‘Audit Activism’: A Catalyst for PFM Reform & Good Governance

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LOSS TO THE NATION

₹17600000000000

A Raja deprived govt of this much money in 2G spectrum allocation: CAG report

K S Narayanan | ENS
New Delhi, November 10

The sheer enormity of the figure, when one learnt about it, was perplexing than enabling to grasp its exactness. The gravity of the offence, though, was evident on Wednesday as Telecom Minister A Raja came under stinging indictment by the Comptroller and Auditor General for arbitrarily undertaking the 2G spectrum allocation, ignoring the advice of ministries, avoiding deliberations of the Telecom Commission — and causing the exchequer a loss of ₹1.76 lakh-crore.

This is the first time Raja, the DMK MP from Tamil Nadu’s Nilligiris, has come under fire from a top constitutional body during the last two years. The draft report blamed the minister for squandering “a scarce finite national asset at less than its true value onflexible criteria and procedures adopted to...”
**THE TIMES OF INDIA**

Why didn’t PM act on Raja: SC

SC questions PM silence

2G SCAM Sanction to prosecute Raja was sought 2 years ago, no decision taken

**hindustantimes.com**

WEDNESDAY, NOVEMBER 17, 2010

**The Indian EXPRESS**

CBI knows who handled 2G bribe money: Shourie

SEVERE INDICTMENT

EXTRACTS FROM THE CAG REPORT

K’taka plot thickeners: Documents show CM freed more govt land to help family, friends

ADAG Raja’s most favoured: CAG
Spectrum allocations irregularities

• 122 licenses for 2G spectrum issued in 2008 to companies with little or no experience in telcom sector at price set in 2001
• No auction, no bids – first come served basis
• Deviation from Rules and procedures to benefit specific players
• Loss to Government estimated US$ 28 billion
• Union Minister of Telecom and key players arrested
Zero Loss theory
Whom to believe?
CAG Vinod Rai
THE MAN WHO ROCKED THE UPA

Behind every gigantic scam that has shaken the Manmohan Singh regime — CWG, 2G or AG basis — there is the quiet and assertive hand of the Comptroller and Auditor General of India.
Omani CEO jailed for 23 years in graft case: court

MUSCAT | Thu Feb 27, 2014 11:30am EST

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(Reuters) - A court sentenced the CEO of state-owned Oman Oil Company to a total of 23 years in jail on Thursday for accepting bribes, abuse of office and money laundering, the most severe punishment meted out in a series of corruption trials that began
Auditor general blasts Liberals’ public–private funding and ‘high-risk’ MaRS loan

The Liberal government’s use of public-private partnerships cost taxpayers an extra $8 billion, says Ontario auditor general Bonnie Lysyk in her annual report.

Auditor-General criticises Whanau Ora

The Auditor General has released a highly critical report about the social welfare initiative Whanau Ora, saying it is confusing, bureaucratic and poorly administered.

Auditor general blasts more than $1B in grants

Bonnie Lysyk questions benefits, fairness of $1.4 billion in corporate subsidies

The Zambia Youths in the Fight Against Corruption (ZYAFAC) has described as blatant broad day robbery the increase in unvouched government expenditure from the 77 billion kwacha recorded in 2011 to 553 billion kwacha that has been revealed for the year 2012.

The Auditor General’s office which has made the revelation has already expressed worry that such increase in unvouched expenditure recorded for the year 2012 may be an alleged means of concealing wrong doing.

The report says there are too many repeat or multiple compl of complaints about the quality of repairs had also increased homes repaired in the programme have required follow up as vulnerable customers were also not completed significantly on average, work orders were issued to begin the repair work.
Performance Audit: INTOSAI

• As carried out by SAIs, performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

• Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement. Performance audits deliver new information, knowledge or value by:
  – providing new analytical insights (broader or deeper analysis or new perspectives);
  – making existing information more accessible to various stakeholders;
  – providing an independent and authoritative view or conclusion based on audit evidence;
  – providing recommendations based on an analysis of audit findings.
Audit Activism and implications

- Huge expectations from citizen
- An audit reaction to mal-administration, mis-Governance and deep-rooted corruption
- Public faith in audit institutions work
- Media role in dissemination of audit reports
- Is audit testing the boundaries of its legitimate role
Audit Activism:
Some unanswered questions

• Is audit stepping into policy decisions and the role of the executive
• Does failures or limitations of other institutions warrant activist role by audit?
• Is Audit resorting to sensationalism in the name of effective performance audit?
• Can fear of audit lead to demotivated executive and policy paralysis?
• Who audits the auditors to ensure quality?
• How effective are INTOSAI and other regional bodies (ASOSAI, AFROSAI, ARABOSAI etc)
• Does compliance with ISSAIs ensure that SAIs draw the line between audit effectiveness and sensationalism
### Assurance assignments vs. Assessments vs. Inquires

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<thead>
<tr>
<th>Assurance assignments</th>
<th>Assessments</th>
<th>Inquires</th>
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<tbody>
<tr>
<td>Assertion based</td>
<td>“Digestion” assessments based on a range of individual (assurance) assignments</td>
<td>Assessments of selected topics</td>
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<tr>
<td>Not assertion based</td>
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### Financial

- **Is the accounting and reporting of financial information reliable?**
  - **Clear and suitable criteria**
  - **Wide scope of judgement**

### Compliance

- **Are funds obtained and spend in accordance with law and propriety?**
  - **Clear and suitable criteria**

### Performance

- **Are funds used economically, efficiently and effectively?**
Audit Activism for strengthened PFM

- Key pillar of accountability
- Enhances transparency
- Collaboration with other agencies like Anti-corruption institution
- Improved Planning, budget preparation and execution – improved budget credibility
- Citizen centric
- Partner in Good Governance
Challenges

• Identification of acceptable performance matrix
• Availability of professionally trained and competent work force in SAI
• Lack of clarity of legal jurisdiction in some countries
• Appropriate regulatory framework to ensure independence and objectivity
• Risk of distortions created in media and elsewhere during dissemination
• Should audit have enforcement powers?
Way forward

• Independence of audit institution – financial & operational, is key
• ISSAIs implementation involves contextual decisions suitable for local needs – local manuals
• Beyond Accountants and Auditors, SAIs need multi-skilled & trained work force
• Rigor in Audit evidence collection and documentation
• Timeliness and topicality of the areas taken up for audit
Way forward

• Peer reviews
• Proactive international bodies (INTOSAI, ASSOSAI, ARABOSAI, AFROSAI)
• Support from development partners (World Bank, IMF, AfDB etc)
• Periodic assessments of SAIs to enhance credibility and effectiveness (PEFA, SAI-PMF etc)
• Media and legislature sensitization
• User friendly, non technical nature audit summaries / book-lets
• More aware citizen
Thank You