

WHAT IS PUBLIC ACCOUNTABILITY?

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PREFACE

When a person is given the responsibility to hold, use or dispose off resources not belonging to him, he must be held fully answerable to the owner of the resources for what he does with them. This, in essence, is the principle of accountability.

The Government has the power to manage and use large sums of public funds collected in the form of taxes, fees and other receipts. In a parliamentary democracy like Singapore's, this power is given to the Government by Parliament which is in turn elected by the citizens. The Government is thus accountable to the citizens through Parliament for the manner in which it manages and uses the public funds.

This booklet explains the concept of public accountability and how public bodies are held answerable to Parliament for the management and use of public funds.

At the end of this booklet is a glossary of terms to help readers better understand the meaning of certain words in their context and a list of useful references for interested readers.

We hope that you will find this booklet interesting and informative.

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ACCOUNTABILITY OF THE GOVERNMENT

Prime Minister Lee Hsien Loong¹:

“The Cabinet is accountable to Parliament, it is accountable to all Singaporeans.”

The Government is entrusted with billions of dollars of public funds for its use and management. It has the duty to account for them and to use them efficiently and effectively, without wastage or extravagance, in accordance with the wishes of Parliament. It has to answer to Parliament on how it has discharged this duty.

Parliament ensures this accountability through laws which require the Government to seek Parliament’s approval for taxes and expenditures. At the end of each financial year, the Government is required to submit audited financial statements to Parliament.

These requirements give Parliament opportunities to call the Government to account by raising issues and questions relating to public policies, programmes and financial management.

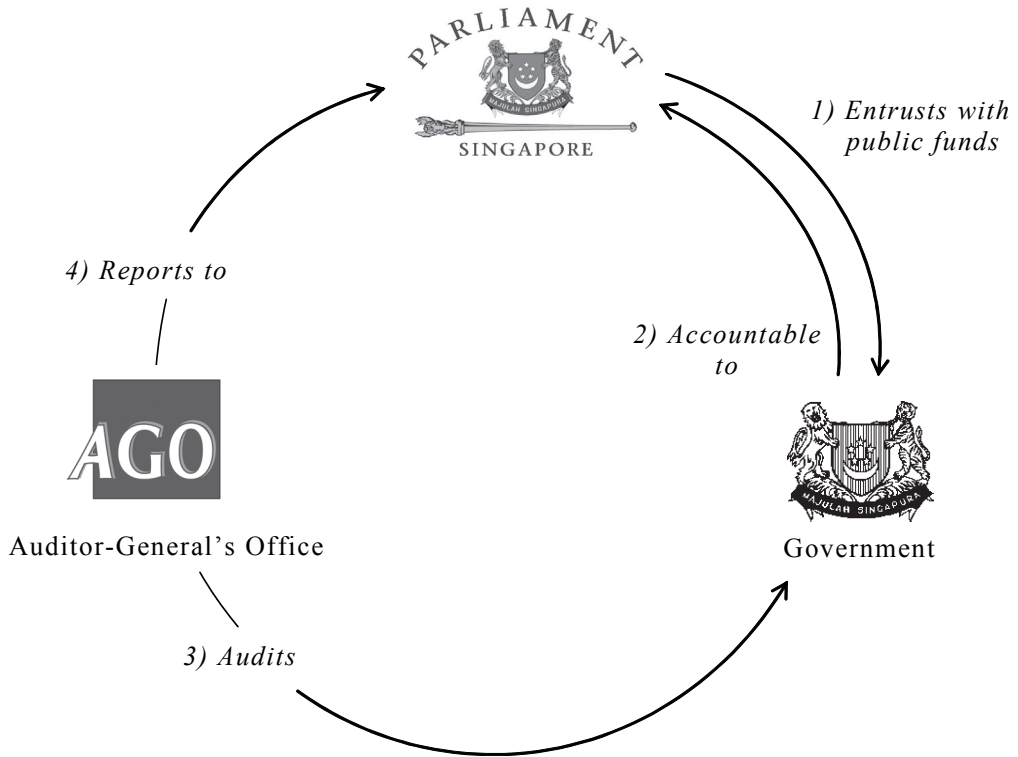
Senior Minister Goh Chok Tong²:

“I believe that all successful political systems share at least four broad attributes. First, there must be accountability and transparency...”

¹ Parliamentary debate on Civil Service salary revisions on 11 April 2007

² Speech on “Governance and Growth in Emerging Asia” at the Asia Society Hong Kong Centre’s Annual Dinner on 11 November 2008

Illustration of the accountability process:



THE ACCOUNTABILITY PROCESS

Before the Financial Year

The accountability process begins before each financial year. The Government is required under the Constitution of the Republic of Singapore to present to Parliament its proposed Budget (i.e. estimates of its receipts and expenditures) which it needs to implement its policies and programmes. This gives Members of Parliament the opportunity to raise questions and give comments on Government policies and programmes in the Budget. The respective Ministers have the duty to respond to the Members' questions and comments in order to secure parliamentary approval for the Budget they seek.

The Budget is available for the Government to use only after Parliament has approved it.

During the Financial Year

In the course of the financial year, if the Government needs more funds, it has to go back to Parliament again, to seek its approval to increase the Budget or to levy new or higher taxes. In this way, Parliament maintains its budgetary control over the Government.

During the year, the Government can also be called to account through questions raised at Parliament sittings.

After the Financial Year

After the close of the financial year, the Government reports back to Parliament on its receipts and expenditures in a set of Government Financial Statements. These annual statements are subject to detailed scrutiny by the Auditor-General who issues his audit opinion on these statements.

The audited Government Financial Statements are tabled in Parliament. They are then referred to the Public Accounts Committee comprising up to eight Members of Parliament, for closer examination.

In the course of auditing the Government Financial Statements, the Auditor-General also examines the accounts, systems and procedures of individual ministries, departments and organs of state. Observations arising from this examination are reported in the Report of the Auditor-General that is submitted to the President annually.

DETAILED SCRUTINY IN THE ACCOUNTABILITY PROCESS

While Members of Parliament can raise questions in Parliament concerning the management and use of public funds, it is not practicable for such matters to be addressed in detail during a Parliament sitting.

Hence, the detailed scrutiny of Government Financial Statements is left to the Public Accounts Committee.

Public Accounts Committee

The Public Accounts Committee examines the Government Financial Statements and other financial statements (including those of statutory boards and town councils) that are presented to Parliament. The Committee also reviews the Report of the Auditor-General and conducts inquiries into selected issues. The Auditor-General attends the meetings of the Committee and provides clarification on his Report and other audit issues raised at the meetings.

The Public Accounts Committee reports to Parliament its findings, conclusions and recommendations. The reports of the Public Accounts Committee are made available to the public³.

Cedric Foo, Chairman, Public Accounts Committee, 11th Parliament:

“The PAC stands ever prepared to question and probe Ministries and Statutory Boards on internal controls, processes and outcomes because of our firm conviction that the government, as steward, owes a responsibility to ensure that public funds are put to good use at all times.”

³ Available at <http://www.parliament.gov.sg/Publications/committeeReport.htm>

The Auditor-General

While members of the Public Accounts Committee are tasked with the detailed scrutiny of public finances, they cannot, on their own, be expected to dig into the voluminous records supporting the public accounts to ascertain the financial probity of the Government nor conduct a detailed review of Government activities.

This detailed work is given to the Auditor-General, who is, under the Constitution, independent of the Government and appointed by the President to whom he submits his reports. His report to the President is subsequently presented to Parliament.

To ensure that the Auditor-General can audit the Government without fear or favour, the Constitution ensures that he cannot be arbitrarily removed from his position, nor his salary be lowered, by the Government. His duties and responsibilities (including the audit scope and coverage) are spelt out in the Constitution and the Audit Act.

Duties of the Auditor-General

The Auditor-General's Office (AGO) acts as the "watchdog" of Parliament to enhance the Government's accountability to Parliament. The independent audits carried out by AGO give assurance that basic standards of governance and performance in ministries, statutory boards and town councils are met in the areas audited. The public accountability of ministries, statutory boards and town councils to Parliament is diminished without such independent audits.

When the Auditor-General audits a ministry, statutory board or town council, depending on the type of audit, he may check whether:

- All revenues due have been collected and properly accounted for;
- Expenditure has been incurred in accordance with the wishes of Parliament;
- Accounting for financial transactions is accurate, complete and in compliance with the relevant laws and financial rules;
- Relevant laws, rules and instructions have been complied with;
- Programmes have achieved their objectives; and
- Wastage and extravagance have been avoided.

The above issues are addressed in the Report of the Auditor-General which is presented to Parliament and made available to the public⁴.

Minister for Defence Teo Chee Hean⁵:

“I am very happy to see that the AGO scrutinises MINDEF and all the other Ministries so carefully because it shows that the checks and balances that we have in our Government system are fully in place.”

Nature of Government Audit

From the above, Government auditing can be categorised into three areas:

- Financial Accountability
- Compliance Accountability
- Performance Accountability

In contrast, the commercial auditor ascertains if financial accounting and reporting is properly done. For example, in a typical commercial audit, when examining a multi-million dollar purchase of an equipment, the auditor only needs to know whether the purchase was properly recorded and reported, correctly paid for and whether the equipment had been delivered. This is Financial Accountability.

The Government auditor, however, will also check whether the supplier was promptly paid and procurement procedures had been followed to ensure transparency, fairness and competitive pricing. This is Compliance Accountability.

The Government auditor will also ask whether the equipment was needed in the first place, whether other options had been considered in order to obtain the best value for money, and whether the objectives of the purchase were eventually achieved. Such an audit is not intended to question management policy or judgement. Instead, the auditor looks out for instances of inefficiency, wastage and extravagance from an independent perspective. This is Performance Accountability.

⁴ Available at <http://www.ago.gov.sg/articles.html>

⁵ Debate by Committee of Supply - “Head J – Ministry of Defence” on 5 March 2007

Public Accounts Committee, 5th Parliament⁶:

“The Committee, in reviewing the progress in public auditing in recent years, notes with satisfaction the greater emphasis on “Value for Money” (VFM)⁷ audit as shown in the Auditor-General’s Reports for the last few years ... For statutory boards which are audited by the Auditor-General, the Committee feels that the Auditor-General should step up his work on value for money audits and should at least ensure that all boards make satisfactory arrangements themselves to ensure VFM in the use of their resources.”

To carry out his audits, the Government auditor’s duties and powers are laid out in the legislation. Under the law, he has wide powers to obtain information he needs and has the right to report his findings independently to the President. The legislation ensures that he is able to discharge his responsibility effectively. Commercial auditors do not have such powers.

As in the case of commercial auditors, the scope of the Government auditor does not normally extend to the detection of fraud and corruption. These areas involve an approach which is quite different from a typical audit and requires the exercise of statutory powers such as those for interrogation and seizure of records. However, in the course of an audit, when the Government auditor has grounds to suspect fraud or corruption, he will inform the relevant authority.

Second Minister for Defence Dr Ng Eng Hen⁸:

“All governments, big and small alike, are rightly concerned that their defence procurement processes are efficient and effective. This preoccupation is justified ... because we are accountable to our citizens that the defence dollar is well spent.”

⁶ Fourth Report of the Public Accounts Committee (Parl. 2 of 1984)

⁷ Now known as performance audits

⁸ International Defence Procurement Conference on 18 February 2008

WHO ARE ACCOUNTABLE?

Any public body that uses and manages public funds is accountable to Parliament for the use of such funds.

Within the public accountability framework, the Auditor-General carries out independent audits on various public bodies that use and manage public funds. These include ministries, departments, organs of state, statutory boards and town councils. The Auditor-General's mandate to audit is embodied in the law that governs the respective public bodies, including the Constitution of the Republic of Singapore, the Audit Act (Cap. 17), the Acts of statutory boards and the Town Councils Act (Cap. 329A).

The law also requires the financial statements of such public bodies and the audit reports thereon to be presented to Parliament.

CONCLUDING REMARK

Public accountability is an important pillar of any parliamentary democracy. This booklet highlights the key elements of the public accountability process.

The citizens of Singapore are the ultimate owners of our nation's financial resources. It is important that they understand and support the processes and systems that ensure public accountability.

GLOSSARY

Accountability	The obligation to answer for what has been accomplished (or not accomplished) pursuant to a responsibility conferred.
Audit	An independent examination of financial records to see if they are true and fair, and of activities to ascertain whether they were carried out with due regard to economy, efficiency and effectiveness, and in compliance with relevant rules and regulations.
Cabinet	A body consisting of the Prime Minister and Ministers, which sets the general direction for and has control of the Government. The Cabinet is collectively responsible to Parliament.
Constitution	The system of basic laws and principles by which a country is governed.
Economy	Minimisation of resources used in a programme or activity having regard to the appropriate quality of the output.
Effectiveness	The extent to which a programme or activity has achieved its objectives.
Efficiency	Maximisation of output from a given amount of resources used, or minimisation of resources used to achieve a desired output.
Extravagance	The act of spending manifestly more money than necessary.
Financial statements	Documents which show the financial position and financial performance of an organisation.
Governance	The management systems put in place in an organisation to ensure accountability of those in charge. Good governance involves having sufficient checks and balances in management activities so that the objectives of the organisation can be achieved with financial probity, efficiency, economy and effectiveness and with transparency so that the potential for abuse of power is minimised.
Probity	The quality of being completely honest.
Programme	The plan of a ministry for which an annual budget is provided by Parliament.

Public funds

Any moneys or equivalent received by the government, which are to be used for public purposes.

Revenue

The money that the government receives in forms such as taxes, fees, levies and charges.

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Legislation

Constitution of the Republic of Singapore
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