

WHAT IS PUBLIC ACCOUNTABILITY?

A publication by:



Auditor-General's Office
Singapore

CONTENTS

	<i>Page</i>
PREFACE	2
ACCOUNTABILITY OF THE GOVERNMENT	3
THE ACCOUNTABILITY PROCESS	
Before the Financial Year	5
During the Financial Year	5
After the Financial Year	5
DETAILED SCRUTINY IN THE ACCOUNTABILITY PROCESS	
Public Accounts Committee	7
The Auditor-General	8
Duties of the Auditor-General	8
Nature of Government Audit	9
CONCLUDING REMARK	12
GLOSSARY	13
REFERENCES	15

Blank Page

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 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.

Policy and Quality Assurance Department
Auditor-General's Office, Singapore
www.ago.gov.sg

November 2011

Blank Page

ACCOUNTABILITY OF THE GOVERNMENT

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

Prime Minister Lee Hsien Loong¹
11 April 2007

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 in accordance with the wishes of Parliament and without excess, extravagance or wastage. 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 (i.e. Budget). During Parliamentary sittings, especially during budget debates, Members of Parliament may call the Government to account by raising issues and questions relating to public policies, programmes and financial management.

At the end of each financial year, the Government is required to submit audited financial statements to Parliament.

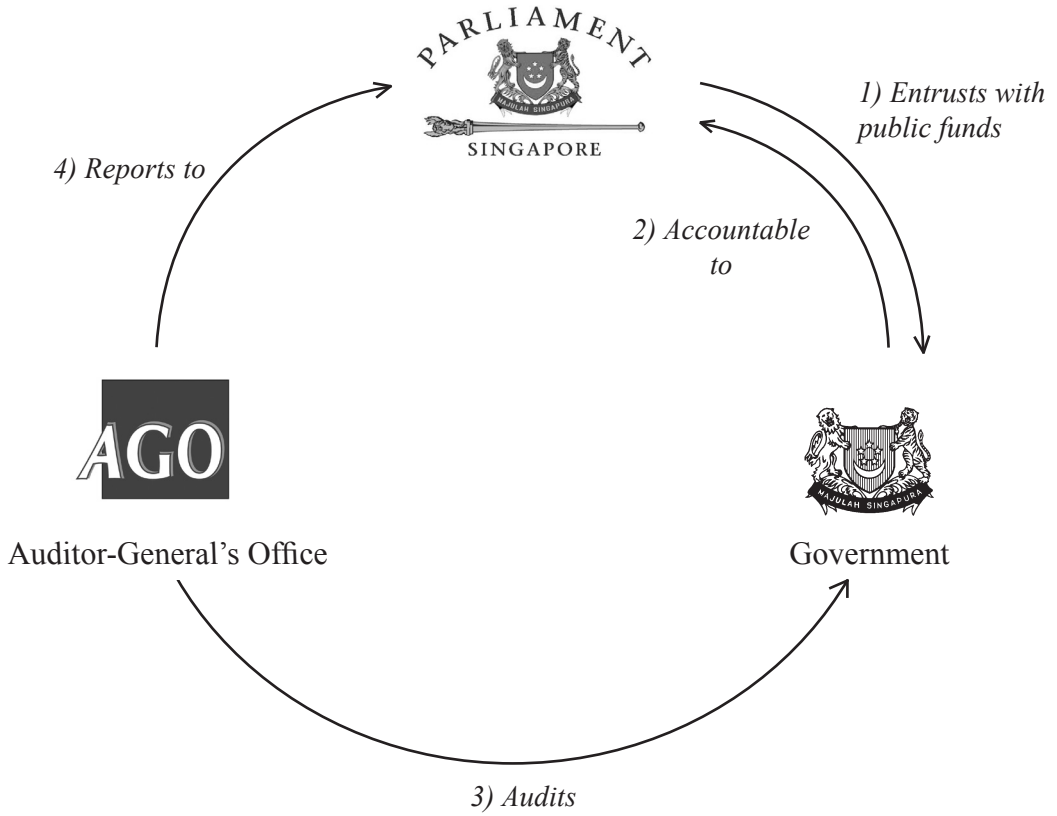
“I believe that all successful political systems share at least four broad attributes. First, there must be accountability and transparency...”

Senior Minister Goh Chok Tong²
11 November 2008

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.

The Auditor-General's Office (AGO) audits the accounts of the Government.

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 and resources, 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 (such as those of statutory boards) that are presented to Parliament. The Committee also reviews the annual 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.

“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.”

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

³ Available at <http://www.parliament.gov.sg/publications-select-committee-reports>

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 carry out his audits without fear or favour, there are provisions in the Constitution which protect his independence. His duties and responsibilities (including the scope and coverage of his audits) are also spelt out in the Constitution and the Audit Act.

Duties of the Auditor-General

AGO acts as the “watchdog” of Parliament to enhance the Government’s accountability to Parliament. The independent audits carried out by AGO help give assurance that basic standards of governance are met in the areas audited and there has been proper use of public funds and resources by ministries and statutory boards. The public accountability of ministries and statutory boards to Parliament is diminished without such independent audits.

When the Auditor-General audits a ministry or statutory board, 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; and
- Excess, extravagance, or gross inefficiency tantamount to waste have been avoided and measures to prevent them are in place.

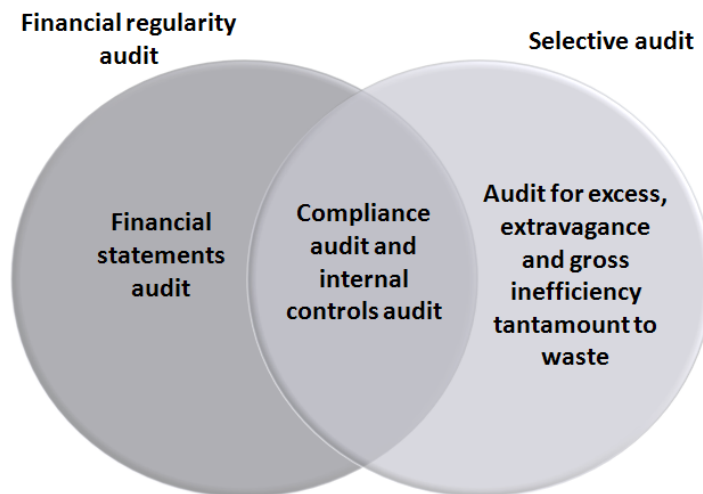
The above issues are addressed in the Report of the Auditor-General which is presented to Parliament and made available to the public⁴.

“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.”

Minister for Defence Teo Chee Hean⁵
5 March 2007

Nature of Government Audit

As the national auditor, AGO carries out financial regularity audits and selective audits in relation to the accounts:



AGO’s role extends beyond the typical checks of financial accounts and records (financial statements audit) which are carried out by commercial auditors.

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

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

In a financial statements audit typically performed by a commercial auditor, the auditor would ascertain if financial accounting and reporting is properly done. For example, when examining the purchase of 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.

The Government auditor would, in addition to checking for proper accounting and reporting, also typically check for compliance with laws, policies, contracts and agreements, and administrative rules or instructions by ministries, organs of state and statutory boards (i.e. compliance audit). In the same example of the purchase of equipment, the Government auditor would also check whether procurement procedures had been followed to ensure transparency, fairness and competitive pricing, and whether the supplier was promptly paid.

In addition, the Government auditor may check on the adequacy of internal control systems that Management has put in place to safeguard its resources against waste, loss and misuse (i.e. internal controls audit). For example, the Government auditor would check whether more than one of the following procurement functions had been performed by the same employee: requisition, authorisation, execution, custody and recording of the purchase of equipment (i.e. to ensure there is adequate segregation of duties).

In a selective audit, besides checks typically carried out under compliance audit and internal controls audit, the Government auditor may also ask whether the equipment acquired was of the appropriate type, quality, and quantity and at a competitive price. Such an audit is not intended to question management policy or judgement. Instead, the auditor ascertains, from an independent perspective, whether there is excess, extravagance, and gross inefficiency tantamount to waste and whether measures to prevent them are in place.

To carry out his audits, the Auditor-General'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.

CONCLUDING REMARK

Public accountability is an important pillar of any parliamentary democracy. Any public body that uses and manages public funds and resources is accountable to Parliament. 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.

“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.”

Second Minister for Defence Dr Ng Eng Hen⁶
18 February 2008

⁶ International Defence Procurement Conference on 18 February 2008

GLOSSARY

Accountability	The obligation to answer for what has been accomplished (or not accomplished) pursuant to a responsibility conferred.
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.
Excess	Acquiring more resources than necessary.
Extravagance	Avoidable lavishness.
Financial regularity audit	Involving <ul style="list-style-type: none">• an independent examination of accounts for the purpose of rendering an opinion on financial statements [<i>financial statements audit</i>];• a check for compliance with laws, policies, contracts and agreements, and administrative rules or instructions, involving, or as may affect the revenue, expenditure, assets and liabilities [<i>compliance audit</i>]; and• a check on the adequacy of internal control systems (e.g. IT controls, approving authorities, etc) that Management has put in place to safeguard its resources against waste, loss and misuse [<i>internal controls audit</i>].
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.
Inefficiency	Not using resources in the best way.
Management	A group of people who run and control a company or organisation.

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.
Selective audit	<p>An independent, selective examination of activities and operations, carried out in relation to the accounts,</p> <ul style="list-style-type: none"> • to check for financial regularity (apart from rendering an opinion on the financial statements); and • to ascertain whether there has been excess, extravagance, or gross inefficiency tantamount to waste, and whether measures to prevent them are in place.

REFERENCES

Legislation

Constitution of the Republic of Singapore
Audit Act (Chapter 17)

Other Useful Readings

Public Sector Modernisation: Modernising Accountability and Control, April 2005, *Organisation for Economic Co-operation and Development*, available at <http://www.oecd.org/dataoecd/56/42/34904246.pdf>

The Principles of Public Audit, *Public Audit Forum*, available at <http://www.public-audit-forum.gov.uk/popa.htm>

The Role of Watchdogs in this New Era of Partnerships, November 2001, *Institute of Public Administration Australia*, available at http://www.anao.gov.au/uploads/documents/the_role_of_watchdogs_in_this_new_era_of_partnerships.pdf

Pillars of Integrity: The Importance of Supreme Audit Institutions in Curbing Corruption, *Kenneth M.Dye and Rick Stapenhurst*, available at <http://siteresources.worldbank.org/WBI/Resources/wbi37133.pdf>

Features And Functions Of Supreme Audit Institutions (World Bank, October 2001), *Rick Stapenhurst & Jack Titsworth*, available at <http://www1.worldbank.org/prem/PREMNotes/premnote59.pdf>

How Supreme Audit Institution Should Perform and is to be Managed for External Audit (Independent SAI as a Precondition for Four Pillars), *Neva Maher*, available at <http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN014820.pdf>

Blank Page

Blank Page

Blank Page

Auditor-General's Office
Singapore
www.ago.gov.sg