

## MAZDOOR KISAN SHAKTI SANGATHAN (MKSS) UNDERTAKES SOCIAL AUDITS IN INDIA

Social audits were developed by a grass-roots organization, MKSS, formed in India in 1991. Social audits are participatory processes through which community members monitor the implementation of government programs in their community.

In order to implement a social audit, organizations can undertake the following seven steps:

### *Step 1: Identify the Scope of the Audit*

In a given community, several government agencies may be executing different programs concurrently. The first step in a social audit is to identify the specific programs and agencies that will be selected for audit, along with the period (number of years) that will be under consideration.

### *Step 2: Gain a Clear Understanding of the Management of Programs*

Any organization coordinating a social audit should examine the administrative structure under which the programs to be audited are managed.

### *Step 3: Obtain Information on Programs under Audit.*

The organization coordinating the audit will require access to a large number of documents, including accounting records (such as cash books, wage rolls, and bills for materials purchased), technical project records (such as the project engineer's measurement books and contract specifications), and managerial records (such as fund utilization certificates, which the program manager issues when the project is completed).

### *Step 4: Collate Information*

Once information is obtained, the coordinating organization must work with local volunteers to sort through it and prepare individual project files presenting pertinent information in an accessible format.

### *Step 5: Distribute Information*

The coordinating organization should make copies of the project documents and collated sheets and take them into the villages in which public hearings are to be held. Several teams of volunteers should go from house to house, sharing information from the project files.

### *Step 6: Hold Public Hearings*

Public hearings should be carried out with much fanfare to make them interesting for local communities. During these hearings, community members should be provided an opportunity to give testimony on the various projects under discussion. This should be followed by responses from the relevant officials who should be given a full opportunity to explain their actions or counter any allegations against them.

### *Step 7: Follow-up to the Hearing*

A formal report on the social audit should be prepared after the hearing, and copies should be sent to relevant senior government officials, the media, and other groups engaged in the campaign. The report should also recommend specific steps against errant officials and policy changes to improve the delivery of government services.



A public hearing, organized by MKSS, in Jawaja village in 2004.

MKSS achieved these successes by implementing social audits:

- Between 1995 and 2005, MKSS organized numerous hearings to build momentum around a right to information campaign in India at both the state (Rajasthan) and national levels.
- Acknowledging the demands of the right to information campaign, the Rajasthan state legislature passed the right to information law in 2000.
- Five years later, in 2005, India's parliament passed a national right to information law.
- MKSS and other civil society groups used the momentum from the right to information campaign to demand an employment entitlement program for the rural poor.
- The campaign succeeded when the government enacted the National Rural Employment Guarantee Act (NREGA) in 2005, which entitles every rural household to 100 days of minimum wage employment from the government.
- As of 2008, civil society organizations in approximately half a dozen Indian states were using the right to information law to obtain government documents on NREGA implementation and organize social audits of NREGA-funded activities in their communities.
- In a significant development, the government of the state of Andhra Pradesh has begun to use social audits to curb corruption in the implementation of NREGA programs.

MKSS faces several challenges in implementing social audits.

- Despite the right to information law, access to information remains a challenge in India. Government officials who are guilty of financial mismanagement are loath to give information that may incriminate them, and may refuse to respond to requests made under the right to information law or may obfuscate, delay, or hide information.
- Even when MKSS can obtain records, in some cases they are badly maintained and difficult to decipher. Poor record keeping practices in government offices can significantly delay the audit and reduce its impact.
- In addition, government officials sometimes intimidate and even threaten villagers to prevent them from testifying in public forums. In such situations, residents may hesitate to air their grievances about government programs.
- Finally, the social audit process must be incorporated within the government budget process if it is to realize its full potential. Only then will local residents have a regular opportunity to hold the government accountable for its implementation of public programs.

## CIVIL SOCIETY COALITION FOR QUALITY BASIC EDUCATION CARRIES OUT PUBLIC EXPENDITURE TRACKING SURVEYS IN MALAWI

**The Civil Society Coalition for Quality Basic Education (CSCQBE), created in 2000, is a network of organizations that have come together in the common pursuit of the right to quality basic education.**

The Coalition uses Public Expenditure Tracking System (PETS) to track the flow of resources through various levels of government to the end users and identify leakages. The steps in a PETS process are as follows:

### ***Step 1: Identify the Scope of the PETS Exercise***

The organization implementing a PETS exercise should decide which sector(s) (such as education, health, roads, etc.) it wants to survey. It should also decide the scope of the exercise and whether it will track monies from central government levels all the way down to the end user of some intermediate stages.

### ***Step 2: Gain a Clear Understanding of the Management of Programs***

Any organization coordinating a PETS exercise should study the administrative structure and systems under which the programs to be surveyed are managed.

### ***Step 3: Develop Questionnaires for the Survey***

During its PETS exercises, CSCQBE developed separate questionnaires for head teachers, district commissioners, district education managers and the national supplies unit. Questionnaires for head teachers sought information on the school's proposed recurring expenditure budget sent to the Finance Ministry, actual funds received from the ministry and actual recurrent expenditures in three sample months. District commissioners were asked about the amount of funding requested from the Finance Ministry for recurrent expenditures, the amounts subsequently allocated to the district and the actual amounts the district received and spent on a monthly basis (including the purposes for which they were spent).

### ***Step 4: Select Sample Size & Identify Units to be Sampled***

CSCQBE selects a representative sample of 500 schools (roughly one-tenth of those in the country) for its surveys, including both rural and urban schools.

### ***Step 5: Administer Questionnaires***

As part of the PETS process, community-based members of CSCQBE administer a series of standardized questionnaires to teachers and education officials around the country.

### ***Step 6: Create and Analyze Database, and Write a Report***

The CSCQBE secretariat collects the questionnaires, enters the data into electronic spreadsheets, and analyzes them to produce its annual report.

### ***Step 7: Present Report***

A draft report is circulated among CSCQBE organizations and discussed at a special meeting for adoption. A final report is then produced. CSCQBE unveils the report during a public meeting with ministry officials, parliamentarians, development partners and the media during the annual parliamentary budget deliberation. It then holds district meetings where district assembly officials, district education officials, non-governmental organizations, and school officials can discuss the results and, if necessary, formulate action plans to address problems.

CSCQBE also gives copies of the report to key stakeholders such as ministers, the office of the president, and donors and seeks commitments on how they will respond to the issues it raises. CSCQBE takes note of these commitments and then monitors their implementation.



School pupils in Malawi

CSCQBE has achieved important successes through PETS:

- In 2002, when the government closed teacher training colleges due to a lack of funding, civil society groups mounted a three-month campaign that compelled the government to reopen them. The coalition argued that closing the colleges violated the government's commitment to train 6,000 new teachers a year.
- In 2003, it was discovered that a number of teachers received their salaries late or not at all. Civil society groups pressed a parliamentary committee to look into the issue. The committee returned a report to the National Assembly.
- In 2004, the government undertook its own expenditure tracking survey after observing CSCQBE's successful work. Civil society was involved in planning and monitoring the survey.
- Civil society groups have also pressured the government into making budget allocations aimed specifically at children with special needs, to purchase specialized materials for teachers who focus on these students.
- In addition, the government is now seeking to address the educational disparities between rural and urban areas. It plans to introduce incentives to attract teachers to rural areas and construct housing for rural teachers.

CSCQBE faces several challenges in implementing the public expenditure tracking surveys.

- Government officials do not always fully release budget and expenditure data, which makes it more difficult to track expenditures and determine the extent to which the government is working to improve the educational system.
- In many instances officials provide information that is incomplete or refuse to provide it, claiming they are still compiling the information.
- Many coalition members have only limited technical capacity to analyze education budget data.
- Coalition members are busy with multiple commitments and can invest only limited time in the PETS process. This sometimes affects the quality of the reports submitted by those who are collecting information for the survey.

## PROCUREMENT WATCH MONITORS PUBLIC PROCUREMENT IN THE PHILIPPINES

**In 2001, a group of individuals determined to fight corruption in government procurement established Procurement Watch Inc. (PWI) as a non-governmental organization to advocate for a new procurement law in the Philippines and to monitor enforcement of the law after it was enacted.**

PWI developed the Differential Expenditure Efficiency Measurement (DEEM) tool to measure corruption and inefficiency in public procurement. PWI begins the DEEM process by examining all government documents produced at each stage of a completed procurement transaction. PWI staff members enter data from these documents onto ten forms that capture relevant information about the procurement.

Each form covers a specific stage of the procurement process:

**Form 1** provides an overview of the transaction, including information on the check issued in payment of an invoice (its number, date, and amount) and the corresponding disbursement voucher.

**Form 2** describes the items that were procured and summarizes the information pertaining to that procurement that is available from the government.

**Form 3** addresses the purchase request form, providing the form number, date, requesting department/section/person, requested items, estimated costs, purpose, authorized signatures, etc.

**Form 4** addresses the purchase order, including the question of whether this information is consistent with the information provided in the purchase request form and the corresponding disbursement (payment) voucher.

**Form 5** collects information on the invoice and prompts the person assessing the procurement to check whether it is consistent with the information in the disbursement voucher and purchase order and whether it has been duly signed by the appropriate officials.

**Remaining forms** cover other stages of the procurement, including the pre-bidding process, the assessment of bids received and the inspection reporting process. The forms allow for the collection of other potentially pertinent information on such topics as annual procurement plans and the minutes of meetings held regarding the procurement.



A Procurement Watch presentation underway

PWI then analyzes the summary sheets to identify inconsistencies and other potential irregularities in the procurement process. Through this assessment, PWI can uncover inconsistencies that merit further investigation.

DEEM also allows reviewers to compare the price paid for a good or service with its fair market value. The degree to which the amount paid by government exceeds an item's true cost is a reasonably objective measure of the extent of corruption or inefficiency.

PWI has achieved important results:

- During its pilot test of DEEM at a government hospital, investigators found a certificate signed by a hospital official justifying a contract with a particular company on the grounds that it was the only company that could make good-quality Vitamin C available to the hospital. Had the contract been bid out, the hospital would likely have saved money, since the Vitamin C brand provided by the selected vendor was one of the most expensive on the market.
- PWI is now conducting a wide variety of activities with different groups and individuals, including the Ombuds, government agencies involved in large procurements, civil society organizations, and private citizens.
- PWI conducts training sessions on the new procurement law for Ombuds staff and has helped them publicize information on procurement laws. It has also created a mechanism to respond to information from procurement observers about potential fraud and abuse.
- PWI has also developed partnerships with government agencies to study systems for soliciting proposals and evaluating bids and awards. As part of this process, PWI conducts diagnostic exercises on the activities of the bid evaluation committees of various agencies.
- PWI's efforts have helped establish systems that allow citizens not only to sit as observers on government bid and award committees but also to act as monitors to ensure that contractors comply with their contracts.

Any organization interested in using the DEEM tool should take into consideration the five challenges PWI faced in implementing this methodology. They are:

- The detailed checks for inconsistencies that are conducted under DEEM may be of limited use in monitoring agencies whose procurement systems do not follow specific rules and regulations under a procurement law.
- An organization must have access to all (or most) procurement documents maintained by an agency during a procurement process. Even if agencies maintain this information, it may not be easily accessible.
- An organization wishing to use DEEM may need to collaborate with the audit agency (and time its investigation according to the audit's schedule) in order to obtain audit documents that contain information unavailable through the procuring agency.
- PWI found that the agencies most likely to have irregularities in their procurement processes are least likely to cooperate with a procurement-related investigation.
- While a payment invoice will tell the actual cost paid for a good/service, the true market cost may be much more difficult to obtain. Very little information on market costs may be available in many countries, or other factors may prevent a non-governmental organization from obtaining or using information on actual costs.

## G-WATCH MONITORS TEXTBOOK PROCUREMENTS IN THE PHILIPPINES

**Government Watch (G-Watch) is an anti-corruption initiative of the Ateneo School of Government in the Philippines. G-Watch tracks public expenditures and monitors implementation of government programs in order to help agencies prevent corruption.**

In 2003, the Philippines Department of Education instituted an anti-corruption **Textbook Count Program** in collaboration with a number of civil society organizations, led by G-Watch. The CSOs worked with the department to monitor the procurement and supply of more than one million school textbooks each year.

Civil society's role in the Textbook Count Program has focused on monitoring the bidding process, the production of textbooks and their delivery. The process followed these steps:

### ***Monitoring the Bidding Process***

- The monitoring program began with the Department of Education's solicitation and assessment of bids.
- G-Watch observed all stages of the bidding process, including the pre-bid conference, the opening of tenders and the evaluation of their content, pre-award deliberations, and the issuance of contracts.
- Volunteers examined whether those submitting bids had complied with all bidding requirements, such as demonstrating that they met all financial and technical eligibility criteria.

### ***Inspection of Textbooks at Printing Presses & Warehouses***

- After the contracts were awarded to three private suppliers, the Department of Education set up a quality inspection team comprised of both department officials and civil society representatives.
- G-Watch helped the department organize a training seminar for team members, which covered such issues as the book production and printing process, typical defects that occur during printing and how to detect them, and how to inspect production plants.
- The team then visited each supplier's printing presses and warehouses during the printing, binding, and packing stages to check that the contract specifications were being met.
- Each inspection team was provided with a checklist of issues to verify (such as whether the books were properly bound) and was required to spot-check roughly 10 percent of the available stock.
- Vendors were informed of any deficiencies and required to take corrective action, which was subsequently verified in a follow-up visit.

### ***Monitoring the Delivery and Distribution of Textbooks***

- Nearly 6,000 volunteers from civil society groups joined in a massive, nationwide effort over the four months during which textbooks were delivered to 4,800 locations.
- The department sent G-Watch a list of the locations where textbooks would be delivered, the number to be delivered, and a delivery timetable.
- In return, G-Watch sent the department — as well as the suppliers — a list of the names of monitors who would be present at each delivery point.

- G-Watch helped prepare materials for volunteers, including: (1) a list of monitors' duties, (2) a blank report to be filled out after deliveries were made, (3) guidelines on the delivery and inspection process, and (4) an identity card.
- It also held orientation workshops with the department to familiarize participants with the delivery process and their duties as monitors.



G-Watch holds a meeting with school children

The Textbook Count Program has achieved some significant successes:

- *Bidding Process Became Competitive:* G-Watch estimates that the use of transparent and competitive practices cut the average unit price of a textbook in half, resulting in savings of approximately 68.5 million Philippines Pesos (US \$1.4 million).
- *Defective Books Were Identified and Replaced:* Inspections led to the repair or replacement of approximately 62,000 defective textbooks, worth approximately 3 million Philippines Pesos (US \$61,000).
- *Delivery of Textbooks to Schools Improved:* G-Watch estimates that before it began monitoring textbook deliveries, 40 percent of books due to schools were not delivered; this percentage has fallen significantly as a result of the Textbook Count Program, G-Watch believes.

The Textbook Count Program faced the following challenges:

- *Delays Due To Sub-Contracting of Deliveries:* A major cause of delivery delays was lack of communication between the vendors and the delivery agencies to which they had subcontracted the deliveries.
- *Inadequate Reporting of Poor Quality Textbooks:* Due to the sheer number of textbooks supplied, monitors could check only a sample for quality purposes. G-Watch and its partner organizations received many complaints that poor-quality textbooks had been supplied, but few of these complaints reached the Department of Education because school principals and teachers have yet to develop a culture in which they demand accountability from vendors.
- *Deliveries to Primary Schools Remain a Problem:* Only limited funding is available in the Department of Education to support the delivery of textbooks to rural schools — and this hampers the supply process.

## PUBLIC AFFAIRS CENTRE DEVELOPS CITIZEN REPORT CARDS IN INDIA

Inspired by the private sector practice in India of conducting client satisfaction surveys, a group of residents undertook a citizen report card exercise in 1993 to measure citizen satisfaction with public service providers. Subsequently, the group formed the Public Affairs Centre (PAC) to undertake additional surveys.

The report card exercise raises awareness of service providers' poor performance and compels them to take corrective action. The process of developing a citizen report card (CRC) can be divided into six phases, described below.

### **Phase One: Identification of Scope, Actors, and Purpose**

The first step is to clarify the scope of CRC evaluation by defining what type(s) of public services will be assessed and how the findings will be used. This should provide a basis for building a coalition of like-minded groups since the credibility of survey findings depends to some degree on the initial legitimacy of the group conducting the survey.

### **Phase Two: Questionnaire Design**

Focus group sessions are then held with service providers and service users to inform the questionnaire content. This helps to define the structure and size of the questionnaires. Once designed, questionnaires should be tested on focus groups.



Focus group discussion in a village in Tumkur

### **Phase 3: Sampling**

Prior to determining the survey sample size, attention should be paid to the geographic region(s) in which the survey will be launched. Attention should also be paid to the budget, time and organizational capacity, which can limit the survey size. Sample respondents need to be selected for the survey. In most CRC surveys, the most likely unit of analysis is the household.

### **Phase 4: Execution of Survey**

Survey personnel should have a good understanding of the purpose of the project and receive training before being sent to conduct the survey. To ensure that the survey's credibility is not compromised by inaccurate recording of household responses, it is useful to perform random spot monitoring of interviews.

### **Phase 5: Analyzing Data**

Once all the data have been consolidated, analysis can begin. Statistical tests should be run on the data to determine whether the survey results can be applied to the greater population and whether differences between sub-groups are statistically significant.

### **Phase 6: Dissemination**

Instead of using report card results to publicly embarrass service providers, first share the preliminary findings with them so they can respond. Any genuine explanations should then be noted in the final report and factored into the recommendations. The findings from the report card can then be presented at a press conference or similar event. It is often useful to bring together service providers and users after the report cards have been published, to give both parties a chance to discuss their reactions. The CRC report should present the survey results, draw conclusions from them, and recommend steps to fix any problems the survey identified. It should include both the positive and the negative results, and apart from exceptional cases, it should be a catalyst for change rather than a condemnation of service providers.

The CRC process has resulted in some important successes:

- Three agencies – Bangalore Telecom, the Electricity Board, and the Water and Sewerage Board – streamlined their bill collection systems after the 1999 survey.
- With PAC's assistance, the Bangalore Development Authority developed its own report card, which it used to obtain feedback from customers on corruption and to identify weaknesses in service delivery.
- The Bangalore City Corporation and the Bangalore Development Authority also initiated a joint forum of representatives from NGOs and public officials to identify solutions to high-priority problems.
- Two large public hospitals in the city that had received very poor rankings agreed to support an initiative designed by a non-governmental organization to set up "help desks" to assist patients and to train their staff to be more responsive to patients' needs.

The PAC has assisted groups in many other countries seeking to implement its methodology and has developed a list of issues that any group interested in conducting a report card survey should consider.

- *Requirement of a Strong Lead Institution:* The ultimate success of a CRC project depends in large part on the institution that leads it. It should also be experienced in conducting surveys and willing to work with multiple stakeholders drawn from throughout society.
- *Evaluation of the Socio-Political Context:* Governments must be able to respond to feedback in order for a CRC to produce meaningful changes. Citizens must not be too intimidated to respond to survey questions, and the safety of enumerators and respondents should be guaranteed.
- *Development of an Advocacy Strategy:* Advocacy efforts should always be directed to the level of government (local, state, or national) responsible for the service being assessed. Including some survey results that reflect favorably upon the service provider will help the provider feel more comfortable with the process.
- *Requirement of Technical Skills:* The group conducting the CRC survey may need technical assistance from outside groups on such issues as survey techniques, details of local service provision, and survey fieldwork.
- *Consideration of Cost:* The cost of a CRC survey will vary depending on factors such as the sample size, the number of personnel needed to conduct the survey and the level of training they will need, communication and information equipment needed (computers, phones, etc.), the cost of printing questionnaires, wages to be paid to interviewers and supervisors, any fees due to outside agencies to which certain tasks have been outsourced, and travel and dissemination costs.

## HAKIKAZI CATALYST USES PIMA CARDS IN TANZANIA

Formed in 2000, Hakikazi Catalyst is a Tanzanian economic and social justice advocacy organization that empowers marginalized people both to influence government decisions affecting their lives and to achieve their civil and political rights at the local, national, and international levels.

Hakikazi developed PIMA cards (pima means “measure” in Swahili) as a simple, flexible evaluation tool that enables communities to gather qualitative and quantitative information on inputs (what funds did the community receive?), outputs (how were the funds used?), and outcomes (how did the projects affect the community?) of government expenditures on poverty-reduction strategies.

Both local communities and district governments complete the PIMA cards to assess the quality of goods and services provided by the district government to local communities. Based on the results, the district government and local communities decide on the next steps to be taken to address communities’ priorities and to continue information-sharing in a systematic way. The PIMA card process involves eight steps:

**Step 1: District-Level Groundwork.** Hakikazi selects villages to participate in the exercise, based on relationships developed with them over time. District workshops are held to mobilize stakeholders, explain budget monitoring systems and the PIMA card process, and generate support for the process.

**Step 2: Skills Building.** Hakikazi organizes workshops to train individuals within a community (drawn from existing community-based organizations) who will lead the PIMA card process. They provide participants with skills to gather quantitative and qualitative budget information in communities, analyze government budgets and present their results to decision-makers and communities.

**Step 3: Community-Level Groundwork.** Next, Hakikazi convenes public debates in the participating communities on the government’s poverty reduction strategy. Following discussions in small groups, community members select two sectors they want to monitor, such as education, health, roads, agriculture, or water. Each community also selects seven to 15 people as a village monitoring committee, which will collect information on the selected priority areas using the PIMA cards.

**Step 4: Design of Village PIMA Cards.** These cards are designed to focus on the quality and quantity of expenditures at community level in the sectors under investigation.

ABSTRACT OF VILLAGE PIMA CARD

Agriculture and Markets					
B1	Extension Services				
	What types of extension advice were provided in your village last year and how satisfied are you with these services?				
		Not received	Poor	Satisfactory	Good
	Pest management				
	Improved seeds				
	Soil conservation				
	Farmers’ support association				
	Irrigation techniques				
	Crop processing (etc.)				

**Step 5: Design of District-Level PIMA Cards.** The district-level PIMA Card is called a district self-evaluation and is completed by a district-level government official. The questions in the self-evaluation card mirror the questions asked by the village monitors at the community level.

**Step 6: Information Collection with PIMA Cards.** Hakikazi and its facilitators start by training one village monitoring committee on how to collect data using the PIMA card, which is then tested in that committee’s community. The village monitoring committees then collect information on allocations received from the district and on expenditures at the community level through analysis of the village government’s bank statements, accounting records and receipts.

**Step 7: Analysis of Local Government Budgets.** Hakikazi analyzes district budgets to identify budget allocations for the sectors selected for monitoring. Hakikazi compares the results from its budget analysis with the results reported in the PIMA cards completed by the district officials (through the self-evaluation) and by the communities.

**Step 8: Analysis and Feedback.** A report with information from both the district and communities is drafted, peer-reviewed and shared with the communities and local government. The results of the PIMA card studies are shared at the community level (where the village government can act upon them), the district and regional levels (where practical decisions that favor poor people can be influenced), and the national level (where policymaking bodies can respond to them).



Budget information on display in Mkonoo village

Hakikazi has twice undertaken PIMA card studies and has already achieved some success in identifying problems in village development expenditures. For example, village monitoring committees and Hakikazi have brought misuse of funds to the attention of village, ward and district governments.

Hakikazi faces these challenges in implementing PIMA cards:

- In the absence of a national right to information law, access to information remains a major obstacle for Hakikazi and the local communities that implement the PIMA card process.
- Hakikazi has also found that variations in the standard of facilitation during the information collection process lead to variations in the completed PIMA cards.
- Analysis of district budgets has often been difficult and time-consuming due to their opaque and inconsistent presentation. It is also frequently questionable whether budget documents provide honest representations of what development activities are realistically possible, given the extreme financial constraints.

## FUNDAR EXAMINES HIV/AIDS FUNDS IN MEXICO

**Fundar Center for Research and Analysis, a Mexican non-governmental organization founded in 1999, has developed a unique role as a professional, research-based organization that participates in social justice debates through applied budget work.**

In 2002, Mexico's Chamber of Deputies (the lower house of Congress) approved an increase of 600 million pesos for national health programs. Subsequently, however, the president of the chamber's Budget Committee arbitrarily made changes to the chamber's approved budget. One of the changes was to shift 30 million pesos that had been allocated to purchase anti-retroviral drugs for an HIV/AIDS program to help fund ten Centers to Assist Women, which were managed by Provida, a right-wing non-governmental organization.

A number of civil society organizations, including Fundar and groups focusing on reproductive rights, women's health, gender budgeting and HIV/AIDS advocacy, formed a coalition to investigate these allegations. The process they followed is summarized below.

### **Accessing Information**

Fundar began by learning what information it would need to conduct the audit and then developing a strategy to obtain this information. Through Mexico's freedom of information law, the coalition was able to obtain approximately 6,800 pages of bills and invoices Provida had submitted to the Health Ministry to account for the 30 million pesos it spent, ostensibly to prevent abortions in cases of unwanted pregnancies.

### **Initiating an Audit**

Faced with the daunting task of analyzing such a large number of accounting records, Fundar turned to its in-house accountant. Fortunately, the methodology the accountant adopted is easy to replicate.

### **Scrutinizing Expenditures**

Fundar followed these five steps to scrutinize Provida's spending:

- **Step 1:** Fundar entered all 6,800 invoices into a computer spreadsheet. Data from the invoices were divided among five categories: a) Invoice number, b) Date, c) Description of expenditure, d) Expenditure amount, and e) Comments
- **Step 2:** Fundar then created a table summarizing all of the expenditures, organized by the ten expenditure categories Provida had used when estimating its costs. Fundar also calculated the share of Provida's total expenditures incurred in each expenditure category, which enabled Fundar to examine Provida's expenditure priorities.
- **Step 3:** Fundar categorized the expenditures into the four quarters of the year, which enabled them to examine Provida's spending patterns. Such patterns can often disclose information about the quality of spending.
- **Step 4:** Fundar then carefully scrutinized all 6,800 invoices for three "value-for-money" factors:
  - Economy** - Could the expenditure have been undertaken at less expense?
  - Efficiency** - Were maximum outputs achieved from minimum inputs? and
  - Effectiveness** - Did the expenditure deliver its intended results?

- **Step 5:** Fundar also looked for procedural irregularities and any evidence of falsification of bills and/or fraud. Any anomalies were recorded under the "comments" category.

### **Dissemination of findings**

Fundar consolidated its findings into a brief report that was discussed with other coalition members and subsequently distributed to the media.



This cartoon about the Provida case appeared in a Mexican newspaper. The text says: PENS AND THONGS... "By the way: I already need another 'donation' from a philanthropic organization..."

Fundar achieved the following successes with this campaign:

- The publicity received by the Provida case caused additional civil society organizations to join the coalition. In a short period of time, more than 1,000 diverse organizations from all over the country jointly submitted a memorandum to the government seeking an official investigation into the Provida case.
- Bowing to civil society pressure, the government instructed its internal controller to conduct an investigation, which corroborated the coalition's findings and identified other administrative irregularities. The controller recommended that Provida be fined 13 million pesos and required to return the funds it received.
- Mexico's supreme audit institution also conducted an audit of the Provida case and reconfirmed the controller's findings. The SAI demanded that Provida return the funds, pay the imposed penalty, and be barred from receiving public funds for 15 years.
- Finally, the Ministry of Health cancelled all further disbursements to Provida that had been planned for subsequent years.

Fundar also faced some challenges in its campaign, including the following:

- Fundar faced a daunting hurdle first in accessing information and then in deciphering 6,800 pages of financial records.
- Legal loopholes have helped Provida avoid paying its penalty, and the case is being adjudicated in court.
- Inadequacies in Mexico's judicial process have allowed the president of the Budget Committee, who was instrumental in getting Provida the government grant, to escape indictment.

## HAKIELIMU PUBLICIZES TRENDS IN AUDIT REPORTS IN TANZANIA

HakiElimu was founded in 2001 to help create and sustain a national movement for social and educational change by stimulating broad public engagement, information sharing, dialogue, membership development and networking throughout Tanzania.

HakiElimu began its involvement in audit reports by creating a set of leaflets that presented the findings of recent audit reports in an attractive and accessible manner and sharing them with the media, executive branch officials, legislators and civil society partners.

As a first step in its efforts to rank government agencies according to their performance in audit reports, HakiElimu used various sources to access data on audit opinions given by the Supreme Audit Institution (SAI) of Tanzania. The Tanzania Governance Noticeboard (TGN) was the primary source of data for the first set of leaflets, but HakiElimu also used individual audit reports for the different central government agencies and local government authorities (LGAs) as backup.

HakiElimu reported on the following four indicators that the TGN compiled for each central agency or LGA:

- The auditor's opinion;
- "Questioned revenues" (revenues about which the auditor is not satisfied that the correct procedures have been followed, or for which there is insufficient documentation);
- "Questioned expenditures"; and
- Questioned expenditures as a percentage of discretionary expenditures. This last indicator allowed HakiElimu to compare government entities with budgets of different sizes.

The most recently released audit reports were considered, as well as those of the previous two years.

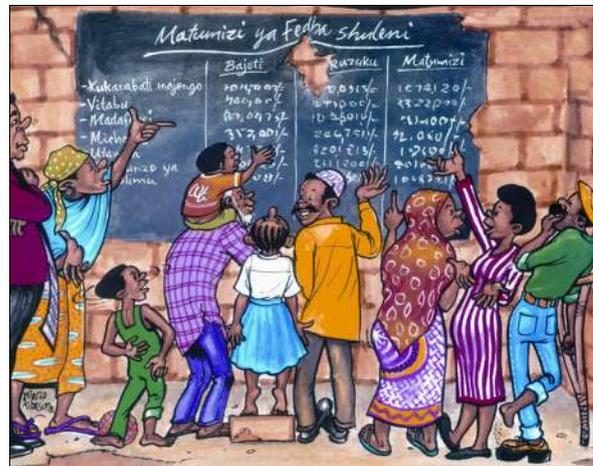
HakiElimu issued two different sets of leaflets, one for local governments and other for central agencies. Both were printed in English and Kiswahili. The leaflets took the form of posters that folded into A2-size leaflets. One side had a table that ranked the central agencies from best to worst. The other side provided background on the audit process in Tanzania, defined key terms and highlighted major trends.

ABSTRACT FROM A HAKIELIMU AUDIT LEAFLET

Audit Data for the Ten Best and Ten Worst-Performing Central Agencies in Tanzania (ranked in order of 2004/05 questioned expenditures)					
Vote	Name of Ministry	Questioned Expenditure (Thousands of Tshs.)	Questioned Expenditure as % of Discretionary Expenditure	Auditor's Opinion	Rank (Best to worst)
20	State House	0	0%	Clean	1
25	Prime Minister	0	0%	Clean	2
47	Ministry of Works	27,997,878	47%	Qualified	40
22	Treasury	29,386,850	6%	Qualified	41
52	Ministry of Health	32,445,474	23%	Qualified	42
56	Regional Admin. and Local Govt.	36,367,611	26%	Qualified	43

Rather than drawing many strong conclusions, the leaflets primarily asked questions and made comparisons to make the data easier to understand.

HakiElimu launched the leaflets at a public meeting for journalists, civil society representatives, and donors; journalists in attendance were encouraged to follow up with the chair of the Public Accounts Committee, which they did, resulting in more in-depth coverage.



A cartoon from one of HakiElimu's publications

HakiElimu's audit leaflets achieved the following successes:

- The leaflets were very well received and raised the public profile of government audit reports, generating significant coverage in both the English and Kiswahili media.
- After the release of these leaflets, Tanzania's president called a meeting of top government officials to discuss the audit reports, a truly unprecedented move in that country. While HakiElimu cannot take direct credit for this meeting, it seems clear that the audit leaflets created an environment in which leaders were forced to recognize audit reports after having let them languish on shelves in previous years.
- Also after the leaflet release, HakiElimu received a call from the controller and auditor general himself, saying he wanted to work with the organization on the second set of leaflets. His office subsequently provided HakiElimu with advance copies of the individual audit reports to help prepare the leaflets and distributed them at the Tanzania Accountability Conference, an event organized in collaboration with the World Bank.

HakiElimu has also faced a number of challenges in its work:

- The group had little familiarity with government audit systems and audit reports, for example, and had to invest resources in building its capacity in this area.
- The process of double-checking data to ensure accuracy was very time-consuming.
- HakiElimu found it difficult to obtain copies of the individual audit reports, even though they were technically public records. Despite multiple information requests, it was able to obtain these records only through another non-governmental organization.
- Finally, it should be noted that the Tanzanian controller and auditor general, like its counterparts in many other countries, primarily undertake financial audits, which do not focus on many of the value-for-money concerns that interest civil society. Organizations like HakiElimu may have to supplement the official audit results with separate studies that highlight other financial and performance management problems in government agencies.

## CONCERNED CITIZENS OF ABRA FOR GOOD GOVERNMENT AUDITS PUBLIC HIGHWAY EXPENDITURES IN THE PHILIPPINES

**CCAGG specializes in monitoring infrastructure projects within the Abra province of the Philippines and uses local monitors (volunteers drawn from the area) to verify that road and bridge construction projects are executed according to contract norms.**

CCAGG members have developed a distinctive technique for monitoring government projects.

### ***Broad and Varied Membership***

Members of CCAGG – primarily housewives, students, and out-of-school youth – observe road construction projects and report their findings to specialist colleagues, such as engineers and accountants who volunteer with, or are employed by, the organization. These staff members in turn conduct detailed investigations on project sites.

### ***Monitoring Kits***

During their site visits, monitors (CCAGG volunteers and staff) are equipped with their own kits – packed lunches, record books, measuring tapes, cameras, and voice recorders – to assist them in the monitoring process.

### ***Using legal provisions to ensure access to information***

The Philippines constitution and presidential orders contain a number of legal provisions that encourage non-governmental organizations to participate in governance. CCAGG uses these provisions to defend its right to monitor government projects and to access information from government agencies.

### ***Physical verification and document analysis***

CCAGG compares information in these documents against both the information obtained by the monitors from their physical inspection of project sites and the financial and accounting documents and other technical reports submitted by the contractor upon the project's completion. Investigations watch for evidence of corruption or poor performance, including the use of sub-standard materials in road construction projects or fraud in contracting procedures (such as rigged contracts).

### ***Monitoring reports***

At the end of the monitoring process, CCAGG members fill out a form that lists the following project details:

- The project's name
- The project's location
- Funding source
- Mode of implementation
- Implementing agency
- Inspection date
- Current status
- The monitors' findings and recommendations for action by government.

If the audit identifies problems with the project, this form is submitted to the relevant government officials along with specific demands for corrective action.

CCAGG has achieved some significant successes from its monitoring work, including the following:

- Recognizing the critical role CCAGG plays in preventing corruption as well as the expertise it has developed in monitoring public works projects, the National Commission on Audit (COA) – the SAI of the Philippines – entered into a partnership with CCAGG in 2001 to conduct participatory audit exercises in Abra province. Subsequently, CCAGG staff worked with COA officials to audit road repair projects undertaken in Abra province.
- The head of the COA, to whom the results of the participatory audits were submitted, described the results of the exercise as “very focused and efficient”
- The COA also incorporated the lessons from the audit process into its manual on the Conduct of Participatory Audits (COA 2002).



CCAGG monitors conducting a physical verification of a building project

The COA-CCAGG participatory audit illustrated many of the challenges facing civil society groups and audit institutions that wish to collaborate.

- The participatory audit caused some tensions between CCAGG and COA personnel. COA staff objected to CCAGG demands that they discuss preliminary audit findings with community members, arguing that the audit findings should not be disclosed until they were finalized. In response, CCAGG staff argued that (unlike the COA) they were used to involving citizens at all stages of their investigations.
- Even though the audit exercise was declared a success by all participating organizations, it was discontinued after a change in the COA administration. The new COA commissioner had other priorities and ended the project. This raises serious questions regarding the sustainability of participatory audits if they can be eliminated as the result of a change in administration.
- Finally, a UNDP report suggested that the new COA commissioner was very concerned that the introduction of civil society organizations into the formal audit process might harm “client confidentiality.” When deciding on the viability of a participatory audit process, the government should measure the obvious advantages of including partners from civil society organizations against traditional privacy concerns.

## PUBLIC SERVICE ACCOUNTABILITY MONITOR ASSESSES OVERSIGHT IN SOUTH AFRICA

**PSAM is a research institute in South Africa that works to build African institutions and ensure government accountability regarding socio-economic rights and the effective use of public resources.**

As part of its work, PSAM writes **Accountability to Oversight Reports**, which provide an analysis of the accountability of certain government departments to the supreme audit institution and the legislature. These reports analyze any problems identified by the SAI and the legislative committees regarding the department's performance, the department's response to these oversight agencies, and the effectiveness of the oversight conducted by the oversight agencies (based on the department's compliance with the agencies' recommendations).

PSAM uses a standard template to analyze whether oversight entities have effectively held departments accountable for their expenditures and their overall management. The template consists of a single table, but PSAM encourages researchers to create additional graphs and diagrams to illustrate a particular point, if needed.

DEPARTMENT OF [NAME OF DEPARTMENT] AUDITOR-GENERAL'S OPINIONS, [PREVIOUS FINANCIAL YEAR - FINANCIAL YEAR UNDER REVIEW]

Financial Year	Audit Opinion
[financial year-3]	[Audit Opinion]
[financial year-2]	[Audit Opinion]
[financial year-1]	[Audit Opinion]
[financial year under review]	[Audit Opinion]

The table provides information for the department's four most recent financial years, including the financial year under review. The information for the table is taken from audit opinions presented in SAI reports on the department.

To develop the narrative analysis that accompanies the table, PSAM consults reports issued by the SAI, the legislative audit committee and the legislative committee with oversight responsibility over the department, as well as the department's response to these findings.

When reading these reports, PSAM considers questions like:

- What are the legislative requirements governing the roles and responsibilities of the SAI, the legislative audit committee, and the committee responsible for legislative oversight – as well as the roles and responsibilities of the department under review?
- Did the department submit its annual report within the required time frame? If, not, what does this imply about the department's responsiveness to oversight?
- How many of the issues that the SAI/legislative audit committee/legislative oversight committee raised about the department were also raised in previous years? What does this indicate about the department's ability and/or willingness to address those issues?
- How many of those issues constitute public breaches of financial management legislation? How many of them could weaken the department's accountability and service delivery systems?
- Did the department, in its annual report, provide explanations for those issues?

PSAM has produced many reports analyzing the oversight and accountability of six departments in the Eastern Cape Province. It has achieved encouraging results in the province:

- Between 1996 and 1999 (the year PSAM was formed), audit disclaimers were issued to 12 of the province's 13 major public agencies. In response, PSAM began actively publicizing this state of affairs.
- Expanded publicity surrounding PSAM's documentation of widespread corruption and mismanagement of funds helped persuade the South African cabinet to appoint an interim management team (IMT) in 2003 to improve financial management within the province.
- As a result, in 2005 audit disclaimers were issued for expenditures that comprised only 54 percent of the total provincial budget - a drastic reduction from 2002, when disclaimers were issued for more than 90 % of the budget.

Unfortunately, the improvement cited above proved to be short-lived. In 2006, the auditor-general issued disclaimers for expenditures comprising 88 percent of the provincial budget. PSAM suggests that the problem may result in part from the re-emergence of poor financial management practices after the departure of IMT personnel.

PSAM also faces a number of challenges in monitoring expenditure and performance management:

- The organization does not always have access to budget data, such as detailed monthly financial and quarterly performance reports.
- In some instances, PSAM has been forced to file lawsuits to obtain information from government agencies. In others, it has been unable to obtain needed information because agencies simply have not maintained records.



- Another challenge for PSAM has been its relationship with the provincial legislature. Given PSAM's focus on corruption and misconduct, it is perceived as having an adversarial relationship with the legislature (which is upset with the negative publicity it receives from PSAM's reports). In some instances, PSAM has struggled to obtain access to legislative forums such as standing committee meetings, at which it can present its findings.
- Maintaining the needed analytic capacity presents a further challenge for PSAM. New researchers entering the program must familiarize themselves with the significant knowledge base amassed through the systematic, multi-year monitoring of government agencies. It can take up to a year of training and application before new researchers acquire the unique skill set needed to fully implement PSAM's monitoring methodology.