6th Global Forum on Reinventing Government
Towards Participatory and Transparent Governance

- AUDITING FOR SOCIAL CHANGE IN THE CONTEXT OF THE MILLENNIUM DEVELOPMENT GOALS (refer to background paper)
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Context: Five year General Assembly Review of the implementation of the 2000 Millennium Development Goals (MDGs)

- 189 countries have committed to meeting the MDGs by 2015
- According to the January 05 Millennium Development Project (Sachs) Report and other UN reports, achieving the MDGs requires a commitment to good governance and accountability structures
- The best designed policies are of little use if the State does not have the institutional capacity to carry them out
Conceptual framework: The Millennium Development Declaration

In the 2000 UN Millennium Declaration, Member States have pledged:

- to work “for more inclusive political process, allowing genuine participation by all citizens”

- “to ensure (...) the right of the public to have access to information” ...
What are the MDGs?

- The first seven Goals are “pro-poor” related:
  - halve extreme poverty and hunger
  - achieve universal primary education
  - empower women and promote equality between women and men
  - reduce under-five mortality by two-thirds
  - reduce maternal mortality by three quarters
  - ensure environmental sustainability
  - reverse the spread of diseases, especially HIV/AIDS, tuberculosis and malaria

- The eighth goal – “a global partnership for development” – comprises a set of commitments by developed countries
  - create a global partnership for development, with targets for aid, trade and debt relief
PROPOSAL FROM UN-DESA TO PUBLIC SECTOR AUDIT COMMUNITY

- Include amongst audit priorities the furthering of human development and other socio-economic and pro-poverty goals encapsulated in the 2000 Millennium Development Goals

  - They should be “owned” by each country rather than by UN and other partner international organizations

  - Likelihood of increased donor flows linked to a government’s willingness to sign on to rigorous compliance regime including spot audits, evaluations and publication of performance indicators
MDG PROGRAMME DELIVERY IS PART OF PUBLIC SERVICE DELIVERY BUT WITH MORE COMPLEX CHALLENGES (1)

- Joint commitments by many stakeholders are at the centre of the achievement of MDGs; however lack of assurance that actions by all parties are carefully monitored, outcomes evaluated, and utilization of resources effectively audited.

- Public Administration, in both developed and developing countries, has been re-shaped by “marketization, outsourcing and agentization”
MDG PROGRAMME DELIVERY IS PART OF PUBLIC SERVICE DELIVERY BUT WITH MORE COMPLEX CHALLENGES (2)

- The activity of public service delivery including MDG-related has become significantly more complex as a consequence of working in partnerships, relying on networks, decentralizing responsibility.

- The implications for decision-making, resource management and accountability are still being studied.
Does the negative image of Public Administration affect Audit Institutions(1)?

- P.A. has had in recent decades to deal with its negative image, the difficulty to maintain its role under the onslaught of marketization and the disenchantment of citizens with their government’s performance and accountability (A broad consensus has emerged in recent years of the fact that an approach to minimizing the role of the State was problematic)

- In that context, audit institutions have to “re-position” to adequately respond to the evolving nature of the State’s business scope, processes and reporting
Does the negative image of Public Administration affect Audit Institutions(2)?

- The ability of audit institutions to effect change in this new environment are increasingly being questioned, and challenged by alternative watchdogs
  - Impact of external and internal audit on functioning, performance and transparency of governments?
- Auditors traditionally work “in the trenches” and “flog dead horses”
INCREASING EXPECTATIONS FROM AUDIT INSTITUTIONS - PUBLIC AND PRIVATE SECTOR

- Growing pressure for audit institutions to prove their worth, value-added and relevance
  - public reporting on audit findings, results, quantified savings
  - demonstrate visible and measurable impact
  - leading to greater public visibility and headlines…even for internal audit!

- At the same time pressure to “go back to basics” due to corporate audit failures (Sarbanes-Oxley)
INDEPENDENCE AND RESPONSIVENESS OF SUPREME AUDIT INSTITUTION (SAI) IS KEY

- 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.
SOME SAIs USE AUDITS OF PAST PERFORMANCE AND ACTIVITIES TO DRAW LESSONS FOR TODAY AND TOMORROW

- This implies that in addition to preventing and detecting fraud, waste, and abuse, and assisting the government to become more efficient and effective through “results-based audit”, SAIs may examine the role of government, albeit within the boundaries of their mandate.

- Some established and newly created SAIs have already enshrined the latter focus in their legislation, e.g. specifying as one of their main objectives the evaluation of government policy.
CAN THE AUDIT FUNCTION BECOME A TOOL TO EMPOWER CITIZENS TOWARDS “HOLDING THE STATE TO ACCOUNT”?

- 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.

- 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 advent of performance audit has blurred the boundaries between financial and compliance audit as well as evaluation.

Performance audit’s analysis of a policy, programme or project implementation almost always has an impact on policy issues.

Involve the stakeholders and beneficiaries of a programme, project, or policy in performance audits.
PROGRESSIVE AUDIT INSTITUTIONS HAVE ENGAGED IN INNOVATIONS (2) E.G.

- Audit has become a catalyst for change: a lot of effort has been put in the last decade into promoting “managing for results” through “auditing for results” and “joint-up, concurrent, coordinated audit”
  - More research is needed for greater complimentarity as to how the functions of audit, evaluation and monitoring
  - More research is needed to explore to what degree Audit Committees are currently being utilized to ensure results-based audit
GAPS IN AUDIT EXPECTATIONS

- Providing blanket “assurance” (never enough resources in quantity and expertise!)
- Risk audits sacrificed for “flavor of the day” (Tsunami?)
- Lack of effective synergy between ext. and int. audit, internat’l vs. national audit (single audit concept)
- Highest international risks escape scrutiny because of transnational nature e.g. financial institutions
GAPS FROM THE UN PERSPECTIVE

- Audit of international agreements, including MDGs
- Donor funding not flowing through the national budget planning and expenditure system hence escaping national audit and scrutiny
- However intent is to serve the public good: should there be a role for national audit institutions irrespective of existence of special audit agreements/clauses with donors?
Little regional, country, or local level mobilization of the external and internal audit community around the MDG processes and results

- A great effort has been launched by the UN and its international partners to
  - prepare monitoring tools for the established eight goals, 18 targets, and 48 indicators
  - assist poorest countries in formulating poverty reduction strategy papers (PRSPs) - but they still need alignment with MDGs
  - assist government statistical offices and international teams on the ground to improve the reliability and integrity of data collection and analysis

- No national auditing with a view to tracking related financial flows, assess utilization of resources, adequacy of decision-making and implementation processes, or ascertain results achieved on the ground
National ownership of internat’l agreements including MDGs is lacking in government management and oversight

- Citizens have the right to know what has, or has not, been achieved as a result of international agreements and treaties and related expenditures.
- Experts agree that international agreements are most often not couched in clear enough language, therefore presenting difficulties in formulating objectives and clear results expectations.
- Nonetheless setting performance expectations and measuring results with respect to international agreements should be a priority to find out whether a particular approach works (what is not measured cannot be managed effectively) – like in any other govt programme.
OPPORTUNITIES AND CHALLENGES OF AUDITING MDGS

- The audit of MDGs provides enormous opportunity and scope to discuss innovative ways 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 inequalities by 2015.

- Auditing could function in a more participatory and open manner, where a multi-stakeholder participation, including that of civil society and media can be envisaged. In addition, legislative oversight will also need to be strengthened.

- These are complex process-related issues that will necessitate careful examination and capacity building.
CAPACITY BUILDING

- As part of our programme to make the audit function central to the MDG roadmap, we are engaging 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.

- Our paper suggests some innovative areas for making the audit process more results oriented and participatory.
Conclusion

- 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 programmes;
  - in what manner some forms of empowerment of and participation by civil society in the audit of social expenditures could make a difference:
    - in increasing transparency, encouraging the increased participation of constituencies, and strengthening people-centered governance
UNDESA/DPADM looks forward to collaborating with you

- Thank you