

Proposed PAC Members Guide

INTRODUCTION

Governments are accountable to the legislature for the way they spend the money they raise from taxpayers and elsewhere. Before money is spent, legislatures will approve government income and expenditure plans. After the money has been spent legislatures should demand assurance that the money has been spent in accordance with those plans in a way likely to achieve value for money, and should seek explanations and improvements when things have gone wrong. Post-expenditure scrutiny forms the heart of constructive Parliamentary Accounts Committee (PAC) work.

Structures for undertaking parliamentary financial scrutiny may vary in line with respective constitutions. Many share similar features, in particular:

- a legislature which requires the government to prepare income and expenditure plans (budgets) specifying how much money they intend to raise and how it will be spent;
- government ministries and other agencies which prepare accounts and related reports showing how the money was spent against the budget;
- an independent Supreme Audit Institution (SAI) which audits these accounts and reports to the legislature;
- a PAC within the legislature considers work undertaken by the SAI, makes recommendations to government, considers government responses and reports to the legislature

In addition some countries have:

- civil society organisations which review government action and provide expertise and insight from outside the legislative process; and
- the media

Undertaking financial scrutiny is challenging as public finance documents are often technical and contain a high volume of information. It is also a challenge for members of parliament to balance the demands of financial scrutiny alongside their other roles and responsibilities in the legislature.

The process of financial scrutiny can at times be intensely political. In dealing with the SAI's reports the PAC should focus on improving the administration of public funds and not challenge government policies. Using these hearings and reports as a way of embarrassing a government and attacking ministerial decisions undermines the value and credibility of the PAC.

This Guide sets out:

- what an effective PAC looks like,
- on what it is based,
- what is its role and procedures

so that members may get the best out of the committee, improve the legislature's financial scrutiny role and above all improve the effectiveness, efficiency and economy of government services.

The 'Essential Guide' covers the main ideas and procedures necessary for members to establish, maintain and improve the role and functioning of the committee.

THE ESSENTIAL GUIDE

1 The PAC

However complex or sophisticated the committee, there are five basic questions the committee seeks to answer in reviewing government accounts and performance:

- 1) how does the government spend the money?
- 2) on what does the government spend money?
- 3) how do we know the money was spent as Parliament intended?
- 4) how well have resources been applied to achieve desired results?
- 5) In achieving results, has due regard been given to efficiency and economy?

Where the committee meets in public, and/or publishes proceedings and reports, the work helps ensure transparency and openness of government activities by providing a public arena in which government spending is explained, debated and actions are held accountable.

2 The work of the PAC

The process of financial scrutiny is based on collecting evidence on the appropriateness of government plans or actions, and communicating conclusions and any recommendations for improvement to Parliament and the public. Committees will generally collect evidence in the following ways:

- question government officials, suppliers, contractors and/or advisors at public meetings;
- question independent experts from universities, business or non-governmental organisations at public meetings;
- request and review written submissions from government or independent experts; and
- place reliance on reports produced by the Supreme Audit Institution (SAI)

Based on this work the Committee will usually produce a report containing its conclusions on the issues examined. The objective for post-expenditure scrutiny is to recommend changes and improvements that will prevent past problems recurring in future.

3 Characteristics of an effective PAC

While PACs will differ in their structure, there are a number of shared characteristics contributing to effectiveness and impact. These typically blend formal powers and informal ways of working.

Effective financial oversight committees:

- focus on the management of public finances not policy, endeavouring to gain consensus on behalf of the taxpayer and citizen rather than on purely party-political considerations;
- call officials (on rare occasions only, ministers), suppliers, contractors and advisers as appropriate for constructive questioning relating to public expenditure;
- demand relevant documents to the inquiry, or rely on the independent audit of such documents mainly by the SAI;
- report directly to the legislature; and
- make recommendations to which government must formally and publicly respond.

4 The effective PAC approach

The PAC works effectively when it:

- is appropriately sized, involving members from across parliamentary parties reflecting the make-up of the legislature or includes non-members of the House with acknowledged relevant expertise;
- is chaired by a member from an opposition party or non-member of the House to increase public confidence in scrutiny of government;
- works with a non-partisan culture focusing on financial management improvement to benefit citizen and taxpayer;
- preferably holds meetings open to the public and the media, with all documentation published soon after the meeting;
- publishes reports and recommendations which are easy for the public and the general reader to understand and which require a written response from government;
- maintains active and constructive relationships with the SAI;
- has access to appropriate support from parliamentary staff;
- engages in a balanced manner with the media to increase public awareness of PAC role and work;

- operates, often in conjunction with the SAI, effective systems to follow up recommendations and report regularly on the extent to which these recommendations have been implemented; and
- develops and publishes its own plans and reports regularly to the whole Parliament on its' activities and key findings, conclusions and recommendations.

This 10-POINT PLAN forms the core of PAC effectiveness

5 Scrutiny objectives

Financial Performance:

Parliaments expect governments to report back to them on how they spent the money allocated to them when the expenditure plan was approved. This is usually in the form of annual accounts. Timetables for the production of financial reports will usually be set out in law or regulations.

PACs will scrutinise accounts in order to check a range of risks to taxpayers' money including:

- the organisation spending more than expected;
- the organisation becoming less financially efficient; and
- examples of waste, fraud or contentious payments

Serious problems with the legality and compliance of spending will usually be highlighted in the SAI's report on the accounts. Given the volume audited by an SAI, it is important that a PAC prioritises its efforts focusing on the major problems emerging from the audits. Minor issues should be handled directly between the SAI and the relevant Ministry or Agency.

Delivery of government objectives:

Scrutiny of financial reports can highlight issues around financial performance. It does not provide parliament or the public with a view of the outputs achieved with the money granted to government. While the accounts may show expenditure increasing, judgement on efficiency and effectiveness can only really be made when the PAC has evidenced information on the extent to which outputs and productivity have increased too. Scrutiny of performance is therefore necessary alongside scrutiny of accounts in order to identify risks such as:

- Government delivering less output than expected;
- Government delivering lower quality output than expected; and
- Government delivering output to different beneficiaries than expected

6 Supporting the PAC

The PAC may be able to draw on a range of resources to support the committee's work:

Parliamentary staff:

PACs are more effective if they are resourced with parliamentary support staff saving members time and allowing them to focus on the major issues that require discussion and action. Potential roles are:

- providing advice on procedure to the committee chair and members;
- arranging meetings, managing correspondence and finessing the smooth running of committee business; and
- providing expertise and necessary research, preparing briefing in advance of meetings and drafting reports and recommendations

Resources can be limited and the committee may be able to draw on other resources to supplement parliamentary staff, especially the SAI. The Auditor General is, in effect, the principal adviser to the committee. The PAC may also call on other relevant experts as witnesses on specific hearings. The Accountant General should attend all committee hearings as the representative of the Executive.

The supreme audit institution:

The SAI audits government accounts and performance on behalf of parliament. The SAI is the national body responsible for scrutinising public expenditure and providing an independent professional opinion on how the government has used public resources. This is the body referred to in the UN General Assembly Resolution A/66/209 'Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening Supreme Audit Institutions'.

It provides most (if not all) of the reports the PAC will examine in the course of its work. The SAI may be able to provide additional briefing, advice and outputs to PAC members and staff when requested, depending on the skills and other resources available. There are two types of key support – a) performance audit (value for money studies) and b) financial & compliance audit:

Performance audit

The SAI should be mandated to investigate financial management performance through performance audits (value for money studies). Such audits can consider:

Effectiveness: how well intended plans have been achieved in practice

Efficiency: the relationship between output and resources applied to achieve it

Economy: efforts made to obtain best resource price, quality, quantity & timeliness

This is based on:

- The independence the SAI has to examine and report on any area of public expenditure;
- The ability of the SAI to research and publish information additional to the performance information used by government; and
- The SAI inviting government comment on the factual accuracy of the report prior to PAC involvement

Financial and compliance audit

The SAI is responsible for auditing the financial accounts of government organisations. This provides Parliament and the public with assurance that taxpayers' money has been spent on the purposes intended by parliament. Financial and compliance audit addresses the risks that:

- Government has spent more money than was authorised in each area of the expenditure plan;
- There have been financial losses to the taxpayer due to fraud or error;
- Government has failed to act in compliance with the law and public finance regulations in delivering its programmes;
- Government has failed to maintain effective internal financial control systems in public organisations, and financial records have been poorly maintained; and
- Financial accounts and reports do not provide an accurate (or "true and fair") representation of the financial position of the organisation and are not prepared in compliance with laws, regulations and recognised professional standards

Civil society organisations:

Outside of Parliament and the public sector, independent civil society organisations may also be useful sources of information, support and briefing for committee members and staff. Such organisations must be credible in their expertise and independence.

The media:

The media has a crucial role in reporting the work of the PAC to the public. Media scrutiny and the public interest that can result will increase the significance for governments to respond positively to PAC recommendations in a timely manner.

7 The focus of PAC accountability meetings (hearings)

Performance:

A PAC can choose to hold meetings or wider inquiries in response to a SAI report. A single meeting will tend to focus on questioning senior officials from the organisation featured in the report; a broader inquiry may also involve the finance ministry, other ministries & agencies and experts from outside government.

In preparing for a PAC hearing with an accountable organisation, committee staff should:

- undertake analysis of the SAI report and identify the main findings. Key issues and data are usually highlighted in the summary section of the report. Chapter and paragraph headings may also point up the key issues;
- obtain clarification and further briefing on complex issues from the SAI if required;
- summarise the key facts from the report into a briefing for committee members; and
- prepare suggested questions for members to use during the meeting

**Depending on skills and other resources, the SAI may carry out most of the preparations for the briefing, leaving members and committee staff to review the briefings and possible questions and add additional points if necessary.*

Typical areas of questioning will include:

- reasons why performance fell short of expectations;
- what the impact of failure has been on service delivery and the public;
- whether expectations, targets and plans were realistic;
- what changes have been put in place to correct failures and prevent any recurrences; and
- what wider lessons the organisation might apply to similar programmes and activities

Financial and compliance:

Where the audit work reveals serious concerns the SAI will attach a report to the accounts detailing the issues. This report can form the basis of a hearing where the PAC will question the responsible officials about the problems that occurred.

Typical questions to be considered when preparing a briefing may include:

- what caused the problem;
- when management became aware of the problem and how it was identified;
- what management could have done to prevent or contain the problem;
- what impact the problem had on what the entity was able to deliver; and
- how recurrence of the problem will be prevented in future

8 Making an impact

The aim is to encourage improvements in the way public resources are managed. A hearing's report should be publicly available and contain recommendations. This report should go to

government, directly or after a debate in the parliamentary chamber. The government should issue a formal reply indicating which recommendations it accepts and how it plans to implement them.

The PAC should ensure there is a monitoring system in place to track these recommendations. Parliament may put in place such a system, or the SAI may follow up the recommendations – bringing to Parliament’s attention those cases where an entity has failed to act, or acts too slowly.

<p>Immediate Outputs</p>	<p>Findings. Conclusions. Recommendations. Reports Follow up Media coverage. Public engagement</p>
<p>Intermediate Outcomes</p>	<p>Improved: Financial Systems & Control Financial efficiency Service Delivery Legislative scrutiny</p>
<p>Longer term Impact</p>	<p>Culture of: Effective Public Financial Accountability Democratic Accountability & Performance Action on output & outcome feedback, strengthening processes Established conventions for the conduct of the PAC within an effective Cycle of Accountability</p>

9 PAC planning and procedures

The PAC is a parliamentary committee operating on behalf of parliament, even when non-parliamentary members sit on the PAC. The PAC is formally independent of government. Parliament will have Committee Standing Orders to regulate all committee proceedings. It is important that the PAC’s Standing Orders clearly delineate the powers and authority of the committee and the Chair in relation to:

- terms of reference including mandate, make up and quorum, reporting, publication of reports, follow up of recommendations and accountability;
- planning and monitoring the committee’s programme during the parliamentary year;
- the calling and conduct of meetings, including the legitimate subject matter, power to call witnesses and require government response, and the openness of committee hearings;
- support available to the committee, including parliamentary staff and SAI

Parliament should delegate authority to the PAC to act on its’ behalf within committee mandate, ensuring formal accountability to parliament via timely reports and an annual parliamentary debate on the floor of the House on the PAC’s work during the year. Individual reports can be:

- debated on the floor of the House before being sent for government response; or
- be sent direct to government. (This is more efficient. It does place greater emphasis on the annual floor debate for formal accountability purposes)

It may be appropriate to appoint non-Members of Parliament onto the committee bringing acknowledged expertise on financial, legal and/or public sector matters, raising the level of technical debate and further enhancing the non-party political nature of the committee.

Verbatim transcripts of all hearings should be made and minutes of all meetings and hearings kept including any follow up hearings. Transcripts and minutes should be made public in a timely manner. Committee reports and government responses should also be published.

The public and media should have the right to attend hearings unless a resolution is made to hold the hearing (or part of a hearing) 'in camera'. Reasons for the resolution should be published.

The PAC should always attempt to arrive at consensus so that one report is prepared. This reinforces the report's authority. On those (hopefully rare) occasions when consensus is not reached, a minority report may be prepared and both majority and minority reports should be debated on the floor of the House so that parliament can make a determination before forwarding to the government for response.

The government should be required to respond formally to PAC recommendations within a given period (say two months) with responses made public. It is valuable for the government to coordinate responses to all PAC reports through a pre-determined channel, usually the senior official in the Ministry of Finance, e.g. Financial Secretary level. A constructive PAC focusing on financial management rather than policy should provide the government with a level of assurance that policies are being implemented within the law, within parliamentary intentions and with due regard to effective, efficient and economical resource use.