

Comparative Analysis of Pacific Public Accounts Committees (PACs)

Preamble

Parliament plays a crucial role in controlling the executive's activities when it comes to managing public finances. This role covers two key aspects of the budgetary process – first, the preparation and adoption of the budget and fiscal code, and secondly, the application of the budget and control of public finances. The focus of this survey concerns parliamentary control of public finances in conjunction with the Supreme Audit Institutions (SAIs).

Accountability, transparency and value optimization in relation to the use of public funds are essential elements of democratic government. The executive arm of government is expected to account for its stewardship of taxpayer monies to both elected representatives in parliament and to the public in general. Parliament and Supreme Audit Institutions (SAIs) make important contributions to this stewardship process by providing independent review, information, assurance and advice on the accounts presented by the executive, as well as on the execution of the programs, projects and other initiatives embarked upon by government. One of the main goals of this accounting system is to guarantee the organized and efficient use of public funds, as well as providing a thorough review of the results to permit swift reaction to be instigated to remedy possible deficiencies.

SAIs in democratic countries endeavor to ensure that they report freely and independently and that their audit findings and recommendations are given due attention and acted upon. Ideally, SAIs and parliaments are both elements of a balanced system of government accountability, through which the government is held to account for the way it executes the budget as approved by parliament.

Parliaments examine the execution of the state budget, and either formally (as in the case of a discharge procedure) or informally/implicitly and gives a political opinion on the way the government has executed the budget. The SAI contributes to this role by delivering the results of its audits. A central objective of this accountability system is to guarantee that public funds are spent in a regular and efficient way, and that possible deficiencies are remedied in a timely and effective manner.

The relationships between SAIs and parliaments vary widely among countries. The SAI may be part of either the legislative branch or the executive branch, or independent of both. Many parliaments have established parliamentary committees whose main purpose is to examine in detail the audit reports provided by the SAI and which present their own comments on State budget execution.

The purpose of this survey is to collect information on the structure and organization of SAIs and parliamentary audit committees globally with the aim of identifying good practices, which will in turn enable the development of toolkits and parliamentary handbooks that help parliaments better oversee and control government spending.

I. Introduction

This short report summarizes the highlights from the surveys filled online by 6 member countries of the Pacific Network Public Accounts Committees (PaNPAC). PAC representatives from the Kingdom of Tonga, Niue Island, New Zealand, Vanuatu, Solomon Islands and Fiji participated – nonetheless, they are not the official responses of the respective parliaments.

The survey, a shortened version of the Commonwealth Parliamentary Association PAC survey, seeks to get answers on understanding the PACs in terms of their powers and responsibilities, membership and leadership, processes and working practices, relationship with other committees and the Supreme Audit Institution (SAI), access to resources and support as well as the evaluation of their performances. In the conclusion, respondents were asked to share their opinions on what the main reform measures are mostly desired for the current parliamentary systems in their countries (this section will be completed after the Fiji Core Group Meeting of PaNPAC on 15-17 June, 2016). The results shown in this short analytical piece reflect only those of the 6 countries mentioned above.

The Pacific Islands all have unicameral structure of representation in their political institutions. There is a wide variety in terms of the authority under which the PAC operates: in Vanuatu and the Solomon Islands the PAC operates under both the Constitution and Regulations; in New Zealand and Fiji the PAC operates under Standing Orders of the respective assemblies; in the Kingdom of Tonga the PAC operates under the Rules of Procedure of the Legislative Assembly of Tonga; and finally, in Niue, the Terms of Reference for the PAC operations is passed by the Assembly.

II. Functions and Responsibilities of the Public Accounts Committee

In examining the use of public monies, such as accounts, contracts and/or financial management, there is a diverse amount of organizations and offices that PACs have the right of access to. Except for Vanuatu, most of the countries have access to Ministers' accounts and agencies and public enterprises. Half of the countries have access to local government expenditures, including Fiji, Solomon Islands and Tonga – this is not the case for Vanuatu, New Zealand and Niue. All PACs have access to the Parliament itself and its expenditures records. Interestingly, in Fiji the committee has also access to the Armed Forces accounts, a right traditionally disputed by Commanders of the Fiji Military Forces going back to the first Military Coup-D'états in 1987.

The survey examined largely the functions and responsibilities of the PAC in relation to government accounts and operations, SAI reports and SAI operations. Relative to government accounts and operations, all PACs except from the New Zealand PAC have a role in the examination of budget estimates.

PACs in countries like Tonga, Niue Island, New Zealand and Solomon Islands have additional powers in considering budget estimates (other than the Audit Office) and in the efficiency of government policy.

When it comes to the efficiency and economy of policy implementation (i.e. value for money), most PACs do have considerable power, except for Vanuatu where the PAC has no power. In both Fiji and Tonga this power is restricted. Interestingly, with the exception of Fiji where restrictions are applied and In Niue where the PAC is without any power, all PACs have the power to undertake self-initiated inquiries. Moreover, there is an overwhelming commonality among PACs relative to SAI reports, where almost all PACs have the power to examine SAI compliance, financial audit and performance reports. In all countries PACs also have the right to refer matters to the SAI for investigation. Finally, PACs tend to have a relatively zero influence on the SAI in aspects related to the determination of SAI priorities, the development of the SAI annual plan as well as in the assessment of SAI performance. The only exception is New Zealand where the PAC has a restricted influence towards the determination of SAI priorities and the development of the annual plan, as well as a full power to assess its performance. In New Zealand, the PAC examines and reports to the House on finance and tax related legislation; it also examines and reports to the House on Monetary Policy Statements and Financial Stability Reports of the Reserve Bank of New Zealand, the body that manages New Zealand's monetary policy. In Tonga, Rule 174 provides that the Legislative Assembly may direct, by resolution, any other work of the Committee.

It is worth mentioning that for functions mentioned in the survey where the PAC has no or limited power, in most cases no other parliamentary committee was empowered to undertake those functions. In the Solomon Islands, however, the Public Expenditure Committee is empowered to undertake the reviewing of the annual budget estimates. It also assesses the expenditure performance in view of the policy intentions and the budget estimates and undertakes value for money assessments and ascertains the quality of public expenditures. The SAI is an Independent body in their respect, hence neither the government nor the Committee determine its priorities or the development of its annual plan. In Tonga, the Committee has a strong focus on the review of budget measures. However, usually due to limited capacity, there is a weakness in the PAC carrying out its oversight roles such as scrutinizing the Annual Estimates and ex-post reviews through the assessment of agency annual reports and reports of the Auditor General. In New Zealand, the Finance and Expenditure Committee is empowered by Standing Orders to refer to other select committees' annual financial reviews, reviews of estimates and of audit reports if it considers that this material is more relevant to those other committees.

III. Membership and Leadership of the Committee

Pacific PACs have currently between 5 and 11 members: Fiji (5), Vanuatu (7), Solomon Islands (7), Niue (8), Tonga (10) and New Zealand (11).

Committees also reflect a very mixed representation of government, opposition and minority parties in their current membership. In the Solomon Islands, the selection of the members in the Committees does not really reflect a given set proportion but is more reflective of a bipartisan spirit. In Vanuatu, there are 4 members from the Government and 3 from the opposition – they are representing proportionally the political parties present in the Parliament. In New Zealand, 6 members come from the Government or parties supporting the Government and 5 members come from the Opposition. In Tonga, there are 3 Cabinet Ministers, 5 Nobles Representatives, one People’s Representative and the Auditor General. In Fiji, the members of the Standing Committee on Finance and Public Accounts are nominated by the Speaker and approved by the Legislative Assembly - Committees are a microcosm of the House and are proportionate as far as possible to reflect the composition of the House pursuant to Standing Order 114(4).

Selection of members

The same applies for the mechanism in which members are selected. For example, in Vanuatu members of the PAC are appointed by the Prime Minister and the Leader of the Opposition. In New Zealand, members are selected by their parties and confirmed by the Business Committee. The membership must, so far as it is reasonably practicable, be proportional to Party membership in the House. Appointments to the committee are made by the Business Committee. In Niue, members are selected by the Assembly. In Tonga the members of the Standing Committee on Finance and Public Accounts are nominated by the Speaker and approved by the Legislative Assembly. Finally, in Fiji members selected from elected MPs.

Regarding what constitutes a quorum and what are the procedures involved in the absence of a quorum, there are again differences across constituencies. In Vanuatu, if no quorum is met during the first day of the meeting, the Committee resumes the meeting three days later. In Niue, depending on the number of members in the Committee, if the quorum is not met (usually half of the members), the meeting gets postponed to another date after 15 minutes of waiting from the start time of the meeting. In Fiji, the quorum of the PAC is half the number of members, i.e. 5 members. According to Rule 164, the Chairman may adjourn the meeting of the Committee if the quorum of members is not present within 15 minutes of the fixed meeting time or, if during the meeting it is apparent that there is no quorum.

PAC members across the region serve in the committee for almost the life of the parliamentary mandate. In the Solomon Islands, the duration of the committee is in correspondence to the duration of the legislature; they dissolve only once the House comes to a dissolution. The duration for an electoral year is 4 years. The same applies to Vanuatu. In New Zealand all committees are established for the life of a Parliament as well - however there may be membership changes during that Parliament. The House or the Business Committee can remove a member from a committee and replace them with another member at any stage during a Parliamentary legislature.

In most legislatures, the PAC Chair is from the Opposition – only in New Zealand and Tonga the Chair comes from the Government.

Appointment of the PAC Chair

The responsibility for the appointment of the Committee Chair varies across the region – the surveys also asked if the Chair can be revoked and if so, for what reasons. In the Solomon Islands, the Speaker of Parliament is responsible for the appointment of the Committee Chair. The Chair appointed can be revoked from their chairmanship if they lose their seat or if they are convicted or petitioned. Other reasons include imprisonment for more than 3 months or they take up a ministerial portfolio with the executive. In Vanuatu, the committees elect their chairman themselves. They can be revoked if they are from the Government and have decided to sit with the Opposition or vice versa. In New Zealand the committee elects its chairperson at its first meeting in a new Parliament (in practice the Party has probably decided which of its committee members will be nominated for this office. The chairperson can be removed from office by the committee at a meeting of which at least 7 days notice is given of the intention to move a motion seeking removal. The members of the committee appoint the Chair in Niue as well - He/she can decline the nomination. The same goes for Fiji [Standing Order 117(1)] - the Chair can be removed by simple majority vote but only after serving at least 12 months [Standing Order 117(3)]. Finally, in Tonga the PAC Chair is appointed by the Speaker. In practice, the Chairmanship is only revoked if that member is incapable of becoming a Member of Parliament- e.g. if he is unseated. During the last term, the Chair withdrew when he was appointed Minister of Finance and National Planning towards the end of the last parliamentary term.

Chair selection process

In the Solomon Islands, the duration of the Committee chairmanship ends with the dissolution of the House. But there are instances whereby he/she can be revoked upon his/her own resignation, shifts sides or special situations such that is health related. In Vanuatu, the Prime Minister appoints the chairman except the Chairman of the Public Accounts Committee which is appointed by the Leader of the Opposition. In New Zealand, nominations are called at the first meeting of a committee in a new Parliament. The election is chaired by the committee clerk. If there is one nomination, that person is declared elected and immediately takes the chair. If there are two or more nominations a vote is held - if one member obtains the votes of an absolute majority of those voting, he or she is elected; otherwise the lowest polling member drops off the ballot until there are only two candidates remaining at which time the vote is between those two. In Niue, after the first meeting of the Assembly and appointment of committees, the Clerk of the Assembly calls the first meeting of the committee to elect the Chair and deputy Chair for three years. In Tonga, the Speaker appoints the Chairman of each committee for the duration of the parliamentary term. Lastly, in Fiji, the election is held at the first meeting by members presided over by Sec-Gen to Parliament [Standing Order 117(1) and 116(1)].

IV. Processes and Working Practices of the Committee - Setting the Agenda

There is lack of data regarding the scheduling and frequency of meetings across the Pacific region.

Public access to hearings is another critical element of the PAC operations, and here again the landscape amongst Pacific PACs is divided, with most PACs not allowing the public to their hearings, including the Solomon Islands (they wish to refer to them as confidential meetings), Niue and Tonga. In other countries hearings are limited. For example, in Fiji hearings are open to the public pursuant to Standing Order 111(1)(a), but are limited to (a) National Security; (b) Third party confidential information; (c) Personnel or HR; (d) final Committee deliberations for report compilation. In New Zealand, only hearings of evidence are open to the public and in Vanuatu the public is not allowed when there is a camera in the hearing.

On issues related to prioritizing the workload, in almost all PACs the agenda for meetings is determined by the Chairperson. In some cases committee members and secretaries may contribute to agenda items, such as in Fiji, Solomon Islands and New Zealand.

Most committees extend their formal planning processes for the entire parliamentary terms (Vanuatu, New Zealand and Niue). In New Zealand, however, while the committee is aware of standing items that it will manage throughout the life of the Parliament (for example, annual reviews and estimates), its specific and detailed work program is set only approximately 3 months in advance. It is always subject to change as other items of business are referred to it - any work program is therefore clearly identified as “indicative”. In Fiji, the planning process extends from adjournment of one sitting period to the convening of the next (roughly 60 days/2 months) whereas in the Solomon Islands the committee work plans are drafted to cater only for a 12 month-period commencing January and ending December – the calendar year time period applies to Tonga as well.

Use of sub-committees

Though some countries have provisions for the establishment of sub-committees, almost none of them have established sub-committees in practice.

V. Processes and Working Practices of the Committee - Initiating the Inquiry

The survey looked at some of the elements in establishing the terms of reference for a PAC inquiry. For example, when looking at what proportion have Committee activities (inquiries and reports) been initiated by the SAI, Parliament, a Minister or the Committee over the last three years, though with incomplete data, the majority of the inquiries have been initiated by the SAI, followed by the Parliament and third the Committee itself. These inquiries were never initiated by a Minister.

Conclusively, the process for establishing the terms of reference for a Committee inquiry was surveyed. In Fiji and New Zealand, the committee establishes their terms of reference (members probably consult their parties but the decision is made by members). In the Solomon Islands, the committee strictly abides by the Terms of Reference in Standing Orders 69 of the National Parliament of Solomon Islands. In Niue, Crown Law drafts the terms of reference which are then presented to the committee and afterwards to the Assembly to endorse it. This practice only applies during budget time, report and other functions of the committee but not for an inquiry to any fraud. Finally, in Tonga, the Legislative Assembly's Standing Committee on Legislation is usually responsible for drafting the TOR for an inquiry, which is then submitted to the Legislative Assembly for its endorsement.

When looking at the processes of the committee hearings, respondents were asked to reveal who are normally summoned as witnesses to Committee hearings in a long list that included Ministers, departmental officials, SAI officials, statutory authorities, government boards, interest groups/peak groups, academics/specialists, parliamentarians and non-government organizations. Overall, almost all mentioned officials and entities were subject to being summoned as witnesses to the hearings.

VI. Processes and Working Practices of the Committee - Reporting Inquiry Findings and Recommendations

Achieving consensus

Only in the Solomon Islands and Niue is the Committee required to be unanimous in its decisions while in the rest of the PACs decisions are taken using simple majority voting. Since most decisions are taken based on a majority voting, most PACs allow for some form of minority views to be represented. In Niue and the Solomon Islands there is no minority report produced. In Fiji, minority reports are prohibited by Standing Order 121(3) – however, in practice if there is disagreement they are highlighted in the consolidated report showing both majority and minority views. In New Zealand these views may be included into the main report – for example using forms of words such as “some of us consider that...” or they may be appended at the end of the report, clearly identified as “Minority views of the X Party”.

Reporting to Parliament and reporting to the public

All PACs report directly to Parliament and in no case do they report through a Minister or other intervening mechanisms - all reports are subject to Parliamentary debate, nonetheless. Similarly, all reports are tabled in Parliament. However, not in all countries do committees table reports out of session, such as in Fiji, Vanuatu, Niue and Tonga.

A big part of the process and working practices of a PAC in terms of reporting inquiry findings and recommendations has to do with the mechanisms committees employ to raise public awareness of upcoming inquiries/reports as well as in informing the public of inquiry outcomes/recommendations.

Apart from Tonga and Niue, Committee reports/hearing transcripts are freely available to the public in a timely manner.

Almost all committees use media releases to inform the public of the inquiry outcomes and/or recommendations. In terms of raising public awareness for upcoming inquiries there are multiple channels applied by the committees, in a seemingly scattered way. From using radio, TV, newspapers, online portals and newsletters, PACs in the Pacific use different media tools but, apart from the Solomon Islands none of them have a formal communication strategy (in the Solomon Islands, the usual communication strategy for communicating is through memo and telephone calls coordinated through the committee secretariat. Recently they have ventured into text messaging which the committee finds more effective).

The annual report

Whereas there is incomplete data as to whether committees publish an annual report on their audit activities, the ones that do publish an annual report vary significantly when it comes to when the report is issued in practice (excluding years influenced by elections). For example, in countries like Niue the report is published within 3 months of year-end. In Vanuatu the report is published 6-12 months after year-end. Conversely, in countries like the Solomon Islands, the report is published over 12 months of year-end.

VII. Processes and Working Practices of the Committee - Following-Up on Inquiry Recommendations

Executive response

A lot of uniformity is noticed when it comes to following up on inquiry recommendations. Except for the PAC in Tonga, the Executive is required to formally respond to committee reports/recommendations. In Fiji, a substantive response from the Minister responsible is required [Standing Order 121(6)(b)]. In the Solomon Islands, the Prime Minister, the Minister of Finance or the Minister of concerned the ministry may respond through the Minister's statement in the Chamber or in a formal letter to the Chairman of the PAC. In Vanuatu, the response comes through the Finance Minister or through Portfolio Ministers. In New Zealand, when a report contains recommendations addressed to the Government, the Office of the Clerk (Parliament's secretariat) sends a copy of the report to the Cabinet Office. The Cabinet Office asks the appropriate Minister (according to the portfolio) to respond. If the report suggests action that would require the Government to make a policy decision, the issues must be referred to the appropriate Cabinet Committee for decision in the regular way for any policy submission. Once any policy matters are finalized, the proposed response is submitted to the Cabinet Legislation Committee and then to the Cabinet for final approval. In Niue the response also comes through the relevant minister. In Tonga, if they do report back (not required by law), it is usually through the Minister of Finance or the relevant Minister who is a Member of the Committee e.g. Minister for Revenue or Minister for Public Enterprises.

Additionally, a major gap is noticed in the processes that are in place to monitor and follow-up implementation of government responses to committee recommendations. In most countries there seems to be no real ex-post monitoring processes or mechanisms. Finally, there is lack of clarity and information on what procedures are there in place for the committee to ensure continuity of proceedings across Parliamentary terms and changes in Government (e.g. inquiries still in progress when an election is called). In most PACs there is no formal transition or there is a seemingly ambiguous transition. For most PACs, dissolution ends most of the enquiries - exceptions include Tonga and Niue. In Tonga the TOR of the PAC is permanent so any work that is outstanding from a Parliamentary term will be carried over to the next term and the Secretary will be responsible for briefing the Chair and the Members of any such work. In Niue, when the Assembly terms ends, all outstanding businesses become invalid. It is up to the new government to re-introduce those businesses back to the Assembly if they wanted to.

VIII. Committee Access to Resources and Support

Continuing education of Committee members

Access to resources and support for PAC members and staff is a crucial theme in the survey and various deficiencies in resources, training and support are noticed across the region. Overall, there is some sort of formal training for PAC members and staff in some of the PACs, except for Niue and Vanuatu. In Fiji, there is training currently conducted by parliamentary experts funded by the UNDP Fiji Parliament Support Project – these include international workshops/conferences/training, peer visits and reviews. In Tonga, this term started in November 2014 - members received orientation training on committee processes and practices in early 2014 and 2015 respectively. These extensive workshops were conducted by PASAI (Pacific Association of Supreme Audit Institutions) and the Tonga Governance Strengthening Program of the UNDP. Both programs were funded by the Australian Department of Foreign Affairs and Trade. The trainings included but were not limited to the following topics, (a) Public Finance Management, (b) Budget Processes and Oversight, (c) Role of Public Accounts Committees, (d) Roles of Supreme Audit institutions, and (e) Financial Reporting.

In the Solomon Islands, at the beginning of a new House, an induction program is organized for the members. The topic on committees is also covered. While there is yet the necessity to produce a practice guide for the committee members, the committee secretariat does have a practice guide. Apart from ongoing trainings through the Office of the Clerk for committee members to attend to, the Committee Secretariat plans to organize its own trainings for committee members tailored to their needs. In New Zealand, training is provided at the beginning of a new Parliament by the Office of the Clerk (Parliament's secretariat). This includes seminars, information booths, role plays, background notes and briefings from committee staff.

Significant gaps are also noticed in the human resources support that the PACs receive. Only PACs in New Zealand (3), Solomon Islands (2), Vanuatu and Niue (1) have full-time dedicated staff. In most PACs,

committee staff is either shared with other committees or it is provided by a government department or by the SAI.

Access to external support

In terms of accessing external support, to the question regarding who else would normally be expected to attend Committee meetings in addition to Committee members, SAI representatives have a dominant presence across PACs in the region (Auditor General and staff). Other external presence includes the Ministry of Finance Secretary on an as-required basis. Due to this strong presence in committee meetings, members were also asked to reflect on the involvement that the SAI's staff normally have in the ongoing businesses of the committee. In most cases they provide ongoing advice and input – in Tonga they help with the provision of the Audit Plan and Program to the Committee as well as the Auditor General's reports. The SAI staff in the Solomon Islands assist the committee through the provision of necessary information requested by the committee to do its role well, and analysis of budgets and summaries of audit results – suggested questions are provided to members for hearings. However, for the most part they provide secretarial support and/or advice or evidence as required and if requested.

Except for Tonga and Niue, Committees in all countries use external advisors/experts to assist in the conduction of specific committee inquiries and writing of reports (other than in a witness capacity).

Committee member allowances, funding and expenditure

Committee member allowances, funding and expenditure are also explored in the survey and vary across PACs. In most countries the budget is included in the total appropriation of the Parliament Budget. Apart from Fiji (United Nations), none of them receive funding from independent sources.

IX. Committee Relationships with Other Committees

The PAC relationship with other parliamentary committees and with committees of other Parliaments is also inquired. Whereas there are no other parliamentary committees involved in scrutinizing audit reports, PAC members sit as a committee 'representatives' on other parliamentary committees in most countries. In Fiji the Deputy Chair is Chair of another Standing Committee); in Tonga most of the Members sit on either the Parliamentary Standing Committee or Select Committee; in the Solomon Islands some of the members on the Public Accounts Committee also have seats on the other 9 of their Parliamentary committees – on average a member can sit on 3 committees.

When asked about the interactions that their PACs have with audit committees in other national and international jurisdictions, respondents reveal that there are varying interactions. In Fiji, there is significant interaction through CAPAC, APAC, and the Pacific Network of Public Accounts Committees (PanPAC). In Tonga the PAC has received training from PASAI. None of the committees have protocols in place for communicating with other audit Committees where identified concerns/developments have cross-jurisdictional relevance. Additionally, an across the board lack of monitoring and evaluation

mechanisms of the committees' performance is noticed (excluding the Solomon Islands, where that is done through a Committee Annual Work Plan prepared together with the Committee Secretariat.) Few of the committees (Tonga, Solomon Islands and Niue) have adopted a formal mechanism for measuring their performance and none of them have obtained external assistance in reviewing their practices and procedures.

The data are suggestive of the idea for more regional cooperation facilitated by external entities.

X. Conclusion

In the concluding segment of the survey, PAC members and clerks were asked to note down what in their opinion are the main reform measures desired for the current parliamentary system in their country based on the below viewpoints (the data was inconclusive):

According to public opinion

According to the public administration

According to parliamentarians who support the government

According to the parliamentarians and other politicians of the opposition

-- End --