

13th Session CEPA: Contribution to the “Call for Inputs”

Contributor: INTOSAI
Subject: Strengthening national and local capacities for sustainable development management

Summary

The paper refers to the need for:

- Transparency, accountability and ownership - at local, regional and national levels – as key elements for inclusive and sustainable development. This was highlighted in the 2nd report of the UN Task Team on the Post-2015 UN Development Agenda.
- Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions (SAIs) as highlighted by the UN General Assembly 2011 resolution A/66/209 (which also welcomed the cooperation of INTOSAI with the UN).

INTOSAI refers to establishing robust accountability mechanisms (at the global, regional and national level) and strengthening national accountability mechanisms as main challenges of the Post-2015 UN Development Agenda. Actions need to be taken at both international and national levels:

International level: SAIs -and the preconditions for the functioning of their work- should be included in the Post-2015 UN Development Agenda as institutional basic elements of good governance (through strengthened transparency and accountability). Audit systems should significantly contribute to monitor the implementation of sustainable development goals.

National level: SAIs should be able to audit and provide reliable, objective and impartial information on the use of development resources – including on the development policy and coherence across ministries and agencies. As a precondition, SAIs need to adhere to the eight principles laid down in the declarations of Lima and Mexico.

The paper refers to the potential of SAIs to:

- facilitate comprehensive information on development activities and citizen participation
- contribute to monitor development management
- contribute to safeguard financial sustainability for development by informing parliaments and the public through their audit findings and putting them in the position to hold key stakeholders accountable.

The paper calls for improved rules for accounting, reporting and monitoring of public and state budgets. It highlights shortcomings in fiscal disclosure and weaknesses in accounting which need to be addressed as well as measures needed to improve transparency and accountability.

It concludes by mentioning that all the above referenced actions would significantly contribute to enhanced monitoring mechanisms regarding the implementation of the sustainable development agenda.



CONTRIBUTION OF THE GENERAL SECRETARIAT OF THE INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS (INTOSAI) TO THE 13TH SESSION OF UN CEPA

I. Transforming public administration for sustainable development

Introduction

„Transforming Public Administration for Sustainable Development“ as the main theme of this 13th CEPA meeting is for many years already top on the agenda of INTOSAI, the International Organisation of Supreme Audit Institutions.

INTOSAI as the global organization for external government audit, has been working on promoting good government by enabling SAIs to help their respective governments improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, promote public trust, and foster the efficient and effective receipt and use of public resources for the benefit of their peoples, in short: transforming public administration for sustainable development.

In conducting its work – develop professional audit standards, build audit capacity and facilitate exchange of audit related knowledge - INTOSAI especially contributes to strengthening national and local capacities for sustainable development management.

Against this background the INTOSAI General Secretariat is providing expertise and input especially with regard to the discussion on current governance deficits related to the implementation of the MDGs and how transforming governance to allow it to serve the interests of sustainable development as well as on new vision for capacity development.

Strengthening capacities for sustainable development

Already the 2nd report of the UN Task Team on the Post-2015 UN Development Agenda identified several weaknesses of the implementation of the MDGs, which are being discussed currently among the involved development and governance practitioners. The lack of transparency, accountability and ownership - all of them on the local, regional and national levels – have been named among the most important missing elements for inclusive and sustainable development under the current international development regime.

The International Organization of Supreme Audit Institutions (INTOSAI), as the global organization for external government audit, has been – as an institutionalized partner of the UN (special consultative status to the ECOSOC) – working on transparency and accountability for many years.

Upon recommendation of CEPA the UN General Assembly in 2011 adopted its Resolution A/66/209 Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions (SAIs). In this resolution the UN General Assembly emphasized:

- that efficient, accountable, effective and transparent public administration has a key role to play in the implementation of the internationally agreed development goals, including the Millennium Development Goals;
- the need for capacity-building as a tool to promote development and welcomed the cooperation of INTOSAI with the UN.

The UN General Assembly Resolution also

- recognized the important role of SAIs in promoting the efficiency, accountability, effectiveness and transparency of public administration, which is conducive to the achievement of national development objectives and priorities as well as the internationally agreed development goals, including the Millennium Development Goals;
- took note with appreciation of the work of INTOSAI in promoting greater efficiency, accountability, effectiveness, transparency and efficient and effective receipt and use of public resources for the benefit of citizens and
- recognized that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence and their important role in promoting efficiency, accountability, effectiveness and transparency of public administration.

The UN General Assembly finally

- encouraged the UN member States to apply the principles set out in the Lima and Mexico Declarations and
- encouraged UN Bodies to continue and intensify their cooperation with INTOSAI in order to promote good governance.

As already the 2nd report of the UN Task Team on the Post-2015 UN Development Agenda emphasized, one of the main challenges in the Post-2015 UN Development Agenda will be to establish robust accountability mechanisms at the global, regional and national level and especially to strengthen the national accountability mechanism.

Against this background the INTOSAI General Secretariat would like to underline, that action for increasing transparency and accountability has to be taken on international as well as on national level.

International level

In order to strengthen transparency and accountability on international level the incorporation of the call of the UN General Assembly for promoting efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions (SAIs) in the Post-2015 UN Development Agenda is of utmost importance.

Against this background SAIs and the preconditions for the functioning of their work should be included in the Post-2015 UN Development Agenda as institutional basic elements of good governance, which strengthen transparency and accountability worldwide.

By incorporating SAIs and the mentioned preconditions in the Post-2015 UN Development Agenda this important international tool decisively would support the establishment of audit systems, which significantly could contribute to the monitoring of the implementation of the sustainable development goals. The United Nations thereby could create an environment, which also would allow to draw their conclusions on audit findings and recommendations of SAIs referring to sustainable development questions tabled to national parliaments.

National Level

In order to put SAIs in a position where they can audit and thereby provide reliable, objective and impartial information on the use of development resources – including e.g. on the development policy coherence across ministries and agencies – a set of preconditions has to be implemented at the national level.

It must be ensured that SAIs are granted the preconditions which enable them to fulfill their tasks. Especially the following 8 principles – as laid down in the declarations of Lima (International Standard for Supreme Audit Institutions – ISSAI 1) and Mexico (ISSAI 10) – should be implemented at national level as preconditions for effective work of SAIs and therefore for increased transparency and accountability:

- The existence of an appropriate and effective legal framework that spells out the extent of SAI independence;
- A broad legislative mandate and full discretion in the discharge of SAI functions;
- The independence of SAI heads and members including security of tenure and legal immunity in the normal discharge of their duties;
- Unrestricted access to information;
- The right and obligation to report on the government's work;
- The freedom to decide on the content and timing of audit reports and the right to publish and disseminate them;
- The existence of a follow-up mechanism for recommendations;
- Financial and administrative autonomy and the availability of appropriate human, material, and monetary resources.

Since ownership of activities has a lot to do with publicly available information and participation SAIs also have outstanding potential to facilitate both - comprehensive information on development activities and participation of citizens therein – and thus to create more accountability at national level.

With their audits, SAIs could provide independent, unbiased, reliable information to national parliaments and citizens also in the development policy area. Therefore SAIs – given that the preconditions as described are implemented on national level –substantially could contribute also to monitoring of development management and to safeguarding financial sustainability for development by informing parliaments and the public through their audit findings and putting them in the position to hold key stakeholders accountable. This also significantly would strengthen transparency and democracy on national level.

Cross-cutting

Consideration for improvement should be given, especially as cross-cutting issues, to rules for accounting, reporting and monitoring of public and state budgets.

The IMF¹ and auditors around the world identified a set of shortcomings in fiscal disclosure due to

- Lack of legal, financial and organizational independence of SAIs from government;
- Lack of their comprehensive audit mandate;
- Lack of possibilities for SAIs to provide a formal, comprehensive audit opinion on government accounts to parliament;
- Lack of legal powers to hold government to account;
- A combination of gaps and inconsistencies in fiscal transparency standards;
- Delays and discrepancies in countries' adherence to those standards;
- Lack of effective multilateral monitoring of compliance with those standards.

Further identified weaknesses in accounting are:

- Lack of informative value and comparability of the accounting systems;
- No harmonized valuation of assets;
- No harmonized definition of financial debt;
- No or fragmentary recognition of financial commitments pertaining to future years;
- No accounting for financing instruments because of cash accounting.

On this basis a set of measures would be necessary in order to improve transparency and accountability as preconditions of sustainable development, e.g.:

- Improve information on financial sustainability (sources of fiscal risk, fiscal transparency standards and practices)
- More complete coverage of public-sector institutions - Public corporations need to be part of any comprehensive analysis of public finances since their debts are often implicitly or explicitly government- guaranteed
- More comprehensive reporting of assets and liabilities in the financial statements
- Recognition of a broader range of transactions and other economic flows
- More rigorous approach to fiscal forecasting and risk analysis
- Alignment of standards for budgets, statistics and accounts
- Valuation of assets and liabilities and gains and losses in financial statements and
- Incorporation of information on contingent liabilities in financial statements.

Conclusion

By incorporating the implementation of the principles as set out in the Declarations of Lima and Mexico as well as the UN General Assembly Resolution A/66/209 as an essential element of the Post-2015 Development Agenda the United Nations would decisively contribute to strengthening accountability and transparency on international as well as on national level. Monitoring mechanisms regarding the implementation of the sustainable development goals significantly would benefit from such a decision.

¹ International Monetary Fund (IMF), Fiscal Transparency, Accountability, and Risk, August 7, 2012
<http://www.imf.org/external/np/pp/eng/2012/080712.pdf>