI is in the process of implementing the “Advanced Audit Notice System”, whereby the citizenry is notified (in advance) on the direction and period of audits, particularly in areas that affect their interests. Under this system, the BAI would reflect in their audits, any advance complaints or advice from the citizenry pertaining to malpractice on the part of executive organizations. In line with the digital age, the new system now allows the citizenry to convey its opinions through the internet, which is commonly available throughout the Republic of Korea.

In July 2001, the BAI introduced the “Citizen Audit Request System” to ensure timeliness and efficiency in auditing, in addition to solidifying trust in the national audit agency. Based on the “Anti-Corruption Act,” this system allows the citizenry to request audits in areas where they feel that the public entity entrusted with carrying out a certain function has not done so effectively or judiciously. For the process to be initiated, a written request must first be submitted by three hundred (or more) citizens. A “Citizen Audit Request Screening Committee” is then assigned, which, together with the BAI, decides whether or not to conduct an audit. If the decision is in the affirmative, the audit is conducted and the requesting party is notified of the audit results.

In order to respond to requested audits more actively, the BAI has altered the composition of the 7-member Citizen Audit Request Screening Committee. Previously, the Committee was comprised of four BAI officials and three outside experts from civil society groups. The BAI has increased the number of outside experts to four, while reducing the number of BAI officials to three. An outside expert replaced a BAI official as Chairman of the Committee. Consequently, the Citizen Audit Request System has gained widespread popularity among the general public, and the number of audit requests have been on the rise. Public entities subject to auditing under this system were suspected of having seriously undermined the public good through corruption and the violation of laws¹¹⁴.

The BAI also operates a civil petition department to address petitions lodged by citizens against executive agencies. Several local governments have also introduced the “Citizen Auditor System” for the same purpose, whereby citizen representatives (who are not public officials) serve as auditors for a certain period, review grievances and complaints of petitioning citizens, conduct necessary audits, & notify the aggrieved party of the audit result. Considerable change has also taken place with regards to the disclosure of audit reports. Previously, audit results were not revealed in full text and what was disclosed was only a summary of the findings. However, following increasingly vocal clamours from politicians and civil society groups, audit results are now fully disclosed to the public—with the exception of matters that can jeopardize public and state security if disclosed.

The Ombudsman’s Office monitors the BAI’s activities through conducting internal inspections, checking ethical code violations by BAI officials as well as following up on public criticism directed towards the private lives of BAI officials. Nevertheless, the BAI is criticized by civil society groups for failing to establish an adequate mechanism to monitor and supervise its activities. The BAI—to respond to this criticism and facilitate transparent internal control—has proposed a plan to legalize the appointment of a private citizen or an external expert (not an inside official) to head its internal inspection office.

¹¹⁴ State secrets, issues of state security, investigations, court trials, prosecution of punishment, private right relations & issues currently being audited are excluded from this system.

5. Conclusion

Civil society's active monitoring of—and participation in—governmental activity, keeps government agencies & officials alert and aware, making them more likely to implement policies that enhance the interests of the citizenry. The citizenry should be viewed as a medium of cooperation between the government and civil society, rather than as a medium of confrontation, where the citizenry contains and challenges the authority of the state. Monitoring the participation of the citizenry in the BAI's audit and inspection activity—which in turn monitors and supervises governmental activity—elevates the necessity for audit and inspection and contains the potential for abusing these powers.

The relationship between the BAI and civil society in Korea highlights the necessity to identify and introduce systems that reflect the opinion of the citizenry in the auditing process. Participation in and monitoring of audit activities by the citizenry, should be undertaken without undermining the independence and role of the national audit agency. Additional care must be given when dealing with special interest groups with whom civil society organizations often tend to cooperate; given that special interest groups tend to further only their own interests, if such groups succeed in influencing audit and inspection activities, this would greatly undermine the independence and integrity of the audit agency.

This page intentionally left blank

(III)

The Conflict Between Auditing and Evaluation in Korea

Dr. Hyunku Kim¹¹⁵

1. Introduction

Recent reform in the field of public management has shifted the need for information from inputs to outputs. This has accelerated the shift from traditional regularity auditing to modern performance auditing which inherently employs evaluation as an essential tool. Considerable redundancy/overlapping between performance audits and institutionalized evaluations have blurred the boundaries between the two, resulting in inevitable conflict due to the functional redundancy in performance evaluation. It is particularly necessary to study this conflict, given the inadequacy of existing literature on the subject matter.

In South Korea, the Board of Audit and the Commission of Inspection, established as separate entities in 1948, merged in 1963 to become the Board of Audit and Inspection (BAI). For all effects and purposes, the BAI is held to account by the president, even though it theoretically retains its independence on paper as a consequence of the BAI Act. The current conflict is between performance auditing by the BAI as a quasi-external function, and institutionalized executive evaluation by the Office of the Prime Minister (OPM) as an internal function.

The principal questions addressed by the paper include:

- 1) The evolution of the conflict between performance auditing (BAI) and institutionalized evaluation (OGPC¹¹⁶ in OPM)
- 2) The dynamics of conflict management
- 3) The establishment of collaboration linkages for conflict resolution

¹¹⁵ The short paper that follows is a summary prepared by UNDESA of the author's original presentation from the workshop on Auditing for Social Change

¹¹⁶ Office for Government Policy Coordination

2. Definition

By definition, auditing has traditionally been limited to regularity or fiscal statements while the sphere of evaluation is circumscribed to the effectiveness of programs. When considered in terms of objects audited (financial or non-financial) as well as the auditing criteria (Regularity, Economy, Efficiency and Effectiveness), four types of auditing can be identified: financial auditing, non-financial auditing (inspection), traditional regularity/ compliance auditing and modern performance auditing.

Performance auditors can be profiled into four types¹¹⁷:

- 1) The judge or magistrate who acts according to the law
- 2) The public accountant who acts according to the rules & official proclamation
- 3) The researcher/scientist who seeks explanation through scientific truth
- 4) The management consultant who advises his/her client to resort to any measure deemed requisite for improvement

The first two categories can be classified as genuine auditors and the latter two as evaluators.

Typologies of evaluation discourse integrating fact and value include¹¹⁸:

- 1) Technical and analytical discourse for the empirical verification of outcomes.
This is scientific evaluation on the basis of positivism.
- 2) Contextual discourse for the situational validation of objectives
- 3) System discourse for the societal vindication of goals
- 4) Ideological discourse for the social choice of objectives

The level of evaluation steadily shifts from specific/empirical to abstract/normative as one moves from contextual to ideological discourse.

The author identifies four types of evaluation based on the evaluators' status (government or private) & the evaluation approach (scientific enquiry or evaluative inference). These include analytical evaluation, judgmental evaluation, infor-

¹¹⁷ Pollitt (1999: 210)

¹¹⁸ Summarization of Fischer (1995: 17-23)

mal evaluation and institutionalized evaluation. Analytical evaluation is particularly important from the academic point of view while institutionalized evaluation is important for practical purposes.

The author compares analytical evaluation with institutionalized evaluation by defining analytical evaluation as scientific inquiry based on implementation and performance.

On the other hand, he defines institutionalized evaluation as an administrative practice based not only upon implementation and performance, but also upon formulation and organizational capacity.

3. Four Stages of Conflict Development

The author describes the four stages of conflict development (between performance auditing and executive evaluation)¹¹⁹ as Public Management Reform, Latent Conflict, Perceived Conflict and Manifest Conflict.

First Stage (Changing Environment–Public Management Reform)

Public management reforms undertaken during the economic crisis by the Kim Dae-Jung government (1998-2002) rigorously pursued New Public Management (NPM) based reforms with the slogan “small and efficient government” with emphasis on performance, competition and consumer orientation. Measures for promoting a smaller government included reorganization of public agencies, reduction of employees in the public sector, intensifying deregulation and privatizing state-owned enterprises. Measures for promoting government efficiency were based on result oriented reforms that included Information dissemination and e-government (MIC), Performance-based pay systems (CSC), Management-by-objective (MGAHA), Agency comprehensive evaluation system (OPM), Accountability-based agency system (MGAHA) and a Performance-oriented budgetary system (MPB). The subsequent Rho Moo-Hyun administration (2003-present) continued some of their predecessor’s reforms, placing particular emphasis on performance evaluation.

¹¹⁹ Modified application of Pondy (1967)

Second stage: Conditions for Latent Conflict

Considerable redundancy in performance evaluation occurred as a consequence of management reform. In 1998, the Office of the Prime Minister (OPM) introduced an agency comprehensive evaluation system in tandem with local government joint evaluation. Agency comprehensive evaluation covered the assessment of management capacity, policy activities as well as performance and target group perception. At the same time, the BAI also decided to improve evaluation through placing greater importance on performance auditing. In 2002 the BAI devoted over 91% of its man-days to performance auditing as compared to only 8.9% to regularity auditing.¹²⁰

Third stage: Perceived Conflict (cognition and affected)

The aforementioned actions resulted in escalating complaints from evaluatee agencies of excessive and duplicate evaluation. They claimed that regular work hours were being seriously disrupted as a consequence of the evaluations and complained of an “evaluation for the sake of evaluation” syndrome. Consequently considerable pressure was exerted to reduce their load, and the Presidential Commission on Government Innovation and Decentralization played a significant role in this process. Under these circumstances the BAI identified itself as an evaluation and audit institution and began preparations for its evaluation initiatives. At the same time, the OPM (OGPC) was getting ready to defend its position as the central evaluation agency. Thus the perceived conflict stage is highlighted by the recognition of the potential competition that existed for evaluative initiatives.

4. Conflict Management

The author identifies five modes for conflict management between audit and evaluation: avoiding, accommodating to conflict, compromising, collaborating & accommodating to evaluation.¹²¹ In South Korea conflict management has progressed from avoidance to accommodation (to auditing) to compromise but has

¹²⁰ Regularity audit constituted only general audit while performance audit incorporated both special and performance audit.

¹²¹ Modified application of Thomas (1976)

yet to reach the latter two stages. The current Korean president (Rho Moo-Hyun) and the chairman of PCGID (Sung-Sig Yoon) have intervened directly to coordinate the process, tending to the concerns of the BAI at the expense of the OPM.

In focusing his attention on accommodating to conflict the author pinpoints the construction of a National Evaluation Infrastructure (NEI) as a necessary variable for evaluation initiatives. While never officially defined as a concept, the NEI is widely regarded as the foundations needed for strengthening national evaluation capacity, including evaluation systems, research, training, network, culture etc. Accommodation measures include the president assigning the role of constructing the NEI¹²² to the BAI and highlighting its role as pivotal for national evaluation. The Evaluation Research Institute was also established in 2004 under the BAI.

The principal motivation behind the accommodation was President Rho Moo-Hyun's perception of auditing as a management function rather than a supervisory role. In 2003 he appointed Jeon Yun-Chul (former Minister of Finance and Economy) as chairman of the BAI with the intent of strengthening performance budgeting. This was the first time in the 40 year history of the BAI that a professional bureaucrat with management experience in economic affairs was appointed to the position¹²³, further emphasizing the role of audit institutions as management tools rather than regulatory devices.

Accommodation shifted to temporary compromise as a consequence of a couple of events. The first was the elevation of Hae-Chan Lee to the rank of Prime Minister (June 2004) and the second was the reassignment of the task of NEI construction to the OPM (October 2004) with the Prime Minister as the new chair of the National Evaluation Committee. This readjustment is called a temporary compromise for even though the BAI lost the task of NEI construction, they could still gain satisfaction from having established the Evaluation Research Institute.

Comparing the BAI to the OAEC¹²⁴ reveals an unbalanced game given that the OAEC has only 40 staffers compared to the BAI's 900 plus personnel. The BAI

¹²² Passed as a bill in the National Assembly (2005)

¹²³ Past chairmen comprised almost exclusively of military leaders (5) and lawyers (5) with the only exception being a professional general bureaucrat.

¹²⁴ OAEC = Office for Analysis, Evaluation and Coordination (Assistant minister) under the OGPC (Minister) in the OPM (Prime minister)

is further characterized by coherent, collective solidarity, compared to heterogeneous and rapid turnover in the OAEC's group character. The BAI also has greater independence and statutory power when compared to the OAEC. Given their disparate capacities, the author believes that the two organizations can best be served by a complementary collaborative relationship rather than a hostile competing relationship. To this end, the author identifies a linkage model for collaboration¹²⁵, whereby audit and evaluation both serve as control devices in assessing the budgetary and policy process through integral (logical, organizational, informational & social) and differential (goal, functional & methodological) linkage.

Differential linkage

Given the fine line between performance auditing and executive evaluation, the differentiation between the two necessitate clarification, in order to construct the collaboration process more effectively; while they share some common elements, they are quite distinct in their nuance and final approach. This author terms this as an institutionalized pattern of evaluation.

Internal Linkage

Logical integration is focused on making results mutually consistent. Measures include requesting the BAI to audit problematic evaluations, requesting the BAI to conduct in-depth self-evaluation when necessary, requesting the BAI for audit exemption for good evaluation results and requesting the OPM for audits of problematic cases.

Informational integration is focused on sharing information and data and developing a communication system. Cooperation can take place in the development of performance indicators, in the improvement of evaluation techniques and in the creation of an integrated evaluation information management system.

Organization integration is focused on the systematic arrangement of government structures and processes. An important step would be the establishment of an Evaluation Cooperation Committee composed of evaluation rated ministries and the BAI. Additional measures would include incorporating budgeting as an

¹²⁵ Based on Gray & Jenkins(1993)

integral part of performance evaluation and conducting an in-depth study to fully redesign the national audit-evaluation system.

Social integration seeks an amalgamated approach to blend the culture of the BAI and the OPM. It focuses on the homogeneity of background, skill and experience of the personnel involved and emphasizes the need for shared on-the-job training as well as personnel exchange programs between the two organizations.

Final Remarks

The current trend indicates a gradual progression of administrative control devices from auditing to evaluation. This progression has resulted in conflicting situations that need to be resolved through harmonization of differentiation and integration and the creation of institutional learning mechanisms. In addition to liberalizing its traditional auditing function, the BAI desperately needs an image makeover from a power-monger to a professional organization. For its part, the OGPC must compensate for internal evaluations that are often politicized, by strengthening its independence through the incorporation of outside experts. It must promote participatory and transparent evaluation through the creation of an open and decentralized evaluation system. Evaluation must be viewed as a performance management process and as such it must support the self-evaluating capacity of agencies through the promotion of meta-evaluation techniques. The current study is limited in its inability to develop the link between audit and evaluation to policy and budgeting.

This page intentionally left blank

References

- Cordray, D.S. & Lipsey, M.W. (1986). "Program Evaluation and Program Research", in *Evaluation Studies: A Review Annual*, 17-31. Beverly Hills, CA: Sage.
- Chelimsky, Eleanor. (1985). Comparing and Contrasting Auditing and Evaluation: Some Notes of Their Relationship. *Evaluation Review*, 9(4): 483-503.
- Davis, Dwight F. (1990). Do You Want a Performance Audit or a Program Evaluation?. *Public Administration Review*, 50(1): 35-41.
- Day, P. & Klein, R. (1987). *Accountabilities: Five Public Services*. London: Tavistock Publishers.
- Fischer, Frank. (1995). *Evaluating Public Policy*. Chicago Nelson-Hall Publishers.
- Gray, Andrew and Jenkins Bill. (1993). Horses to the Water: Budgeting, Auditing, and Evaluation in Seven governments. In Andrew Gray, Bill Jenkins, & Bob
- Segsworth (eds.). *Budgeting, Auditing & Evaluation: Functions and Integration in Seven governments*. New Brunswick: Transaction Publishers.
- INTOSAI. (2004). *Program Evaluation for SAIs: A Primer*, INTOSAI Working Group on Program Evaluation, July 25, 2004. Washington, D.C.
- Kim, Hyunku. (2003). A Theoretical Review of Korean Agency Comprehensive Evaluation. *Korean Public Administration Review*, 37(4): 57-78(in Korean).
- Leeuw, Frans L. (1992). Performance Auditing and Policy Evaluation: Discussing Similarities and Dissimilarities. *The Canadian Journal of Program Evaluation*, 7(1): 53-68.
- Nachmias, David.(1980). Introduction: Public Policy Evaluation: An Overview. In David
- Nachmias (ed.), *The Practice of Policy Evaluation*. New York: St. Martin's Press.
- Pollitt, Christopher, (1999). Overview. In Pollitt, Christopher, Girre, Xavier, Lonsdale, Jeremy, Mul, Robert, Summa, Hilikka & Waerness, Marit.. *Per-*

- formance or Compliance?: Performance Audit and Public Management in Five Countries*. 194-219. Oxford University Press.
- Pondy, Louis R. (1967). Organizational Conflict: Concepts and Models. *Administrative Science Quarterly*, 12: 296-320.
- Rist, Ray C. (1989). Management Accountability: The Signals sent by Auditing and Evaluation. *Journal of Public Policy*, 9(3): 355-369.
- Song, Keakook.(2003). *Towards Program Evaluation beyond Performance Audit: The Korean Experience*. Paper presented at the 11th International Anti-Corruption Conference, Seoul, 25-28 May.
- Suchman, Edward A. (1967). *Evaluative Research: Principles and Practice in Public Service & Social Action Programs*. New York: Russell Sage Foundation.
- Thomas, Kenneth. (1976). Conflict and Conflict Management. In Murvin D. Dunnette (ed.), *Handbook of Industrial and Organizational Behaviour*, 889-935. Chicago: Rand McNally College Publishing Co.

(IV)

Discussion on Themes and Presentations

Opening Session:

Bai, Guido Bertucci, Adil Khan and Esther Stern (Keynote Speaker)

An informed Thai delegate in the field of auditing reported that results based management was introduced last year in 23 ministries of the Government of Thailand, and further extended to 75 regional administrations considered to be crucial. Developing indicators, measuring performance and linking it to internal auditing proved to be a major challenge. The Prime Minister promised to eradicate poverty: since the introduction of indicators, the government has been able to demonstrate that the level of poverty was reduced. However, the challenge remains as how to engage people at the provincial level in monitoring and auditing.

Auditing had become a “dirty word” in public administration as auditors were looked upon as policing agents. The audit profession has tried to change the audit process from a negative to a positive one. It remains to be seen whether performance measurement and evaluation are better accepted within public administration.

The Head of the Supreme Audit Institution (SAI) of Saudi Arabia stated that SAIs could play a more effective and constructive role by engaging with the clients they are dealing with. Clients had developed a negative view of the role of the SAI as they feared reports on performance and practices. If auditors want to play a constructive role in improving the function of government, they must lead by example. Without sacrificing independence and impartiality, auditors should engage in constructive dialogue with the subjects of the audits. The SAI called for a seminar with the three top levels of each agency including the Deputy Minister and the DG of Finance and Administration. There were a record number of participants, and through introductions and dialogue a breakthrough took place. Most participants stated that they feared the SAI and were “holding their breath” until the release of the Report. The SAI decided to play the role of catalyst for change: it developed common denominators to improve the performance and practice of government, instead of limiting itself to uncovering and reporting negative aspects.

The seminar was repeated at a later date around the theme of performance and environmental auditing. It yielded discussions around audit recommendations

where the clients submitted their own suggestions for implementation, offering opportunities for more comprehensive commitment. Within the public service of developing countries, recent graduates often make honest mistakes, necessitating advice on best practices. SAIs need to be re-invented in order to be able to provide a major advisory role, which demands a shift away from its traditional approach to a more creative and constructive one of engaging clients and development agencies.

The following questions were raised by a representative of the International Budget project, Washington D.C. (IBP):

- How can performance audit and resource constraints be reconciled?
- Are the results of performance audit worthwhile given resource constraints?

A UNDESA resource person gave the example of Sri Lanka. The government had adopted a holistic performance system whereby the agencies had to reflect on their own broad vision. The vision then had to be translated into performance indicators, based on an articulated medium term strategy and a mission statement. It was thus discovered for example, that a major portion of the housing budget had been allocated to the middle and upper class. The method adopted was largely based on self-assessment, which became an important principle in the exercise.

Audit and Civil Society

Presentation by Dr. Samuel Paul of Public Accountability Centre, Bangalore, India

Participants appreciated and discussed the underlying concepts to the Citizen Report Card method presented by Dr. Samuel Paul whereby a grade is given to government services. The satisfaction with public services is rated by the users themselves in layman's terms, without the need for technical details. The opportunity to bask in the limelight of a positive report can prompt and stimulate departments, agencies, and service providers to enact positive changes, placing greater emphasis on transparency. Passing an anti-corruption law in and of itself has not been the proven cause for the decline in the incidence of corruption: rather the answer lies in attracting visibility on the incidence of bribes as well as spending money is a

better way. In corrupt countries lip service is all that is given to redress grievances. The notion of the Citizen Charters was discussed, along with the need to audit information; tools available for citizen empowerment were also highlighted. The CRC method can complement financial and compliance audits by focusing on effectiveness through user feedback.

Presentation by Commissioner Pyun, Board of Audit and Inspection (BAI), Korea

The difference between private and public sector auditing was highlighted in the discussion. Private sector auditing is characterized by specificity—restricted number of interested parties, whereas public sector auditing is characterized by comprehensiveness—multiple interested parties with different interpretations on what audit and control should include. For example, the BAI combines audit and inspection, and has at various times also included evaluation. Inspection covers the entirety of administrative processes of public administration's activities. In neighbouring countries, these functions are assumed by different ministries.

Independence of SAIs is a difficult issue, but it is at the same time a prerequisite and the ultimate goal of the audit function. Factors which can undermine the SAI's independence include external influences, for example the political community, the media and interest groups. Moreover, auditees wield power, depending on audit substance. Internal influence also come into play: one has to avoid being swayed by the prejudices of auditors.

In Korea the BAI is totally autonomous and comes under the Presidency; the parliament would like to bring BAI under its jurisdiction. However, greater cooperation between the media and the parliament is needed to strengthen public administration activities. In Korea the audit community can also receive requests from civil society; and civil society can participate in the audit procedure (within limitations) to align and exchange information for mutual feedback. In terms of reporting disclosure, there is no difference between internal and external audit. Both face difficulties in using their discretion to disclose or not.

The president of the Court of Accounts (SAI) of the Kingdom of Morocco reported that the SAI in Morocco is independent, yet encourages interaction with all levels of society. It is a question of responsibility: the SAI must not be isolated

in its quest to rigorously apply the laws and respect the rules. The Moroccan SAI does not publicly disclose information which can be harmful to the national interest such as defence and security issues. It is important for the SAI to be seen as just and fair and mindful of the poor as well as the rest of civil society.

Audit Planning and Budgeting

A representative of the International Budget Project felt that there must be a space for citizens to participate in the audit process. However the origin of such processes to participate in the audit movement seemed unknown. Additionally, a representative from The Institute of Internal Audit (IIA) expressed the view that as a minimum it was important to obtain service satisfaction feedback from end-users and beneficiaries.

Linda Fry from the Hewlett Foundation (U.S.) raised the following issues:

- Is audit evolving through involvement and pressure by the citizenry?
- Can we see a trend towards self-audit?
- Is there a trend to replace SAIs by different forms of external audit?
- Could the CRC model be scaled up?

Dr. Paul of PAC responded that the CRC can be one instrument to hold governments to account. The Chief Minister of the State of Delhi has announced an independent assessment by PAC. More field research is necessary to include local communities left behind by governments.

A representative from The Institute of Internal Audit (IIA) stated that revolutionary practices are also taking place in some audits by internal auditors in several U.S. cities, such that the citizenry is now included in audit advisory committees. The interaction between audit and civil society must be communicated and documented, but a fundamental issue is to maintain independence. There may be a need to expand the audit standards to address the interaction with and involvement of civil society.

A representative from the World Bank added that there will also be a need to introduce expertise for planning the scope and relevance of the audit when involving civil society. The commissioner of BAI-Korea addressed the evolution of civic involvement in audit. Government organizations as well as civic groups grew

rapidly in the country and recognized the importance and relevance of BAI, given that audit and inspection covered all activities. This created a struggle between the enormous demands on BAI and an expectation gap. Consequently, the BAI involved leaders of civic groups, lawyers and professors in their audit and inspection activities, making their activities more transparent.

A representative of IBP explained the important of secrecy to budget formulation. There have been important breakthroughs when civil society groups held the government accountable for budgeting. However there are few experiments with civil society involvement in audit and control. It is the IBP's belief that the audit process can be influenced as a consequence of dialogue between the SAI and CSO. It is more desirable to create a partnership relationship than a coalition between the two. An international consensus is needed on the necessity of five institutions for public financial oversight: SAIs, legislature, media, judiciary and civil society organizations. It would be useful to develop guidelines on the role of each institution.

The head of SAI-Morocco stated that auditing is a profession and highly skilled people are needed. In order to increase the capacity of the Moroccan SAI, a mix of strategies is used, including those presented by the Strategy Paper of INTOSAI. For example, auditors are asked to look at results on the ground for improving the conditions of the poor, not at academic and intellectual formulas. Also, they are asked to get closer to the private sector as Morocco has a Commission on Privatization. By emphasizing transparency, democracy and accountability, the SAI can have an impact on political processes and society. A peer review system is being implemented by INTOSAI for quality review and transparency of the SAIs. Interaction and feedback with clients is of the utmost importance. Corruption is normally to be expected where an excess of public money is involved and better detection mechanisms have to be devised worldwide.

A representative of IBP addressed the issues raised by the professionals regarding the need for revised professional standards when citizens are involved in the audit process. Professional auditors hold the view that to audit one must have a professional designation, and that citizens are not impartial. On the contrary, he felt that the fact that they are partial is precisely their strength: there is a lot at stake, often their livelihood, food, transport and education. However, the few experiments carried out with citizen involvement have amply demonstrated that they

can be coached to be good auditors and provide quality information. In developing countries, SAIs often do not have the resources to perform basic field audits. A desk audit is executed from the centre, and on an untimely basis. Timely audits involving beneficiaries and end users should be carried out on site and on a timely basis. The best experiments involved public hearings based on reports by citizens who had done the checks.

Another representative of IBP commented that the Workshop background papers acknowledged many of the problems faced by public auditors in most developing countries and countries in transition including: legal/mandate issues, capacity of the SAIs themselves, as well as the capacity within civil society organizations. The intent is not to turn CSOs into auditors or lawyers; nor is the intent to have SAIs and CSOs “jump in the deep end”. The intent is to start somewhere that is comfortable. For example, pressure can be brought by CSOs onto the SAIs to bring its audit results through clear information and recommendations in the public domain. (Note from DESA: many SAIs have still no operational website or public reporting mechanisms). Another example would be for CSOs to help fight for the establishment of whistle-blowers in countries where this would be difficult, as it also is a new field. The same thing happened in the field of budget analysis and tracking by civil society. It started slowly but about 60 countries have started organizations to perform those tasks.

Joint Discussion:

Audit and Legislative Oversight and Audit and Media

Presentation by Vinod Sahgal, Regional Public Financial Accountability Expert, World Bank

The participants agreed that the effectiveness of legislative oversight and audit go hand in hand in a symbiotic relationship. The presenter agreed with the views expressed by UNDESA in the opening session that audit needs more a re-orientation than a re-invention. The origin of audit lies in a philosophy of policing: what will the future of audit bring? It will be enhanced if the audit profession examines road conditions rather than accidents.

Collaboration between SAIs and the legislature is essential. However, a major constraint is the relationship, which has been characterized as a disdainful one

between the bureaucrats and the legislators. The way forward must include the following:

- Work together but in an open climate; foster open hearings
- SAIs must move from police agents to agents of change, without undermining the importance of compliance audit

Presentation by Mahfuz Anam, Editor, The Daily Star, Bangladesh

Participants agreed with the presenter that there has been limited advocacy from the media for strengthening SAIs. There are possible areas of action where the media and the SAI can come together for promoting the public's inalienable right to information and resource management.

For example:

- The media can inculcate in the minds of the citizens the right to management of resources, and the right to monitor and supervise use of resources. In that sense, the media becomes a “resource protector” against waste.
- The media can become a tool to uphold accountability in the face of government erosion through election manipulation (in fact the media is used as an empowerment instrument for politicians where money and power comes into play).
- The media can assist in upholding the law.

Whether the media or the SAI reports success or failure, there is no impact as the government does not act. There are many reasons for this behaviour. The media has done a lot but not achieved a lot as the government is insensitive to media initiatives. The speaker suggests that the media can play a significant role by creating a committed network of media and government institutions which would link up with civil society institutions to push forward the notion of the right to public information. The problem is that governments do not like SAI as they play an adversarial role: “the government is a reluctant party at best, a disinterested party at worst”. The problem with access to information can be equally acute in developed countries. For ex., in Australia (and other Commonwealth countries) Cabinet documents are exempt from disclosure for 30 years. Government controls the public purse, but can inhibit scrutiny. That is why a social contract is needed,

where it would be stipulated that the contractor i.e. the taxpayer has every right to know what he pays for.

Adil Khan, Chief, SGMB, stated that the principal question pertained not to whether audit should link up with civil society or the media, but rather how it can be done. With regards to the issue of transparency and accountability, he points to Krafchik's examples from India and the Philippines, to emphasize the benefits of citizen involvement in scrutinizing public policies & programs, stating that the citizenry is in the best position to give the best answer to what's happening on the ground. Furthermore, when looking at standards, norms and quality, no one is better qualified than citizens themselves and the media can link up and play a very useful role.

He gives credence to Anam's assertion of the media as the upholder of the law, particularly in a country where the government is often its biggest abuser. He quotes the coveted Indian writer/activist Arundhati Roy, who once said in a famous speech, that in India, the public often view the government not as the mentor, but rather as the tormenter.

Khan highlights the essentiality of reforming old audit institutions—remnants of the colonial era, shrouded in secrecy, inaccessible to public and built under the conditions of inequality and unfreedom. Such institutions cannot be expected to deliver goods freely, through accountability and transparency. Consequently, audit needs to come out of its shell and become more engaging, transparent and accountable to the citizenry whom it is meant to serve.

Mujibur Rahman (UNDP) highlights the media increasingly being viewed as a last resort to oversee government activities and protect accountability institutions. For example, in a parliamentary democracy, the speaker of the parliament can be removed by a simple majority vote. In countries where the parliament is overwhelmingly dominated by the executive (as in the case of Bangladesh), the speaker becomes vulnerable to the whims of the ruling party, and is constrained from playing an independent role. In this situation, the media becomes the last resort to constrain excesses by the majority party. Consequently, the stand taken by the Daily Star reverberate the demands of the time.

Linda Fry from the Hewlett Foundation raised the question of budget literacy of the members of oversight committees in congress. She wanted to find out if the

lack of budget literacy was an obstacle to performing their function, and if so, how this weakness might be addressed. Could civil society and/or other actors have a role in training the members of parliament in budget literacy? Additionally, given that policy neutrality is one of the fundamental principles of oversight committees, is it also a characteristic of Supreme Audit Institutions or applicable only to legislative oversight?

Vinod Sahgal responded to the first question re-emphasizing the importance of budget literacy, where any initiative towards simplifying the budget process – for example, “budget at a glance” type information is a step forward. There are more opportunities, particularly for young parliamentarians, to get access to assistance in understanding the budget documents and budget processes. But the bigger concern pertains to the fact that the amount of time spent on the budget debate is in fact decreasing – which may (or may not) be due to a lack of budget literacy or some other factor. For instance, the last budget to be passed in the Indian parliament (over a trillion dollars) was done so with only 20 minutes of debate. The bigger issue is trying to understand whether parliamentarians are still interested in discussing the budget. At the state level, there have been tremendous improvements in budget information and budget transparency but the quality of debate remains flat.

With regards to policy neutrality, Sahgal stated that auditors are better off staying away from policy issues. This is partly due to the fact that there exists a political process which deals with policy debates; additionally, there are oversight committees in the house—standing committees on specific subject matters—that should be more actively involved in policy debate when the budget is formulated.

On the question of budget literacy, **Mahfuz Anam** pointed out that once the budget is announced in Bangladesh, The Daily Star and partner NGOs scrutinize it thoroughly, particularly the allocation for the poor. For example, each ministry is analyzed in terms of how much it receives and how much is allocated to different income groups, resulting in an insightful budgetary analysis. The budget is also analyzed in terms of allocation towards specific women’s projects pertaining to empowerment and training. Future plans include dividing budgetary allocation by districts in order to better measure the allocation of resources for the minorities and the disadvantaged.

Colleen Waring, Deputy Auditor-General of Austin, Texas, pointed out that auditors in Austin are appointed by elected legislators and thus answerable to these political entities. The role of the legislator is to make policy and provide oversight to ensure that the policy is being carried out by the executive branch. However, many legislators also view their role as supporting the growth of their communities; in other words they see themselves as the “boosters” of the community over which they govern. Under this circumstance, auditors who criticize policy implementation or highlight problems and issues that have not been solved, effectively bringing negative news about the community to very people who act as the community’s booster.

Consequently, local government auditors are in confrontation with the very same people who are in charge of appointing them – the elected officials. Subsequently, when an auditor works with the media to disseminate news about governmental lapses to the public, they are perceived as being in competition with the politicians, trying to get more notoriety than the politicians themselves. The danger lies in that auditors have the potential to be more influential than politicians, given that they have greater credibility compared to politicians. Consequently the auditor can be accused of advocating a policy perspective of one kind or another.

The question then arises as to the kind of mechanism/approach needed to help oversight committees understand their oversight role, and possibly even help them to embrace it. Additionally, what are the means by which auditors and the media can work together without creating the impression that the auditors are trying to promote their own popularity over that of the politicians?

Mahfuz Anam believes that the eagerness of lawmakers to “double up” as development agents can be attributed to the fact that the “gravy” lies with the development agents – i.e. they handle the budget, not the lawmakers. Consequently, for the one handling the budget, there is always the possibility to skim something from the top for personal aggrandizement. Additionally, lawmakers have found it to be increasingly difficult to get re-elected unless they provide something concrete for their constituents. This results in an inadvertent interest to get involved in the development process, which theoretically should be left to the local government. Consequently there is an urgent need to delineate and distinguish the development function from the lawmaking function to reverse the trend of overlapping.

Finally, with regards to auditors upping their political bosses, if the auditors are doing solid work in revealing mismanaged resources, politicians will become more wary about their actions; as such, the media should glorify auditors for there is no ethical contradiction in such an action—if auditors become stars, it is because they are doing a great job!

Vinod Sahgal tackled the question pertaining to the types of mechanisms that auditors have at their disposal to promote oversight in a constructive manner. This brings about two questions: the first question pertains to the auditors having to make up their minds as to who their boss is. Confusion, partly the result of historical baggage, has led auditors to believe that their real client is the parliamentarian, when in reality should be the public. The second question pertains to the proper reporting approach. Auditors must focus on reporting the most important issue instead of dwelling on technical aspects of the process. Even INTOSAI has not dealt enough with the reporting approach and dissemination. If auditors want to be agents of change, they should deal less with sensationalism, and more with the provision of information to the larger public. With the expansion of information technology, all the necessary tools are in place to disseminate information quickly and effectively to the broader public. The question then becomes what kind of information and how should it be presented?

In a private company, the biggest day of the year is the annual shareholders meeting, when decisions are made whether to re-elect the board based on the company's annual report; debate is limited to the performance of the organization. The reverse holds true in the public sector, where the biggest event of the year pertains to the revelation of the national budget on the so-called "budget day". However, there exist no special days to discuss the annual performance of the government, and reports that are published tend to be tabled and never discussed. The public sector indeed has a lesson to learn from its private counterpart.

Robert N. McDonald, the IIA representative, stated in Australia, both at state and federal level, annual reports are now judged at public annual report awards, which include both the private and public sector. The introduction of these awards has resulted in a drastic improvement in the quality of annual reports, particularly in Queensland, where the IIA conducts the awards. Another major problem that needs to be addressed, with regards to reporting, is the ineffective follow-up of recommendations.

High Level Panel:**External and Internal Auditor's Responses to the Themes**

Ahmed El Midaoui, First President, Court of Accounts, Kingdom of Morocco, highlighted the challenges to and imperatives of development in Morocco, focusing on the institutional evolution and mandates of the Moroccan Audit Court. The organization and mission of the Audit Court and Regional Audit Courts were discussed, with regards to their role in controlling and auditing socio-economic and public services projects. This included the auditing of socio-economic projects carried out and co-financed by the Kingdom of Morocco, UNDP and UNFPA. The role of the Audit Court with regards to fully ensuring its mission was also discussed – particularly in terms of auditing for the accompaniment of socio-economic changes as well as the implementation of a work strategy

Colleen Waring, Chairperson, Public Sector Committee, IIA highlighted the lack of resources for auditing as a major problem. The tendency to try and accomplish more with less resources results in nothing getting accomplished. Jeon Yun-Churl, Chairman of the BAI agreed with this viewpoint, stating that microscopic/fragmented audits cannot lead to change and what was needed was a shift to systems audit.

In citing an example of auditing for social change, she recalled auditing the effectiveness of Youth Programs, where the auditors found the inventory of programs—child abuse, juvenile crime, drop-out, hunger etc.—depended on a mix of overlapping jurisdictions. This led to partnership audits with other jurisdictions to locate structural problems involving cross-jurisdictional institutions and civil society organizations at the county, state & local school district level, as well as regional not-for-profit organizations.

In auditing the juvenile crime system, elected officials participated and gave access to information leading to a new system for cross-jurisdiction management. However, in auditing the drop-out system, managers resisted active involvement in the auditing process and the NGOs were unresponsive. The one elected school councillor who got involved was marginalized. The hands-off audit approach evolved without site-visits, mainly through letters & mail surveys, and resulted in the audit conclusions being challenged.

She highlights partnership audit as an effective method of counter-balancing the decline in resources, through cross-jurisdictional and CSO involvement. Auditing should include elected officials and auditors must develop relationships where each player does his/her job. Successful initiatives promoting capacity-building and advocacy for government auditors include the “Government Financial Integrity Act” in South Africa, where internal auditors at all levels of government called upon the IIA for assistance in training, procedures, guidance and mentoring. The IIA developed a working relationship with the World Bank and the Internal Audit Office of Ontario, Canada; the result was an assistance grant to obtain training resources and internships. With regards to advocacy, the IIA drafted a white paper to market government audit functions (highlighting effective management tools & best practices) to elected and appointed officials.

Bob McDonald, Former Chairman, IIA, defined the organization as a standard setting body with 150 member nations, 194 chapters and 105,000 members. Following corporate collapse, the definition and standard of internal audit was expanded to include the examination of governance, risk and control. He defines the four pillars of government as the Organization, the Board/Audit committee, Internal Audit, and External Audit. Even if one pillar is missing, governance becomes instable. Successful internal audit can be summed up by the 3 C’s: collaborate, coordinate and communicate. Cross-agency collaboration and community engagement is vital to effectively audit for social change.

For social audit to take place, comprehensive audit—incorporating all facets of auditing— is necessary to get the loop back to the primary decision-making process. In other words, comprehensive audits look at the internal control system and encompass performance (value for money), compliance and evaluation of outcomes. Appropriate audit standards and measurement criteria that can assess social impact, involve auditing over a span of years as opposed to auditing on a snapshot basis. To measure positive and negative impact, measures are needed to capture the evolution of policy and social change over time. Additionally, behavioural sciences need to be incorporated to study behavioural change and auditors need to be as dynamic as their environment. The only thing that is certain is that auditors have no control over political will and consequently cannot review government policy.

Samuel Paul echoed the unanimous consent of the panellists with regards to the necessity of auditing for social change. For national audit institutions to support the MDGs, they must first and foremost link themselves to the priorities of their respective countries—what does the country attempt to achieve and how can it make a difference? In other words, does the country know what it is attempting to achieve in terms of benchmarks, measures, risks and priorities? He further added that media involvement in publicizing audit results can empower the citizenry to demand compliance and direct future actions that are more pro-citizen. The media can use their own websites as tools for posting audit reports, in addition to publicizing existing audit websites that the general masses may not be very familiar with.

Ahmed El Midaoui emphasized the necessity of the audit process to be open to all partners and stakeholders, looking at practical cases on the ground, and utilizing professional, analytical and IT skills. The audit process must be initiated with the right mind frame and the right tools; the requirements of public officials should be responded to through engagement in constructive dialogue. The audit process can be greatly benefited by engaging the research skills of universities (workshops) and the accounting expertise of the private sector. Auditors must be professional when dealing with tough issues and concurrently serve both the population as well as decision makers.

Bob McDonald highlighted that the timing of reports was critical, as was the engagement of the management through proper channels – starting with the line managers to the CEO to the audit committee. Managers are quick to recognize processes that work and as such a timely recognition of issues is critical. He also recommended a tripartite project involving the UNDESA, INTOSAI and IIA to further participatory auditing and formulate related standards, scope, objectives, criteria and methodology.

Colleen Waring echoed her predecessor's sentiments, stating that the efficiency of auditors depends upon timeliness, proper risk assessment and risk mitigation; high risk has the potential to yield a high audit impact. Auditors have to abide by the due process principle and get things right the first time as the livelihood of others depend on their work. She highlights the benefits accrued by the city of Austin through incorporating stakeholders' focus groups in the audit process

– all the more necessary given the expanding role of audit in preventing, detecting and investigating fraud. Additionally, partnerships among audit organizations and their respective legislative bodies must be developed to successfully identify and address cross-jurisdictional issues that contribute to barriers for the achievement of the MDGs. Auditors will need to take on a greater role in validating the reliability of the performance reports of governments, as these reports far transcend financial statements in their importance to the citizenry. Similarly, policy audits, although complex and controversial (even among auditors) can become important tools when supported by elected officials. However, the involvement of NGOs, civil society and the media in the audit process need to be carefully managed, given that they have neither been adequately explored nor laid out in audit standards.

Audit and Evaluation

Presentation by Hyunku Kim, President, Korean Association for Public Administration (KAPA)

Recent reform in the field of public management has shifted the need for information from inputs to outputs. This has accelerated the shift from traditional regularity auditing to modern performance auditing which inherently employs evaluation as an essential tool. Considerable redundancy/overlapping between performance audits and institutionalized evaluations have blurred the boundaries between the two, resulting in inevitable conflict due to the functional redundancy in performance evaluation.

Conflicting situations need to be resolved through harmonization of differentiation and integration and the creation of institutional learning mechanisms. In addition to liberalizing its traditional auditing function, the BAI desperately needs an image makeover from a power-monger to a professional organization. For its part, the OGPC must compensate for internal evaluations that are often politicized, by strengthening its independence through the incorporation of outside experts. It must promote participatory and transparent evaluation through the creation of an open and decentralized evaluation system. Evaluation must be viewed as a performance management process and as such it must support the self-evaluating capacity of agencies through the promotion of meta-evaluation techniques.

Samuel Paul pointed out that in South Korea, both the BOI and the OAEC report to the executive – the president in the former and the prime minister in the latter. Given that evaluation falls under the jurisdiction of the chief executive (Prime Minister), the evaluator cannot truly be independent in the constitutional sense for he/she still works for the Prime Minister. Consequently, it would be far more appropriate to classify the “evaluation” conducted by the OAEC as internal managerial evaluation, This is in contrast to audit as a constitutional evaluation, which is truly independent, for it would go to the president and parliament for discussion, regardless of its impact on the chief executive, who has no control over its findings.

Hyung Kim responded that SAIs can be classified into three types: the first belonging to the parliament, the second to the executive government, and the third independent. Even though the independence of the second category is guaranteed by law, it still answers to the president given its organizational structure. This results in an overlap between internal evaluation and quasi-external administration type auditing.

Adil Khan pointed out that Dr. Kim opted for the accommodation model as the preferred institutional arrangement to deal with the lack of cooperation between audit and evaluation. From the United Nations experience, such a model keeps everyone equally unhappy. Given the changes highlighted by Dr. Kim, the Government of Korea probably had no recourse but to create an institutional infrastructure that would provide auditors and evaluators a forum for direct communication. A convergence of need and a growing behavioural change can be of mutual benefit when accompanied by, not only the sharing of each others information, but also building upon them, in the pursuit of comprehensive audit and evaluation.

Hyung Kim responded that more than 70% of GAO personnel identify themselves as evaluators rather than auditors, signifying the shift towards performance evaluation within the auditing administration. Common ground exists in the cultural and methodological orientation of the auditor and evaluator, and this trend can only intensify with the progression of time.

Colleen Waring from the IIA stated that while institutional arrangements vary, the conflict between audit and evaluation (often as a result of potential dupli-

cation) is a universal phenomenon. She cites the example of a certain U.S. state, where a legislative budget board composed of senators and representatives oversee the evaluation function, while a legislative audit committee, also composed of senators and representatives, oversee the state auditor who conducts the financial and performance audits of the government. They report to different committees of the legislature resulting in a classic case of duplication and conflict.

Closing Session:

Vinod Sahgal, Esther Stern, Ho-Bum Pyun and Adil Khan

Summary of Findings

Esther Stern, DPADM, reported on the summary of findings and recommendations (refer to pg. 10). In essence, the overarching recommendations resulting from the presentations and proceedings are twofold:

1. To orient Supreme Audit Institutions (SAIs) towards the potential for linking traditional audit to participatory audit empowering citizens in order to contribute to the successful implementation of pro-poor programs including the Millennium Development Goals.
2. The UN should facilitate the establishment of necessary networks among the audit community, civil society organizations and the media towards the advocacy for the right of the citizenry to public information, best practices information exchange and capacity building initiatives with a view to promoting the concept and practice of participatory audit.

Vinod Sahgal, World Bank, added that the audit function must be extended to all stakeholders and become a vehicle for transparency and openness. Oversight institutions must harmonize their functions to respond more effectively to the increasing demands being placed upon them. Finally, auditors themselves must move from policing to becoming agents of social change.

Concluding Remarks by Ho-Bum Pyun

The Commissioner expressed his gratitude to all those who were involved in the successful outcome of the workshop which incorporated in-depth discussions on the role of audit in ensuring participatory and transparent governance, in line with

the theme of the 6th Global Forum. The workshop provided the opportunity to approach audit from a new perspective; innovative sub-themes like audit and civil society focused on sharing case studies pertaining to possible partnerships between the aforementioned groups. Additionally, the workshop identified the importance of oversight conducted by the media and the legislature and discussed how evaluation and audit can complement each other. Given that audit exists for the citizenry, it should be conducted in the way that they want; civil society, in turn, can benefit from such audits, making for a mutually complementary relationship between audit and society. Workshop discussions will serve as useful reference points for Supreme Audit Institutions to identify their future development path.

Concluding Remarks by Adil Khan

Despite the findings of the workshop, the question still remains as to whether the audit function is suitably organized to effect change? A positive development in the audit function includes information sharing through the media, which can lead to the empowerment of people. Despite the recent evolution in auditing, it still remains tradition and standard-bound, partly due to the rigidity and disinclination of institutions to accept change. Nonetheless it is an imperative that institutions connect with the people. Innovative and effective audit processes and controls must be developed to combat rising corruption, poverty and inequity. The synergy between SAIs, media, civil society and legislative bodies should be focused to effect change.

Suggested Reading

Ackerman, J. "Social Accountability in the Public Sector: A Conceptual Design." *World Bank, Social Development Working Paper*; Paper No. 82, March 2005

Ackerman, J. "Co-Governance for Accountability: Beyond "Exit" and "Voice"." *World Development Report*, Vol. 32, No. 3, pp. 447-463.

Alphonse, Manu. "Budget Analysis as Social Audit: Tamil Nadu Experiences 1996-2000." Tamil Nadu Peoples' Forum for Social Development.

Bartel R. & Rietschoten, K. V. *Suggestions for Effective Public Auditing*. Department of Economics, University of Linz, October 1993.

Barzelay, Michael. "Central Audit Institutions and Performance Auditing: A Comparative Analysis of Organizational Strategies in the OECD." *Governance*, Volume 10, Issue 3, July 1997.

Bertrand, Doris. "The Results Approach in the United Nations: Implementing the UN Millennium Declaration." United Nations, Joint Inspection Unit, Geneva, 2002.

Brautigam, D. A. "The People's Budget? Politics, Power, Popular Participation and Pro-Poor Economic Policy". Paper presented at EGM on *Participation of Civil Society in Fiscal Policy*, United Nations, New York, March 16-17 2004.

Carraro L., Khan S., Hunt S., Rawle G., Robinson M. & Antoninis M. *Monitoring the Millennium Development Goals: A catalogue of procedures and an assessment of statistical capacity*, Oxford Policy Management, Department for International Development, May 2003.

Commonwealth Parliamentary Association. "Report on the Study Group on Public Accounts Committees." Toronto, Canada, May 2001.

Commonwealth Parliamentary Association. "Report on the Study Group on Public Accounts Committees." Toronto, Canada, 28-31 May 2001. Working Draft 30, November 2001.

Cornwall, A., Lucas, H. & Pasteur, K. "Accountability through Participation: Developing Workable Partnership Models in the Health Sector." *IDS Bulletin*, Vol. 31, No. 1, 2000.

- Deaton, Angus. "Data for Monitoring the Poverty MDG." UNDP, Human Development Report Office, Background Paper for HDR 2003.
- Edwards D., Golding P., Howitt D., Mclachlan S., & Macmillan K. "An audit of democracy: media monitoring, citizenship, and public policy." In K Nordenstreng and M. Griffin (eds). *International Media Monitoring*, Cresskill, New Jersey, Hampton Press, 1999, pp. 39-55
- Gaventa, John. "Towards Participatory Local Governance: Six Propositions for Discussion". *Currents*, 2002.
- Gaventa, John. "Towards Participatory Local Governance: Assessing the Transformative Possibilities". Paper prepared for conference on *Participation: from Tyranny to Transformation*, Manchester, February 2003.
- Goetz A. M. & Gaventa, J. Bringing Citizen Voice and Client Focus into Service Delivery, IDS Working Paper 138, July 2001.
- Goetz, A. M. & Jenkins R. "Hybrid Forms of Accountability: Citizen Engagement in Institutions of Public Sector Oversight in India." *Public Management Review*, Vol. 3, No. 3, 2001, pp. 363-383.
- Guijt, I., Arevalo M. & Saladores, K. "Participatory Monitoring and Evaluation: Tracking Change Together." PLA Notes, IIED London, Issue 31, 1998.
- Heald, David. Fiscal Transparency: Concepts, Measurement and UK Practice, *Public Administration*, Vol. 81, Issue 34, December 2003.
- IMF Bangladesh. "Report on the Observance of Standards and Codes (ROSC): Fiscal Transparency Module". Fiscal Affairs Department, June 2, 2003.
- INTOSAI. *International Journal of Government Auditing*. April 2004.
- Jashim Uddin, A.K.M. "Value for Money Audit in Bangladesh: Efforts and Challenges". Office of the Comptroller and Auditor General of Bangladesh, 2002.
- Jenkins R. & Goetz A. M. "Accounts and Accountability: Theoretical Implications of the Right to Information Movement in India." *Third World Quarterly*, vol. 20, No. 3, 1999, pp. 589-608.
- Jenkins, R. & Goetz, A. M. "Accountability to Women in Development Spending - Experiment in Service Delivery Audits at the Local Level." Paper presented

- at UNDP conference on *Gender Poverty and Environment – Sensitive Budget Analysis*, New York, June 1999.
- Kachelmeier, S. J. & Mohamed S. “Internal Auditing and Voluntary Cooperation in Firms: A Cross-Cultural Experiment.” *The Accounting Review*, Vol. 72, No. 3, Jul. 1997, pp. 407-431
- Kelly J. J. & Hanson H. R. “Improving Accountability: Canadian Public Accounts Committees and Legislative Auditors.” Canadian Comprehensive Accounting Foundation, 1981.
- Kim, Pan S. “Management innovation of quasi-governmental agencies in Korea.” *International Review of Administrative Sciences*, Vol. 69, 2003, pp. 535-552.
- Knack S, Kugler M, Manning N. “Second-generation Governance Indicators.” *International Review of Administrative Sciences*, Sage Publications, 2003.
- Krafchik, W. & Wehner, J. “Legislature Budget Oversight: Best Practices.” Paper presented at the Open Forum held by Kazakhstan Revenue Watch in Almaty on April 8, 2004.
- Krafchik W. & Wehner J. “The Role of Parliament in the Budget Process”. Institute for Democracy in South Africa: Budget Information Service, 10 January 1999.
- Krafchik, Warren. “What Role can Civil Society and Parliament play in Strengthening the External Auditing Function?” Paper presented at African Regional workshop *Towards Auditing Effectiveness*, World Bank Institute, Ethiopia May 12-15, 2003.
- Kusek J. Z., Rist R.C. & White E. M. “How will we know the Millennium Development Goal results when we see them? Building a Results-Based Monitoring and Evaluation System to give us the Answers.”
- Manor, James. “Democratization with Inclusion: Political Reforms and People’s Empowerment at the Grassroots.” UNDP Human Development Report Office, Background paper for HDR 2003.
- Mayne, John. “Reporting on Outcomes: Setting Performance Expectations and Telling Performance Stories.” Office of the Auditor General of Canada, April 2003.

- Moreno E., Crisp B. & Shugart M. "The Accountability Deficit in Latin America". In Manwaring & Welna, ed. (2003): 79-131.
- Mulgan, Richard, "Accountability: An Ever-Expanding Concept?" *Public Administration*, Vol. 78, No. 3, pp. 555-573
- OECD & European Community. "Relations between Supreme Audit Institutions and Parliamentary Committees." Sigma Papers, no. 33, 9 December 2002.
- OECD. "*Review of the DAC Principles for Evaluation of Development Assistance.*" *DAC Network on Development Evaluation*, Aug 1998
- OECD. "Policy Brief: Public Sector Modernization: Modernizing Accountability and Control." *OECD Observer*, April 2005
- Office of the Auditor General of Canada. "Implementing Result-Based Management: Lessons from the Literature." 2000.
- Paul, Samuel. "Accountability in Public Services: Exit, Voice and Control." *World Development*, Vol. 20, No. 7, 1992, pp. 1047-1060.
- Paul, S. & Vivekananda, M. "Holding a Mirror to the New Lok Sabha." *Economic and Political Weekly*, November 6, 2004, pp. 4927-4934.
- Paul, Samuel. *Holding the State to Account: Citizen Monitoring in Action*. Public Affairs Centre, Books for Change, Bangalore, 2002.
- Radford, Mike. "Auditing for Change: Local Government and the Audit Commission." *The Modern Law Review*, Vol. 54, No. 6, Nov. 1991, pp. 912-932
- Rondinelli, Dennis. "Reinventing Government: The Imperatives of Innovation and Quality." UNPAN. Paper is presented at the Forum in Mexico City, Mexico from 3-7 November 2003.
- Rosenbaum, Allan. "Good Governance, Accountability and the Public Servant." Paper presented at 7th NISPAcee Annual Conference: *Improving Relations between the Administration and the Public*.
- Sahgal, Vinod. *Strengthening Legislative Audit Institutions: A Catalyst to Enhance Governance and Combat Corruption*, Ottawa, April 1998.
- Sahgal, Vinod. "Strategy for Strengthening the Public Audit Function in South Asia – Risks and Opportunities." Paper presented for Regional Auditors'

- General Conference on *Harmonizing Institutional Efforts for Promoting Accountability in the Public Sector*. August, 2004.
- Santiso, Carlos. "Parliaments and Political Economy of the Budget Process: Budgetary Institutions, Fiscal Responsibility and Political Accountability." Paper presented at *XVII Regional Seminar on Fiscal Policy*, ECLAC, Chile, 2005.
- Santiso, Carlos. "Budget Institutions and Fiscal Responsibility: Parliaments and the Political Economy of the Budget Process in Latin America." World Bank Institute, Washington D.C. 2005.
- Santistevan de Noriega, Jorge. "The Ombudsman Institution and Accountability in Societies in Transition" presented at the conference *Institutions, Accountability and Democratic Governances in Latin America*, The Helen Kellogg Institute for International Studies, Notre Dame University, May 8, 2000.
- Shah, Meera Kaul. "Using Community Scorecards for Improving Transparency and Accountability in the Delivery of Public Health Services: Experience from Local Initiatives for Health (LIFH) Project." CARE- Malawi, CARE International in Malawi.
- Song, Keakook. "Oversight by Supreme Audit Institutions: The Korean Experience." *11th International Anti-Corruption Conference*, May 25, 2003
- Stapenhurst, Rick. *The Legislature and the Budget*, World Bank Institute, 2004.
- Stapelhurst R., Sahgal V., Woodley W., Pelizzo R. "Scrutinizing Public Expenditures: Assessing the Performance of Public Accounts Committees." World Bank, Policy Research Working Paper Series, 3613.
- Suzuki, Yataka. "Basic Structure of Government Auditing by a Supreme Audit Institution". *Government Auditing Review*, Vol. 11, March 2004, pp. 39-53.
- Treasury Board of Canada Secretariat. "Managing for Results Self-Assessment Tool." Office of the Auditor General of Canada, January 2003.
- UNDESA. *Performance Management: Initial Thoughts on Reviving Implementation of RBB in UNDESA*.
- UNDP. Guidelines for Outcome Evaluators: Monitoring and Evaluation Companion Series # 1, UNDP Evaluation Office, New York, 2002.

- UNDP. *Human Development Report 2003: Millennium Development Goals: A Compact among Nations to end Human Poverty*.
- UNDP & World Bank. "Bangladesh: Country Financial Accountability Assessment". 2002.
- UN/INTOSAI. "Symposium on the independence of Supreme Audit Institutions." Report on the 17th Seminar on Government Auditing. Vienna. April 2004.
- United Nations. "Globalization and New Challenges of Public Finance: Financial Management, Transparency and Accountability". Report of the Meeting of the Group of Experts, Rome, 29-30 November 2001.
- Vegt, Sebastian Van Der. "Social Auditing in Bulgaria, Romania and Turkey: Results from the survey and case study research." International Labour Organization, *Auditing and Certification Programs – A Research Project*, 2005.
- Wehner, Joachim. "Principles and Patterns of Financial Security: Public Accounts Committees in the Commonwealth." *Commonwealth & Comparative Politics*, 2003, Vol. 41, No. 3, 2003, pp. 21-36.
- Wehner, Joachim. "Best Practices of Public Accounts Committees." In *Handbook for Public Accounts Committees*, Association of Public Accounts Committees, South Africa, 22 November 2002.
- Wheat, Edward M. "The Activist Auditor: A New Player in State and Local Politics." *Public Administration Review*, Vol. 51, No. 5, Sep. – Oct. 1991, pp. 385-392
- Wilkinson D. & Waring C. "Evaluation and Performance Auditing: a Rose by Any Other Name." Paper presented at Annual meeting of American Educational Research Association, San Francisco, April 1995.
- Wingerde J. V. & Voogd W. "Harmonization in Overseas Audit Practices: A Joint Audit Approach to the Expenditure of Development Cooperation Funds." *International Journal of Government Auditing*, April 2005, pp. 15-20
- World Bank Institute & South Asian Region Financial Management Group (SARFM). "Role and Performance of Public Accounts Committees: Results of a WBI/SARFM Sponsored Survey of some Commonwealth Countries." 2002.

World Bank. "Citizen Report Card Surveys: A Note on the Concept and Methodology."

World Bank, *Social Development Notes – Participation and Civic Engagement*, No. 91, Washington, 2004.

World Bank. "Community Score Card Process: A Short Note on the General Methodology for Implementation." World Bank, *Social Development Notes – Participation and Civic Engagement*, Washington, 2004.

World Bank. "Social Accountability: An Introduction to the Concept and Emerging Practice." World Bank, *Social Development Paper*, No. 76, Washington, 2004.

Internet Resources

OECD

Guidelines for Preparation of Project Performance Audit Reports www.oecd.org/dataoecd/36/17/35142714.pdf

OECD

Managing for Development Results and Aid Effectiveness.

Development Assistance Committee (DAC) Development Partnership Forum 2002; www.oecd.org

International Organization of Supreme Audit Institutions -

INTOSAI: 50 Years (1953-2003), 2004.

www.intosaijournal.org/fifty_years/INTOSAI_50th_Anniv_English_72dpi.pdf

World Bank

Participation and Civic Engagement Group

www.worldbank.org/participation

World Bank

From Shouting to Counting: A New Frontier in Social Development

siteresources.worldbank.org/INTPCENG/214574-1116506074750/20511078/Social+Accountability+Booklet+Feb+26+04.pdf

Social Audit New Zealand

www.socialaudit.co.nz

Canadian Comprehensive Auditing Foundation (CCAF)

www.ccaf-fcvi.com

Association of Chartered Certified Accountants (ACCA)

ACCA International Public Sector Bulletin, Issue No. 6, December 2005

http://www.accaglobal.com/doc/publicsector/tech_ips_006.pdf

Institute of Development Studies

The Participation Group

www.ids.ac.uk/ids/particip/

Comptroller and Auditor General of Bangladesh

www.cagbd.org

International Budget Project

www.internationalbudget.org

The Caledonia Centre for Social Development

www.caledonia.org.uk

Contributors

Mahfuz Anam

Mahfuz Anam is the editor & publisher of The Daily Star, the most widely circulated English language newspaper in Bangladesh, committed to the promotion of democratic political institutions and press freedom. From 1977-90, he worked for UNESCO in various capacities in Asia and Europe. He served as staff correspondent for the Bangladesh Observer (1972-74) and Assistant Editor for The Bangladesh Times (1974-7). Mr. Anam holds a Master degree in Economics from Dhaka University.

Guido Bertucci

Guido Bertucci is the Director of the Division for Public Administration and Development Management (DPADM) at UNDESA. He has served the United Nations in a number of capacities for 25 years in the area of human resources, financial management and administration. He has a distinguished career in academia, having served in the capacity of Associate Professor at the Catholic University of Milan & NYU. Mr. Bertucci received his post-graduate degree in Administrative Sciences from the Catholic University of Milan.

Eleanor Chelimsky

Eleanor Chelimsky served as the Assistant Comptroller General of the U.S. General Accounting Office (GAO) between 1984 & 1994. Currently retired, she continues to consult for numerous institutions including the World Bank, Rockefeller Foundation & the U.S. Environmental Protection Agency. Prior roles include Technical Director (MITRE Corporation), Economic & Statistical Analyst (U.S. Mission to NATO) and Director, Program Evaluation and Methodology Division (U.S. GAO).

Adil Khan

Adil Khan is the Chief of the Socio-economic Governance and Management Branch (SGMB) of UNDESA. A specialist in results based monitoring and evaluation, his prior work experience includes Senior Advisor to Sri Lanka (UNDP),

Chief Technical Advisor to Myanmar (UNDP), consultant for the World Bank, UNOPS, Asian Development Bank & AusAID, Director, International Land Management Research Centre (University of Queensland, Australia), Director of the Implementation Monitoring and Evaluation Division (Government of Bangladesh) & Private Secretary to the Planning Minister (Bangladesh). Mr. Khan has a Masters degree in Economics; a Masters degree in Social Planning and Development and a PhD in Political Economy.

Warren Krafchik

Warren Krafchik is Director of the International Budget Project at the Centre on Budget and Policy Priorities, Washington, D.C. The project promotes effective participation of civil society organizations in public budgeting in developing and transition countries. He founded and directed the Budget Information Service at the Institute for Democracy in South Africa. Mr. Krafchik has a master's degree in macro-economics from the University of Cape Town and is the author of numerous publications on the role of parliament and civil society in the budget process.

Robert N. McDonald

Robert McDonald served the IIA for over 15 years in various capacities, including president of the Queensland branch, National President, South Pacific District Director, Regional Director (International Board) and IIA Board Chairman (2003-4). He also served as the Director of Internal Audit for the Queensland Department of Natural Resources and Mines.

Ahmed El Midaoui

Dr. Ahmed El Midaoui is the First President of the Audit Court of the Kingdom of Morocco. He served as the President of the Executive Council of the Arab Organization of Supreme Audit Institutions (2003-4). Previous positions include Professor of public finances (1977-83), Governor of Mohammadia-Zenata (1987-92) and Tangier (1992) Province, Interior Minister (1997) and Counsellor to the King of Morocco (2001).

Samuel Paul

Samuel Paul is the Founder–Chairperson of the Public Affairs Centre in Bangalore, a think tank and citizens action support group that pioneered the use of citizen report cards on public services. Previous occupations include Professor of Economics (1964–84) Director of the Indian Institute of Management & the World Bank’s Adviser on public sector management (Washington, 1985–91). He has taught in Harvard and Princeton, received several national and international awards & authored numerous publications.

Vinod Sahgal

Vinod Sahgal is the World Bank’s Public Finance Accountability Specialist for the South Asian Region. He has evaluated legislative and public financial accountability systems, conducted major value for money audits and promoted result based management in the context of international development projects and programs, from a “sustainability” perspective. He previously worked for the Office of the Auditor General of Canada, Price Waterhouse (Denmark), Unilever (India) and Deloitte & Touché.

Esther Stern

Esther Stern is the Interregional Adviser for Public Financial Management at UNDESA. A recognized expert in public expenditure and results-based auditing, she provides technical assistance and capacity building in the areas of financial management, internal and external control, audit, performance measurement and institutional change. Prior roles include Director of Internal Audit and Management Consulting (UN), Principal Director at the Office of the Auditor General of Canada, and assignments with the World Bank and IMF.

Colleen G. Waring

Colleen Waring is the deputy city auditor of Austin, Texas. She jointly chairs the International Government Relations Committee of the IIA, as well as the Professional Issues Committee of the National Association of Local Government Auditors. She has previously worked in Legislative Fiscal Office of the State of Oklahoma and served as the Director of Internal Audit for the Texas Youth Commission.