



How can external audits promote budget credibility? Leveraging the role of supreme audit institutions

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Hello everyone. Did you know that on average almost 30 percent of the budgets for the purchase of vaccines in 22 largely low-income countries were not spent over a multi-year period even as those countries were suffering from a shortage of life-saving vaccines for thousands of children? These and many other such facts on government spending patterns have been uncovered by our work on assessing the credibility of national government budgets.

Government budgets matter to people, especially those most in need of assistance. In fact, some people consider budgets to be moral documents that lay out the roadmap by which government intends to support society. As Claire mentioned in her opening remarks, budgets are “credible” when governments collect and spend funds according to their approved budgets. There are several reasons why it is important that budgets be credible. One, underspending can impact the provision of essential services. Two, persistent deviations in budgets reflect poor financial practices, and sometimes symptomize mismanagement and corruption. And, three, governments’ repeated failure to collect and spend funds according to approved budgets often feeds into an ongoing narrative that governments cannot be trusted. They say one thing but do another.

Last year, we launched a three-year initiative to expand understanding and raise awareness of the effects of lack of budget credibility and promote reforms to address key causes of deviations from budgets. The project builds on a pilot phase of work that IBP, with UNDESA’s engagement, undertook in 2018 and 2019 to understand the extent and causes of lack of budget credibility in countries.

Given their mandates and essential roles auditing government finances, supreme audit institutions are uniquely placed to assess budget deviations and the consequences of such deviations. The literature on public finance management is very sparse on how auditors have contributed to understanding and assessing budget credibility. This is why UNDESA and IBP developed a report that uses examples of audits issued by 20 SAIs from around the world to assess how SAIs have—and have not—covered budget credibility issues in their audits. You will hear from Arantxa, the lead author of the report next.

Over the past year, we have discussed the topic of budget credibility with audit officials from several countries. One concrete feedback that we have already received from auditors is that there would be a value in sharing audit practices being followed by some SAIs who are already assessing budget credibility more widely among the audit community. This is why we organized today's event to hear from various auditors on their practices in assessing budget credibility.

We are also planning to synthesize audit practices in a handbook that can be used by SAIs in conducting analyses of the credibility of government budgets through external audits. The handbook would expose to auditors how their work can inform analyses of budget credibility; illustrate how audit work already conducted by SAIs across the world provides insight on budget credibility; outline key steps that SAIs can contemplate when aiming to assess and address budget credibility; and share case studies on audit practices in this regard.

The production of the handbook will be done in a consultative way. Building on today's discussion, we will convene an expert meeting with interested SAIs to define the scope and content of the handbook in May. We hope that some of you will join us at that meeting. We plan to keep you informed and engaged throughout the production of the handbook.

Once again, many thanks for joining today's discussion. We greatly appreciate the opportunity of hearing your views on this important agenda.