UPHOLDING COMMITMENTS

HOW SUPREME AUDIT INSTITUTIONS CAN STRENGTHEN BUDGET CREDIBILITY THROUGH THEIR AUDITS
OVERVIEW

Presenting the policy brief

1. Rationale and purpose
2. Methodology
3. Overall findings
4. Challenges
5. Opportunities going forward
Understand how SAIs have covered budget credibility issues in their audits

- Address a gap in public finance literature
- Inform the development of handbook on this topic
RESEARCH METHODOLOGY

1. Take stock of how audits address budget credibility issues

   → Non-systematic review

   - Review of audit reports from 20 SAIS across regions
   - Survey of 40 SAIS across regions

   → 80 audit reports and 27 responses to survey

   → Analysis

     - Identify audited issues that relate to credibility
     - Gaps and Challenges
     - Entry points to leverage audits
OVERALL FINDINGS

1. SAIs are aware of budget credibility problems

2. The term “credibility” is not common in audits

3. Limited analysis of the causes of overruns/under-spending and of their impact

4. However, SAIs examine multiple issues related to budget credibility
   … yet not in a systematic comprehensive way (particularly at aggregate level)

5. Credibility issues are examined through different types of audits
BUDGET CREDIBILITY CUTS ACROSS TYPES OF AUDITS

Types of audit reports (number)

- Financial: 20
- Performance: 29
- Other: 15
- Financial + Compliance: 6
- Financial + Performance: 5
- Compliance: 3
- Compliance + Performance: 2
MAPPING SOME AUDITED ISSUES
AUDITS EXAMINE MULTIPLE ISSUES RELATED TO CREDIBILITY

Budget governance framework:
- budgetary policy
- debt management
- mandatory spending cuts

Budget planning and preparation:
- economic modeling (forecasting)
- revenue estimation
- planning processes (ceilings, priorities, etc.)

Budget approval:
- legislative amendments (when applicable)
- circumventing legislative approval

Budget execution:
- mgmt capacity
- procedures
- documentation
- cost estimation
- timing of spending
- performance information

Budget control and oversight:
- rule compliance
- internal controls
- reporting to Parliament
CHALLENGES AND OPPORTUNITIES
CHALLENGES

- Varying capacities, skills, resources, and experience
- Degrees of access to budget information
- Executive leadership may inhibit SAI’s work
- Combining information and evidence from different audits
- Discerning the effects on performance
- Entire accountability system matters
OPPORTUNITIES GOING FORWARD

Awareness
- What is meant by budget credibility - what makes a budget non-credible from an audit perspective - and its importance.
- How audits can contribute to assess credibility issues.

Capabilities
- Identify capacity needs and gaps to perform budget oversight functions.
- Identify new skills needed for improving budget evaluations, going beyond oversight.
- Identify and share experiences across SAIs.

Approaches and methods
- Explicitly link issues routinely examined and credibility.
- Credibility assessments at aggregate level.
- Analysis of effects on services, programmes and impact on performance.
- Contributing factors and causes, including wider trends and issues related to cross-cutting functions.

Impact
- Refine recommendations to make them more granular and impactful.
- Improve communication of findings
- Help raise awareness of other accountability actors to leverage budget credibility information.
ARÁNZAZU GUILLÁN MONTERO

Division for Public Institutions and Digital Government
DPIDG/UNDESA

guillanmontero@un.org