Why we need strong audit institutions

Corruption, waste and poor use of public resources can blight all countries. They weigh most heavily on the poorest in our societies, reducing the funds available to deal with ill health, support for the elderly, or provide education for the young. They sap the enterprise of citizens and businesses and undermine public servants who want to serve their communities.

Across the Commonwealth, audit offices play a vital role in combating waste and reporting on the extent to which public funds and resources have been used properly and effectively. For nations to prosper and for citizens to place their trust in the integrity of their governments, it is important that all Commonwealth nations have strong and independent supreme audit institutions or national audit offices. These audit offices need to be staffed by well-trained professionals capable of producing high quality audit reports; they need to be able to choose when and what they will examine; they need to be able to report freely and quickly to parliaments and to the public; and they need to be free of any taint of political patronage or loyalty. They need to be able to speak truth to power.

Unfortunately, these practices are not universal across the Commonwealth. Some audit offices lack the technical skills to audit to modern international standards; others lack the resources to undertake regular and systematic audits of all government income and expenditure; and others lack the independence and political space to hold senior public figures to account and to place their findings before parliament, the people and the media. All too often audit offices operate in substandard working environments and without adequate technology. Skills are sometimes low, and poor wages make it difficult to retain good staff. Inadequate management styles, a lack of effective internal controls and opaque recruitment leave organisations vulnerable to corruption.

Sharing knowledge and good practice across the Commonwealth

The UK National Audit Office (NAO) is committed to playing its part in working closely with other Commonwealth countries and relevant organisations to strengthen the capacity of audit institutions across the Commonwealth. This work is wide-ranging and may involve:

- Providing advice on legislative amendments to ensure that the audit office has the legal framework to act independently.
- Carrying out systematic organisational reviews and helping an audit office put in place new staffing structures.
- Providing training and supervision as audit office staff implement new financial and performance audit methods.

In Uganda, for example, the NAO has been engaged in providing a small amount of support over many years. The Office of the Auditor General is highly regarded and well managed. Over the past ten years or more, the Auditor General has progressively updated the skills of staff and now has one of the highest percentages of qualified accountants on his staff of any sub-Saharan audit office. With inputs from the NAO, Uganda has passed legislation that provides full independence, staff are now properly rewarded, enabling the office to recruit and retain skilled workers, and a new organisational structure is in place. The volume and nature of the audit reports are steadily improving with both Members of Parliament and development partners making more effective use of the work of the audit office.

The NAO is not alone in providing this kind of assistance – Australia, Canada, India, New Zealand, South Africa and others are all building up programmes to help strengthen other Commonwealth audit offices. In English-speaking Africa, the Caribbean and the Pacific, regional groupings of supreme audit institutions are also playing a major role in supporting individual audit offices, running regional training and master classes, and developing manuals and guidance materials that can then be adapted individually – saving time and resources. In 2012, the NAO worked with the Pacific and Caribbean regions to develop improved guidance on business continuity planning – to help individual audit offices put in place plans to better manage hurricanes, earthquakes and other natural disasters. At the same time, the Commonwealth audit offices are playing an active role in wider issues within the international community of supreme audit institutions. Two of the three
national audit offices that currently audit the UN – Tanzania and the UK – are Commonwealth members.

Every three years, the Commonwealth Auditors-General holds a conference to share ideas and experiences. As a result of work started by Namibia at the 2011 Conference and being carried forward by Malta (who will host the 2014 Conference), closer ties are being developed with the Commonwealth Secretariat to maintain support for audit offices – particularly those operating in small nations. Smaller Commonwealth countries are able to host these conferences because there is an annual levy on all members, which builds up a fund that can be used by the audit office offering to host the conference.

Supporting and strengthening Public Account Committees (PACs)

In parallel with efforts to improve public audit offices, the NAO and others are doing much to try to strengthen parliamentary financial oversight committees, or Public Account Committees (PACs). Ideally, PACs should be representative of the diverse political parties in the parliament and chaired by a senior politician from the main opposition party. The PAC should be ably supported by professional clerical staff. To avoid political wrangling, their major focus should be on the administration of policy rather than policy itself, and a well-functioning PAC tends not to split on party-political lines. They should receive audit reports from their independent audit office and should hold public hearings to discuss the results of these audits. Senior civil servants from the audited ministries should appear before the PACs, treating the hearings with respect and coming well briefed and able to respond to probing questions.

Following the hearing, such PACs should produce a short report highlighting areas where the audited ministry can reduce waste or improve performance. The government should respond to these reports promptly, indicating what changes it plans to introduce as a result of the PAC report. In due course, the PAC, or the audit office, should follow up to ensure that government commitments have been implemented. This virtuous circle should be well understood and supported by governments, civil servants, parliamentarians, the media and the general public.

This ideal model is unfortunately far from widespread across the Commonwealth. By no means are all PACs functioning as intended. Indeed, the Public Expenditure and Financial Assessment reviews conducted by the World Bank and other development partners consistently finds that PACs are the weakest links in the public financial management systems. To provide help in this area, the NAO is working closely with the UK Parliament, the Commonwealth Parliamentary Association and the Westminster Foundation for Democracy. It is through partnership with the latter organisation that the NAO has been working directly with the parliaments of several Commonwealth countries. Some of the experiences of this work have been distilled in a guide the NAO has produced to help staff in parliaments better understand the ways they can support their PACs and budget committees – *Improving Financial Oversight: A guide for parliamentary staff*.

In March 2012, the Commonwealth Parliamentary Association (UK branch), the Commonwealth Secretariat and the NAO ran a four-day seminar for PAC members and their staff as well as senior audit office figures. This seminar focused on understanding the different practices carried out across the Commonwealth and showed that there was a strong desire for reform in the way PACs were functioning and how they work with their audit offices. One of the outcomes of the seminar was a call to establish a Commonwealth Association of Public Accounts Committees. While several Commonwealth regions have established regional PAC groups – particularly in southern, eastern and western Africa – it was felt that a Commonwealth-wide association would give greater collective strength to improving PACs and giving visibility to their work.

The participants at this seminar and those who attended the March 2011 Conference of Auditors-General felt that more could be done across the Commonwealth to encourage governments to give audit offices and PACs greater independence and to ensure they are properly resourced. They agreed to investigate the scope to encourage the next Commonwealth Heads of Government Meeting (CHOGM) to issue a communiqué making a commitment to supporting efforts to increase the independence and effectiveness of audit offices and PACs.

Remaining challenges

The challenges facing audit offices and PACs are increasing. The roll-out of new international auditing standards will require a major Commonwealth-wide investment in training and in quality assurance. The pressures on governments to respond to the global financial crisis will mean that audit offices need to develop skills in ever more sophisticated aspects of audit, including the management of public debt and funds provided to the private sector to deliver public services.

Working at a Commonwealth-wide level and in partnership with the Commonwealth Secretariat, some of the building blocks are starting to be put in place to be able to collectively rise to these challenges. But much more needs to be done.

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