

Principles and Patterns of Financial Scrutiny: Public Accounts Committees in the Commonwealth

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Public Accounts Committees (PACs) are ubiquitous features of the legislative landscape in the Commonwealth. Based on a broad comparative overview and specific examples, this article looks at the role of PACs in financial scrutiny. It unpacks the concept of financial scrutiny, identifies key principles and procedural features that these committees share, and surveys some of the challenges they frequently encounter. The article concludes that PACs have an important and well-established role to play in ensuring sound public spending. However, they need to find innovative responses to several key challenges in order to safeguard and maximise their contribution to financial scrutiny.

A milestone in the development of the Westminster Parliament¹ was the creation of its Public Accounts Committee (PAC) as part of the Gladstonian Reforms in 1861.² This initiative gave substantial impetus to the creation of similar bodies in other Commonwealth countries.³ The protracted popularity and success of this institutional export indicate that the importance of such a committee as the legislative apex for financial scrutiny in the Westminster tradition of parliamentary democracy has long been recognised.⁴ More recently, parliamentary scrutiny of audit outcomes is being promoted by international organisations as a crucial mechanism to facilitate transparency in government financial operations.⁵

Given this importance, it is surprising that comprehensive comparative work on the role of PACs is rather scarce. Indeed, a recent survey by the Commonwealth Parliamentary Association (CPA) has only started to fill a substantial knowledge gap concerning the patterns that have evolved with regard to these committees over the past one and a half centuries.⁶ In the

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meantime, many parliaments are faced with the question of how to establish or deepen effective financial scrutiny. While there is a renewed global emphasis on fiscal sustainability, many parts of the world face massive development challenges. In such circumstances, the issue of how to put limited public resources to optimal use becomes paramount, and the contribution of parliament to sound financial governance through effective scrutiny cannot be underestimated.⁷ Effective financial scrutiny by parliament also minimises the potential for corruption, because the transparency it brings limits the space for secrecy and forces disclosure.

This article unpacks the concept of financial scrutiny, identifies key principles and procedural features of PACs, and surveys some of the challenges they frequently encounter. The aim is to capture the contribution of PACs to the parliamentary scrutiny of public finances, conceptually as well as in practice, and to explore issues affecting how this contribution can be maximised.

As will be explained in the next section, this discussion looks in particular at PACs in the Commonwealth, because the institution is less prevalent outside the Commonwealth, in countries that were shaped by different administrative models and institutional traditions. Also, the CPA survey referred to above provides a comprehensive and up-to-date source of data on PACs in this group of countries, which lends itself to the broad comparative overview attempted in this article. It is true that legislatures in the Commonwealth are diverse, for example in size. Nonetheless, this article does not explicitly focus on any particular subset of legislatures in the Commonwealth. As the following discussion will show, and as the results from the CPA survey demonstrate, many of the principles and practices of PACs in the Commonwealth are remarkably similar. At the same time, PACs operate in vastly different contexts, which give rise to rather different challenges, some of which are discussed at the end of this article.

To build on the broadly based overview attempted here, future research might focus in greater detail on a smaller selection of PACs. This would be useful to further illuminate differences, for instance, in practices, outputs, available resources and constraints. A case study approach should also be useful in generating recommendations on what needs to be done to support PACs in more fragile developing country environments in order to maximise their contribution.

The structure of this article is as follows. The next section unpacks the concept of financial scrutiny and identifies the role of the PAC. This is to appreciate the limits and opportunities of the committee. It then discusses policy neutrality and non-partisanship as fundamental points of departure for the work of PACs. To survey how these committees fulfil their scrutiny function in practice, the third section sketches some patterns based on

comparative data. Finally, it considers several challenges that emerge from the environment in which PACs operate, and some options for dealing with these.

PARLIAMENT AND FINANCIAL SCRUTINY

What exactly is financial scrutiny, and what is the role of the PAC in achieving it? Recent writings on public expenditure management identify three overall objectives:⁸ affordability, prioritisation and value for money.⁹ This suggests that comprehensive financial scrutiny is achieved when parliament safeguards and makes a purposeful contribution towards meeting each of these objectives. As Allen Schick concluded his recent commentary on the decline of national parliaments in budgeting, ‘only legislative luddites will oppose this new role’.¹⁰ But this is easier said than done. What exactly is required of legislatures, and in particular of PACs, to fulfil this role? The following discussion points out that comprehensive financial scrutiny calls for effective parliamentary engagement at different stages during the budgetary process (see Table 1).

Decisions on an affordable aggregate expenditure ceiling and the allocation of available monies across different spending areas are taken in the context of available revenues, macroeconomic and fiscal policy, and spending priorities. In order to be effective, aggregate and allocational choices have to be made before budget implementation, when these choices have to be enforced and defended. If the legislature decides to engage with these two issues, it will have to do so during the approval stage of the budget process. In many countries, this involves a finance or budget committee. In addition, departmentally related committees can play a role in prioritising spending.¹¹ Once the budget has been approved by parliament, only comparatively small shifts should be possible through an adjustment budget at a later stage or through the movement of funds by the executive during execution according to specified rules, known as virement. In summary, aggregate spending and allocational decisions are based on political judgements, and if parliament is to engage actively with these it is in the first instance through an *ex ante* process.

But the role of parliament as the ‘real authoritative steward of public moneys’ would not be complete without closing the metaphorical ‘circle of

TABLE 1
PARLIAMENTARY ENGAGEMENT WITH KEY ISSUES IN PUBLIC SPENDING

	Affordability	Prioritisation	Value for money
Ex ante	X	X	
Ex post			X

financial control' that Gladstone envisaged, by checking departmental spending against parliamentary appropriations.¹² In addition, a more recent focus of inquiry is whether funds were used economically, efficiently and effectively. In short, parliament needs to ensure regularity and propriety in public spending as well as 'value for money'.¹³ For these purposes, the accounts of departments and other relevant bodies are subjected to an independent assessment by an audit institution such as an Auditor-General (AG). It is then up to parliament to examine and act upon the results of such an examination. The PAC is the ultimate institutional judge in this *ex post* assurance process. The contribution of the committee is to review the findings of the AG and to identify appropriate steps to address any shortcomings. If the process is effective, the recommendations of the committee can then filter into future budgets, creating continuous and virtuous cycles of improvements in public spending.

In practice, it seems that there is often a trade-off involved in the way parliament engages with the three main objectives of public expenditure management. On the one hand, the congressional system of the United States features a powerful *ex ante* process in which appropriation committees fulfil a budget writing function. Congress is a powerful actor in deciding the aggregate spending level as well as the allocation of available monies.¹⁴ But it is relatively weak with regard to *ex post* engagement. Congress and many other legislatures in presidential systems of government do not have a specialised committee comparable to the PAC. On the other extreme, many parliaments of the Westminster type found in most Commonwealth countries have in essence abdicated all *ex ante* decision making power.¹⁵ They rubber-stamp the draft budget tabled by the executive, and instead invest much energy in the *ex post* assessment of public spending in the PAC.¹⁶ In between is a group of legislatures, for instance in much of continental Europe, where parliaments blend *ex ante* and *ex post* scrutiny functions in a single financial committee. In the German Bundestag, for example, the Budget Committee that approves the annual budget also considers audit results.¹⁷ This 'mixed' model allows less space for the consideration of audit issues than the PAC model, but it is possibly more balanced in its emphasis on *ex ante* and *ex post* scrutiny. These differences in approaches to financial scrutiny, and their effects, deserve to be explored further elsewhere.

For the purposes of this discussion, suffice it to note that presidential government tends to 'front-load' financial scrutiny, whereas in particular Westminster-type parliamentary government places a heavy emphasis on the evaluation of spending in a PAC once it has occurred. To a large degree, this variance in emphasis is a function of the separation of powers. The separation of powers in presidential systems can lead to greater antagonism between

Congress and the President. In the latter case, the legislature is likely to be more critical of budgets and policy proposals tabled by an executive with whom it may have little in common.¹⁸ On the contrary, parliamentary systems tend to be, by virtue of their design, more conducive to cooperative legislative–executive relations. The composition of parliament and the executive are intertwined, as are their electoral fortunes. This tends to constrain the political space necessary for parliament to fundamentally rewrite executive spending proposals, leaving the more technical and (perhaps) less politicised *ex post* engagement as the focus of financial scrutiny. Therefore, the institution of the PAC is at the same time vehicle and expression of the Westminster version of financial scrutiny, with its *ex post* emphasis.

POLICY NEUTRALITY AND NON-PARTISANSHIP AS POINTS OF DEPARTURE

A central point of departure for the work of PACs has been the principle of policy neutrality. The committee is usually prevented in the applicable rules or Standing Orders from questioning the wisdom of the underlying policy that informs public spending. In this regard, it differs fundamentally from committees that scrutinise policy and partake in the law-making process. In the words of Erskine May:

The [PAC] does not seek to concern itself with policy; its interest is in whether policy is carried out efficiently, effectively and economically. Its main functions are to see that public moneys are applied for the purposes prescribed by Parliament, that extravagance and waste are minimised and that sound financial practices are encouraged in estimating and contracting, and in administration, generally.¹⁹

Admittedly, it is often difficult to strictly separate financial management from policy issues.²⁰ A simplifying construct is meant to help the distinction. The standard formula is that a minister is the political head of a department, whereas a Permanent Secretary is the administrative head of a department.²¹ The former gives policy direction, while the latter is responsible for routine administrative and financial matters within these parameters. The administrative heads of departments sign the accounts of the entity in their function as accounting officers. The work of PACs traditionally focuses on interrogating the accounting officer, as the task is not to scrutinise the political direction of the department in question. This is reflected in the fact that 97 per cent of PACs in the Commonwealth report that they summons departmental officials, whereas more than two-thirds of these committees indicate that they do not normally call upon ministers to appear (see Table 2). Nonetheless, the separation and assignment of political and

TABLE 2
WHO IS NORMALLY SUMMONED AS WITNESS? (%)

	Yes	No
Ministers	31	69
Departmental officials	97	3
Auditor-General	79	21
Civil society and interest groups	29	71

Source: CPA, 2001.

administrative responsibility is often far less clear in practice than it is in theory.²² While the British ideal of civil service neutrality might support the practical operation of this construct, in many countries top-level civil service appointments are openly or *de facto* political. In the latter context, it is debatable whether or to what extent the distinction remains applicable.²³

Despite these difficulties, the policy-neutral mandate and stance of PACs tend to facilitate inter-party cooperation, which is another fundamental and conspicuous feature of these committees. Evidence of this is the strong tradition in many parliaments that favours unanimity for decision taking in the PAC, although in most countries reports of the committee can contain minority views. Nonetheless, even where unanimity is not a formal requirement, the committee might sometimes decide to delay a report in order to establish consensus. Cross-party support is likely to add to the strength and impact of a report.²⁴ A sustained cooperative approach between members of different political parties seems necessary for the overall success of the PAC. When party-political divisions undermine this cooperative spirit, the effectiveness of the committee and even the entire audit process can be jeopardised.

Threats to the non-partisan *modus operandi* come from many sources, such as executive pressure on governing party members in sensitive investigations. A recent example is the crisis that engulfed the Standing Committee on Public Accounts (SCOPA) of the South African National Assembly, during the course of a probe into corruption allegations in relation to a major arms procurement package that implicated senior members of the governing party. As the ruling party tightened its grip on the embarrassing investigation by independent agencies and the SCOPA, and some opposition parties stepped up their activism, the emerging political divisions bogged down the committee. One independently minded committee member belonging to the ruling party resigned in protest, which was followed by the resignation a few months later of the widely respected chairperson of the committee, after an unsuccessful attempt to restore the former non-partisan approach. This left the committee depleted of some of its most experienced members, and it is currently faced

with the challenge of having to regain its former credibility.²⁵ There is no off-the-shelf strategy for handling such threats to cross-party consensus. Deft committee leadership by the chairperson is essential, but even this may not be enough when executive interference is not restrained voluntarily.

Opposition members are often awarded a more prominent role than in other parliamentary committees. In two-thirds of PACs in the Commonwealth, the chairperson is from the opposition (see Table 3). This gives organisational expression to the non-partisan tradition that underpins the work of the PAC, and indicates an intention of parliament to promote transparency through independent scrutiny. In many cases the tradition to award the chair of the PAC to an opposition member simply reflects an unwritten convention, but it can also be a formal requirement.²⁶

EMERGING PATTERNS OF THE COMMITTEE PROCESS

This section deals with some of the salient common features of the PAC process. Needless to say, there are variations between different committees. But the process is likely to feature some basic components wherever it operates. These include the supply role of the AG, hearings as principal mechanisms of scrutiny in action, the preparation of PAC reports based on evidence given at hearings, as well as follow-up procedures.

The overwhelming majority of PAC work is dedicated to dealing with AG reports (see Table 3). In the Westminster tradition, the PAC is the principal audience of the AG, and it is vital that a cordial relationship is maintained between the two. While the PAC depends on high quality audit reporting to be effective, the AG in turn requires an effective PAC to ensure that departments take audit outcomes seriously. This mutual dependency is underlined in some Commonwealth countries where the AG has been made, by statute, an Officer of Parliament, for instance in Canada, Guyana and the United Kingdom. All audit reports are addressed to parliament, and the AG or a representative will usually attend the sittings of the PAC. Apart from the regular reporting routine, many PACs can request the AG to conduct a particular examination, and occasionally do so.

After the PAC receives a report from the auditor, hearings are the principal mechanism by which officials from departments, agencies or other relevant bodies answer to the committee. A quality hearing requires preparation by committee members as well as witnesses. The PAC should plan its programme carefully in consultation with the AG, so that the release of reports is synchronised with parliamentary hearings. While it is important for the PAC to consider advice of the AG on planning and structuring hearings, the committee should not be constrained in its choice of which aspects of an audit report should be further investigated. Commenting on the Australian Joint Committee

of Public Accounts and Audit, Ian Harris highlights that its ability to pursue any circumstances linked to an audit report, financial account or statement of government is 'one of the main sources of the committee's authority ... This power is unique among parliamentary committees and gives the committee a significant degree of independence from the executive arm of government'.²⁷

The summoned officials appear in front of the PAC during a hearing. Individual members of the committee should each have a chance to put questions to the witnesses. Some committees apply limitations to each member's right to ask questions. The PAC of the British House of Commons allows the chairperson 30 minutes for questioning at the beginning of a session. Afterwards, each ordinary member of the committee has no more than 15 minutes to pose questions. Some PACs have no such restrictions. Time limitation has its disadvantages, as certain officials might try to answer questions evasively, and in a way that takes up as much time as possible. On the other hand, the arrangement can help to ensure that hearings are conducted expeditiously.²⁸

Where applicable, witnesses should be given a chance to check the minutes of evidence for accuracy before their publication. Usually, it is the responsibility of the chairperson to draft a report, with assistance from the committee clerk. The draft report is debated in the PAC, where changes can be proposed. The minutes of evidence of a particular hearing as well as the committee report should be published as promptly as possible.

Several practices of PACs enhance financial transparency by broadening access to information. In a recent survey, 87 per cent of PACs in the Commonwealth indicated that their reports are freely available to the general public. In addition, 57 per cent of these committees have their reports debated in the chamber. Sometimes, this takes the form of an annual debate, which can focus on a selection of particularly pertinent reports. A

TABLE 3
SELECTED RESULTS FROM A SURVEY OF PUBLIC ACCOUNTS COMMITTEES
IN THE COMMONWEALTH (%)

	Yes	No
Is the chairperson a member of the opposition?	67	33
Is it required that the committee be unanimous in its decisions?	33	67
Are committee reports freely available to the general public?	87	13
Are hearings open to the press and the general public?	55	45
Does the committee depend primarily on the Auditor-General's report?	85	15
Is the committee report debated in the legislature?	57	43
Is the executive required to respond to committee recommendations?	80	20

Source: CPA, 2001.

commitment to transparency is also reflected in the fact that the majority of PACs open their hearings to the media and the general public (see Table 3).

It is practice in many Commonwealth parliaments that committee reports have to be followed by a formal response from the government (see Table 3). This is usually supposed to occur within specified periods of between two and six months. In the case of the PAC, the government's response is often known as the Treasury Minute, or the Executive Minute. When a department rejects a certain PAC recommendation, it will have to explain its reasons for doing so. It is then up to the PAC whether to take up the issue again in one of its following reports. Some countries go further in their follow-up procedures through the use of formal tracking reports by the audit institution.²⁹

CHALLENGES

The discussion so far has focused on principles and procedures that apply to the internal workings of PACs. But these committees operate in a larger environment, which has given rise to many of the core challenges facing PACs today. The following paragraphs consider the challenges arising from a lack of responsiveness from the government, the varying quality of audit reporting, the evolving nature of audit content, and the increased institutional complexity of government. While this discussion cannot be all-inclusive, and does not claim to be, it covers some of the key issues that are frequently encountered. To find satisfactory solutions and answers to these will to a large extent determine the effectiveness of the financial scrutiny process.

Lack of Government Responsiveness

Government recalcitrance and lack of responsiveness present a major challenge, in particular in political contexts that are heavily dominated by the executive and leave little room for constructive engagement by parliament. The power of the PAC flows from its ability to raise issues, to make officials answer for their actions and to place concerns in the public domain, rather than to directly impose and enforce sanctions on particular officials. The work of the committee ultimately only has practical value if the government addresses the issues raised in reports, and actually implements committee recommendations. Regrettably, observations such as the following are not uncommon in many countries with poorly entrenched accountability practices:

The [AG and PAC] reports paint much the same picture year after year. They not infrequently make tart remarks about the absence of improvement in the management of the public finances in spite of the critical observations, constructive recommendations, assorted warnings

and threats issued by the Committee on many previous occasions. This record speaks volumes both about substantive shortcomings in the executive and the weakness of parliamentary oversight – a mechanism for accountability that lacks the means to ensure enforcement.³⁰

In practice, while experiences vary, formal response mechanisms such as a Treasury Minute do not always ensure that recommendations are acted upon. The responses by government may be evasive, and it can be difficult, given parliament's often limited resources, to ensure independently that sufficient action was taken by the government to address particular concerns of the PAC. This calls for innovative responses on several fronts. Donors can play a crucial role in ensuring that governments take heed of audit findings and PAC recommendations. They can attach conditionalities to financial assistance that require the government to implement important recommended measures. The media should consistently report pertinent audit findings, and generate necessary publicity so that crucial issues raised are not quickly forgotten or swept under the carpet.

An example of an innovative response by civil society is the work of an independent initiative, the Public Sector Accountability Monitor (PSAM) in South Africa, which works closely with the relevant legislature. One of the activities of the PSAM is to follow up reported cases of corruption and misconduct with the departments concerned. Once the relevant details of the case have been established, a summary of these details together with a list of potential breaches in regulations is faxed to the head of the department. After one month the head of department is contacted to establish what the disciplinary outcome of the case was. This response is recorded by way of a telephonic interview and is made available in text and audio format on the internet. In the event of a non-response, the PSAM will request this information by means of the Promotion of Access to Information Act. The success of the initiative demonstrates how parliamentary scrutiny can be actively supported and complemented by civil society.³¹

Varying Quality of Audit Reports

The level of scrutiny that a PAC can deliver depends on the quality of audit reporting. Apart from a usually limited number of support staff attached to the PAC, such as a clerk or secretary, the office of the AG is its primary resource for expert advice and information. In most countries, in addition to supplying the prerequisite audit reports, the office accompanies the work of the PAC on an ongoing basis. Such support can involve answering questions from members, and the provision of requested information.³² Especially when dedicated legislature research capacity is absent or insufficient, this can ensure access of the PAC to independent expert analysis.

But there are crucial differences. In developed countries, many audit institutions are impressively well resourced organisations, with substantial numbers of staff and systems using the latest information technology. The National Audit Office of the United Kingdom has some 750 highly qualified staff members.³³ By contrast, the lack of appropriately skilled staff is a frequently encountered challenge in the developing world. For instance, as of December 1997, Zambia was home to 511 qualified accountants registered with the Zambia Institute of Chartered Accountants. Of these, 416 were Zambians, and only four were working for the government.³⁴ Such scarcity of relevant skills in the public sector is bound to impact on the quality and quantity of audit outputs.

Poorly resourced audit institutions are often unable to report in a timely manner, which can result in delays of several years. A recent comparative study of five African Commonwealth countries showed that audit reports are, on average, tabled in the legislature about two years or more after the end of a financial year, whereas the legally stipulated deadlines varied between six and 11 months.³⁵ The problem is that such delays make audit reports less relevant, and lessen the likelihood of them being acted upon. This reduces not only the effectiveness of the PAC but also undermines a central purpose of the audit process, to improve public spending.

Needless to say, under-resourcing of audit structures might at times be a deliberate strategy by an executive that has reason to resist greater budgetary transparency. Financial support from donors is needed to strengthen the local expertise base in such cases, and to appropriately modernise audit systems to benefit from advances in information technology. Donors can also require recipient countries to adequately finance audit structures with funds from financial assistance programmes. Other possibilities to enhance expertise are secondment and exchange programmes between institutions in different countries.

More and Different Audit Content

While poor reporting in terms of quality and quantity is a major obstacle in some countries, quite different challenges arise from having to deal with new types and increasing volumes of audit information. The past decades have seen innovations in public management at a rapid pace, notably in several OECD countries, which are sometimes referred to under the label of New Public Management (NPM). Instead of the traditional focus on compliance and tight input controls, the aim is to entrench a performance orientation in the public service. This entails giving managers more flexibility to utilise the resources allocated to them in return for holding them to account for results.³⁶ These developments have significantly affected the audit process, with new types of audits gaining prominence and

often a general increase in audit activity.³⁷ For example, value for money audit was included in the mandate of the Canadian Auditor-General in 1977, and now makes up about 60 per cent of total audit activity.³⁸

The evolving nature of audit content challenges PACs in several ways. In value for money investigations certain results might lend themselves to questioning policy choices, notably in relation to issues of effectiveness. This requires increased sensitivity by members of the committee to steer clear of party-political divisions. On the other hand, at least some PACs seem to have responded by allowing more policy debate, thereby weakening the traditional emphasis on policy neutrality. As a PAC member in one of Canada's provincial legislatures points out: 'My sense is that in the last fifteen years or so, there has been far more latitude in challenging policy issues through the public accounts process. This has been accelerated in the last ten years as the depth and frequency of "value for money" audits has increased.'³⁹ While some have warned against the potentially harmful effects of using audit reports as a basis for policy debates (see below) this approach might work for some committees.

Committee members have to acquire the skills to deal with changed financial and audit information that is part of recent budgeting and accounting reforms. An example is accrual accounting, which is gaining prominence in the public sectors of several countries, including the United Kingdom and Australia, but also more cautiously elsewhere.⁴⁰ In systems that are pursuing performance-oriented reforms, the PAC should engage closely with this process to ensure that the information generated, and the format of its presentation, is useful and relevant for the committee.

The introduction of new types of audits often leads to a general increase in the volume of audit reporting. As a result, the committee might not have time to thoroughly consider all accounts, but is forced to prioritise. One option is to focus on those involving a qualified audit opinion.⁴¹ However, it might be regarded as unsatisfactory to forfeit parliamentary scrutiny altogether for some accounts, even if they are given a (relatively) clean bill of health. Others have recommended a 'hierarchy' of reports, where engagement can vary from a full-blown hearing to a report based on written evidence or a simple report-back requirement for the relevant department.⁴²

Another option to deal with increasing volume of audit output is to devolve consideration of relevant reports to departmentally related committees, such as those dealing with health, education or transport.⁴³ This would, it is argued, inject subject-relevant expertise into the process, which the PAC is often lacking due to its generalist nature.⁴⁴ But there are also potential dangers. Such a system might weaken the whole-of-government approach that the PAC can offer. More crucially, the work of departmentally related committees is not premised on policy neutrality, which, some argue, brings with it a 'very real danger' that audit reports would become 'political

ammunition'.⁴⁵ This, in turn, might compromise the access of the AG to departments, who would have more reason to withhold or fudge sensitive information. Increased division of labour within the PAC, through the use of sub-committees or rapporteurs, might be a less risky strategy to enhance committee capacity to process growing volumes of audit outputs. Nonetheless, some PACs favour more frequent contact with other parliamentary committees, and it can be argued that 'following appropriate and rigorous audit standards and auditing against clear criteria that are accepted by the auditees counterbalance the perception that [this would result in] a loss of objectivity'.⁴⁶

Institutional Complexity of Government

Challenges also arise from changes to the structure and reach of government. Over the past one and a half centuries, government operations have expanded on a massive scale, and public monies are nowadays channelled through a complex web of different entities.⁴⁷ At the same time, government departments have remained the primary focus of legislative scrutiny. Parliaments have been slow to adapt to these changes in the institutional environment.

Notably, the number of state-owned companies increased dramatically during the second half of the past century, although this trend is now reversing in many countries due to privatisation measures. Some legislatures have used committees other than the PAC to consider audit reports for such entities. In the Parliament of Trinidad and Tobago, a separate Public Accounts Enterprises Committee examines the audited accounts of enterprises that are owned or controlled by the state. Similarly, the Committee on Public Undertakings of the Indian Parliament considers reports, accounts and audit reports of certain state enterprises. This work is based on a similar constraint of policy neutrality as is imposed on the PAC, as the Committee on Public Undertakings 'shall not examine and investigate ... matters of major Government policy as distinct from business or commercial functions of the public undertakings'.⁴⁸

In addition, some countries have created a host of agencies and other bodies funded with public monies.⁴⁹ In the United Kingdom, executive agencies fall under the responsibility of a particular minister, but their chief executives are accountable to the PAC in their role as accounting officers.⁵⁰ As a result, several accounting officers have to be called before the PAC to cover different activities under one department. The scrutiny of other publicly funded bodies has too often been patchy, prompting criticism of 'a muddle which sets up a new variety of quasi-responsibility for which we have no agreed constitutional label'.⁵¹ Robert Sheldon, the former Chairman of the PAC in the British House of Commons succinctly summarised the dilemma arising from these changes in the structure and nature of government. He argued that the scrutiny framework devised by Gladstone emerged

when central government was virtually the only vehicle for public spending ... Many new securities have been devised for spending public moneys, but those have not been matched by a commensurate extension of the rights of Parliament properly to scrutinise that expenditure ... Gladstone's achievements have been whittled away.⁵²

The comprehensiveness of the parliamentary grip on public spending has been weakened as a result, and it is not yet evident that satisfactory answers have been found to restore the ability of the PAC to follow the flow of all public monies. Ensuring access of the AG to all publicly funded bodies is important, as is an enhancement of parliamentary capacity to process increasing volumes of audit information that would be the result.

CONCLUDING REMARKS

This article has shown PACs to have an important and well-established role in ensuring sound public spending. However, in order to retain their status and usefulness as key vehicles for financial scrutiny, these committees need to find innovative responses to different challenges. Some operate in systems that are at the very cusp of public financial management reform. They have access to a substantial pool of independent and credible expertise. The key issues for PACs operating in such contexts will be to manage growing volumes of information that is evolving in nature, and to adapt the scrutiny process to adequately cover an enlarged and more complex web of governance institutions. On the other extreme, especially in countries in the developing world, many legislatures face much more basic challenges. Here, frequently encountered concerns are a lack of relevant skills in the audit institution and generally a scarcity of resources in all its forms. This is apart from restrictive political climates that might impede independent parliamentary scrutiny, for instance when freedom of speech is curtailed and intimidation of political opponents common. Such differences in context and the undoubtedly varying ability of PACs to respond to them will continue to produce variance in how effectively these committees can contribute to financial scrutiny.

NOTES

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1. For the purpose of this paper, the generic forms of 'parliament' and 'legislature' are used interchangeably.
2. W.E. Gladstone was Chancellor of the Exchequer from 1859 to 1866.
3. The institution of the PAC was perhaps not altogether the invention of the legendary politician. It is reported that such committees operated in Canada from the 1830s. See G. Reid, *The Politics of Financial Control: The Role of the House of Commons* (London: Hutchinson University Library, 1966), 95.
4. There is no evidence that PACs have outlived their usefulness. Examples of legislatures in the Commonwealth where PACs have been abolished are rare – the National Assembly of Quebec and the House of Representatives of New Zealand are two cases. Usually, such restructuring at the committee level has not meant abolishing the functions exercised by the PAC, but rather their transfer to another committee. In New Zealand, for instance, the functions of the former Public Accounts Committee were given to the Public Expenditure Committee in 1962 and to the Finance and Expenditure Committee in 1985. The functions of the latter committee are wider than those of a traditional PAC, and include the 'audit of the Crown's and departmental financial statements, Government finance, revenue and taxation'. Correspondence from M. Louwrens, Office of the Clerk of the House of Representatives of New Zealand.
5. Organisation for Economic Co-operation and Development, *OECD Best Practices for Budget Transparency* (Paris: OECD, 2001).
6. Commonwealth Parliamentary Association, *Report of the Study Group on Public Accounts Committees*, draft report dated 30 Nov. 2001. The survey covered 70 branches of the CPA.
7. See, for instance, P. Burnell, 'Financial Indiscipline in Zambia's Third Republic: The Role of Parliamentary Scrutiny', *Journal of Legislative Studies*, 7/3 (2001), 34–64.
8. The exact labels for these objectives may vary. Some prefer aggregate fiscal discipline, allocative efficiency and operational efficiency, respectively. See A. Schick, *A Contemporary Approach to Public Expenditure Management* (Washington, DC: World Bank Institute, 1998).
9. The concept of 'value for money' captures the '3Es' of economy, efficiency and effectiveness. For a good overview, refer to J.K. Kristensen, W.S. Groszyk and B. Bühler, 'Outcome-focused Management and Budgeting', *OECD Journal on Budgeting*, 1/4 (2002), 7–34.
10. A. Schick, 'Can National Legislatures Regain an Effective Voice in Budget Policy?', *OECD Journal on Budgeting*, 1/3 (2002), 35.
11. A good example is the two-tier decision making system in the Swedish Parliament. See J.R. Blöndal, 'Budgeting in Sweden', *OECD Journal on Budgeting*, 1/1 (2001), 37–42.
12. W.E. Gladstone quoted in Reid, *Politics of Financial Control*, 95.
13. For a discussion of the terms regularity and propriety, see F. White and K. Hollingsworth, *Audit, Accountability and Government* (Oxford: Clarendon Press, 1999), 65–7.
14. A. Wildavsky and N. Caiden, *The New Politics of the Budgetary Process* (New York: Addison Wesley, 4th edn, 2000). See also R. Williams and E. Jubb, 'Shutting Down Government: Budget Crises in the American Political System', *Parliamentary Affairs*, 49/3 (1996), 471–84.
15. Schick, 'National Legislatures', 34.
16. E. Davey, *Making MPs Work for our Money: Reforming Parliament's Role in Budget Scrutiny* (London: Centre for Reform, 2000).
17. J. Wehner, 'Reconciling Accountability and Fiscal Prudence? A Case Study of the Budgetary Role and Impact of the German Parliament', *Journal of Legislative Studies*, 7/2 (2001), 57–78.
18. For a more nuanced discussion of the impact of institutional determinants on policy outcomes in presidential systems, refer to S. Haggard and M.D. McCubbins (eds.), *Presidents, Parliaments, and Policy* (Cambridge: Cambridge University Press, 2001).
19. E. May, *Treatise on the Law, Privileges, Proceedings and Usage of Parliament* (London: Butterworths, 20th edn, 1983), 728.
20. See, for instance, F. White, I. Harden and K. Donnelly, 'Audit, Accounting Officers and Accountability: The Pergau Dam Affair', *Public Law* (1994), 526–34.
21. Titles for the latter function may vary. In some countries, the equivalent of a Permanent Secretary is known as a Principal Secretary, Chief Director, Director General or Secretary General.
22. For an interesting discussion of the Zambian case, consider G.F. Lungu, 'Role Ambiguity in African Public Management: Lessons From Zambian Permanent Secretaries', *African Administrative Studies*, 51 (1998), 23–37.

23. In the latter case, it is also debatable whether the traditional practice of not calling upon the relevant minister to appear before the committee should be adhered to, at least when the evidence given by other witnesses, such as departmental officials, has not sufficiently illuminated a matter. Correspondence from C. Murray, Department of Public Law, University of Cape Town. Also refer to the discussion of parliamentary oversight in South Africa, in C. Murray and L. Nijzink, *Building Representative Democracy: South Africa's Legislatures and the Constitution* (Cape Town: European Union Parliamentary Support Programme, 2002), 87–112.
24. White and Hollingsworth, *Audit*, 124.
25. L. Ensor, 'Woods Quits Public Accounts Committee Due to Politicisation', *Business Day* (Johannesburg), 26 Feb. 2002.
26. For example, Order 114(b) of the *Standing Orders of the Legislative Assembly of Ontario* prescribes that 'the Chair of the Standing Committee on Public Accounts shall be a member of the Party forming the Official Opposition'.
27. I.C. Harris (ed.), *House of Representatives Practice* (Canberra: Department of the House of Representatives, Commonwealth of Australia, 4th edn, 2001), 613.
28. White and Hollingsworth, *Audit*, 124.
29. For instance, in the Canadian province of New Brunswick, regular audit reports contain a chapter that reviews the follow-up actions of departments on previous recommendations.
30. Burnell, 'Financial Indiscipline', 40.
31. Detailed information is available at www.psam.org.za (accessed 4 March 2003).
32. Joint Committee of Public Accounts and Audit, Parliament of Australia, *Observers for Committee Inquiries*, available at www.aph.gov.au/house/committee/jpaa/observer.htm (accessed 9 July 2002).
33. Refer to www.nao.gov.uk (accessed 3 March 2003).
34. Burnell, 'Financial Indiscipline', 45.
35. A. Fölscher (ed.), *Budget Transparency and Participation: Five African Case Studies* (Cape Town: Institute for Democracy in South Africa, 2002), 42.
36. Kristensen *et al.*, 'Outcome-focused Management'.
37. M. Power, *The Audit Explosion* (London: Demos, 1995).
38. J.R. Blöndal, 'Budgeting in Canada', *OECD Journal on Budgeting*, 1/2 (2001), 60.
39. Correspondence from Elizabeth Weir, Member of the PAC of the Legislative Assembly of New Brunswick.
40. J.L. Chan and C. Xiaoyue (eds.), 'Models of Public Budgeting and Accounting Reform', *OECD Journal on Budgeting*, 2/Supplement 1 (2002).
41. A qualified opinion would indicate that the accounts or financial management practices did not fully meet all required standards.
42. White and Hollingsworth, *Audit*, 131–2.
43. G. Power, 'Making Government Accountable – The Report of the Hansard Society Commission on Parliamentary Scrutiny', *Legislative Studies*, 7/2 (2001), 9.
44. Subject committees might also simply have the option to receive briefings from the AG and consider any reports within their subject areas, as is the case in New Zealand, where subject committees may then choose to report to the House on this. In practice, such reports are infrequent but do occur. Correspondence from M. Louwrens.
45. White and Hollingsworth, *Audit*, 137.
46. Correspondence from A. Campbell, Parliamentary Liaison, Office of the Auditor General of Canada.
47. A. Schick, 'Agencies in Search of Principles', *OECD Journal on Budgeting*, 2/1 (2002), 7–26.
48. Rule 312A of the *Rules of Procedure and Conduct of Business in Lok Sabha*.
49. A. Schick, 'Agencies', 13–17.
50. D. Woodhouse, *Ministers and Parliament: Accountability in Theory and Practice* (Oxford: Clarendon Press, 1994), chapters 11 and 12.
51. G. Marshall, 'The Evolving Practice of Parliamentary Accountability: Writing Down the Rules', *Parliamentary Affairs*, 44 (1991), 469.
52. *HC Debates*, 6 Dec. 1999, 588–9 [UK].