

REGIONAL PUBLIC EXPENDITURE MANAGEMENT CONFERENCE

**Trinidad Hilton, Port of Spain
2003 February 14-15**

ACCOUNTABILITY AND AUDIT

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2003 February

ACCOUNTABILITY AND AUDIT

Accountability has been defined as an obligation to answer for a responsibility that has been conferred. Since the obligation “to answer” is as a result of a responsibility ‘conferred’, it is not unusual that accountability is linked with the obligation of leaders, governments and corporate managers “to answer” for their actions done on behalf of those who selected, elected or appointed them.

2. In 1993 March 29, in an address to the Institute of Internal Auditors entitled “Accountability: More Vital Than Ever”, Mr. Charles A. Bowsher, the then Comptroller General of the United States General Accounting Office (GAO) defined Accountability “...as that mechanism by which citizens maintain trust in the system of government.” He said:

“Whether it’s business or government we’re talking about, accountability is essential because it enforces standards of responsible leadership. Responsible leadership creates public trust. And the public’s trust is crucial to any business or government enterprise that wants to survive and flourish...Citizens are shareholders in their government and have a stake

in holding their elected officials accountable for the way they govern.”

3. He continued – *“I hope that here in government, our leaders will not forget just how crucial and how visible the issue of accountability has become. The tone at the top will determine whether or not we sustain and build upon the initiatives already begun...To an immeasurable but nonetheless real extent, continuing public confidence in national institutions will depend on the assurance the public has that the country is indeed getting value for the money that taxpayers are providing, that delegated power is not abused and that power is directed towards the achievement of broadly accepted national goals ...The principle of accountability must be firmly and clearly established. If governments are to be truly responsible, legislation must hold them accountable for their management of the public purse.”*

4. These remarks made by Mr. Bowsher in 1993 in respect of Accountability in the United States of America, are equally true in respect of Accountability here in this country of Trinidad and

Tobago, here in the Caribbean region and out there in any other country or region worldwide.

5. In 1993 August then Minister of Finance Mr. Wendell Mottley addressed the Integrity Commission on the occasion of an Integrity Symposium held during the period 1993 September 1 – 3. This is what the then Minister of Finance said, inter alia:

“Public confidence in Government’s integrity and accountability in public affairs is of paramount importance in a democracy. Legitimate government in the eyes of the public is Government that displays expertise, entrepreneurship and stewardship. ...if there is accountability in public affairs, the public’s expectation that Government will operate with due regard for economy, efficiency and effectiveness can be realised. While integrity in public affairs is distinct from accountability, it can be said that if Government operates in an environment which demands accountability, there will be little room for integrity standards to slip. The objective of checks and balances which ensure accountability, is to achieve standards of conduct in public life which will not vary according to

each individual's concept of ethics and morality...In our political system, a Government is accountable to the electorate directly and indirectly through Parliament, for its decisions, actions and performance.”

6. The Minister went on to identify some of the means by which the Executive of Trinidad and Tobago ensures certain aspects of accountability as follows:

- i) The Public Accounts Committees; Two(2) Committees are created by the Constitution – The Public Accounts Committee and the Public Accounts (Enterprises) Committee;
- ii) Other Committees like the National Security Committee;
- iii) The system of Parliamentary “Question and Answer” which allows the people via their representatives to ask Ministers “questions”. Ministers are required to respond promptly within a stated time limit and provide information which is true.

- iv) Freedom of Speech by members of Parliament within the Parliament Chambers, also known as Parliamentary Privilege, whereby Members of Parliament can speak freely without fear of civil or criminal prosecution.

- v) Freedom of the Press – Freedom of the Press is guaranteed in the Constitution.

- vi) The Trinidad and Tobago legal framework re financial matters - The Constitution, the Exchequer and Audit Act Chapter 69:01, the Financial Regulations. These are supported by the Financial Instructions, the Stores Instructions and Ministry of Finance and Comptroller of Accounts Circulars issued from time to time. These provide, inter alia, the legislative authority for the raising and collection of revenue and the financial accounting procedures to be followed in respect of expenditure. The Constitution also provides for an independent audit by the office of Auditor General.

7. The Minister stated in this 1993 address that Government had given and I quote “...a commitment to initiate changes in

existing procedures in Government which will result in greater accountability.” End of quote. One example is the move toward public sector reform, which will, among other things, require a greater measure of administrative responsibility and accountability to the public.

The Accountability Cycle in Trinidad and Tobago

8. In Trinidad and Tobago, the accountability cycle begins with the laying of Annual Estimates of Revenue and Expenditure in Parliament. The Estimates contain in detail the amounts expected to be raised as revenue and the amounts to be spent on all governmental activities from the revenue raised.

9. This is followed by the Budget Speech or the Budget presentation by the Minister of Finance. This presentation known as the ‘Budget Speech’ outlines Government’s general financial plans for the following fiscal year, i.e. recurrent expenditure, development programmes, PSIP projects etc.

10. Following the Budget Debate is the passing of the Appropriation Act, the Provisional Collection of Taxes Order and the Finance Act. Accordingly, the Minister of Finance releases

funds to Ministries and Departments after credits on the Exchequer Account have been granted by the Auditor General. These funds are to be spent, as voted by Parliament, for the “service” of Trinidad and Tobago. Accounting Officers must be guided by the Exchequer and Audit Act, the Financial Regulations and directives issued from time to time by the Treasury, i.e. the Minister of Finance.

11. Four(4) months after the end of each financial year i.e. currently January 31st, the Exchequer and Audit Act Chapter 69:01 requires the Treasury to submit Treasury Statements, each Accounting Officer to submit an Appropriation Account, each Receiver of Revenue to submit a Statement of Receipts and Disbursements and each Administering Officer to submit Statements of the Funds administered. The Auditor General is then required to examine the Treasury Statements, the Appropriation Accounts, Statements of Receipts and Disbursements, and Statements of Administering Officers and report to Parliament on such examination within seven months of the end of the financial year i.e. on or before April 30.

12. The Report of the Auditor General and the attached Financial Statements after being laid in Parliament are referred to

the Public Accounts Committee for scrutiny and the examination of the stewardship of the Treasury, Accounting Officers, Receivers of Revenue and Administering Officers. The Public Accounts Committee reports to Parliament on its examinations and recommendations. Treasury Minutes direct accounting officers of corrective action to be taken. This in a nutshell is the accountability process.

Accountability and Internal Control

13. Intrinsic to the Accountability process is a system of internal control. Intrinsic to a proper and effective system of internal control is an Internal Audit Function. The Internal Audit function plays a significant monitoring role.

14. The Institute of Internal Auditors in its "***Standards for the Professional Practice of Internal Auditing***" defines Internal Auditing as follows:-

"Internal Auditing is an independent appraisal function established within an organisation to examine and evaluate its activities as a service to the organisation.

The objective of internal auditing is to assist members of

the organisation in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed."

15. When we look at the definition of Internal Auditing, viz:

"...an independent appraisal function established within an organisation to examine and evaluate its activities as a service to the organisation."

we see a clear indication that it is a review of all the activities of an organisation. In practice, therefore, the scope of Internal Audit is limited only by management, inadequate resources and skills.

16. Internal Auditing is undertaken within an organisation by the organisation's employees. It is the responsibility of top management to ensure that, as far as possible, the Internal Audit function is free from restrictions that could limit its scope. It cannot be over emphasized that Internal Auditing is applicable to all activities of the organisation and must not be confined to the financial transactions. In the final analysis, Internal Auditing provides assistance to the organisation by its fact-finding

function, its judgmental evaluation followed by recommendations and follow-up action.

17. The Internal Auditor can also assist line management by assuring them that adequate financial and management controls have been established and implemented and are operating effectively. Or, if not, inform them of weaknesses in the system and recommend remedial action, where necessary.

18. It is mandatory, therefore, that the Internal Auditor be responsible only to senior management, preferably the Permanent Secretary, Head of Department or the Chief Executive Officer of a Statutory Body. This is necessary in order that the independence of the Internal Auditor be preserved and that in no way will he be influenced by the personnel subject to his audit..

**INTERNAL AUDIT FUNCTION IN THE
PUBLIC SERVICE OF TRINIDAD AND TOBAGO**

19. In Trinidad and Tobago, the Financial Regulations made under section 45(l) of the Exchequer and Audit Act Chapter 69:01 provide for the Internal Audit function within the Public Service of Trinidad and Tobago as follows:

Regulation 13(4) "Each accounting unit shall have.....
an independent internal audit section."

20. The Auditor General of Trinidad and Tobago, in the annual examination of the Public Accounts over the years has found that the Internal Audit function in the Public Service has been misunderstood, misused, abused or simply ignored. A Report of the Auditor General on a Comprehensive Audit of the Internal Audit Function in the Public Service of Trinidad and Tobago was laid in the Senate on April 14, 1987 and in the House of Representatives on April 24, 1987.

21. While the Report underscored the fact that serious weaknesses existed within the function of Internal Audit, to date there has not been much movement towards improvement in the Internal Audit function to any appreciable extent. At this point in time there is not sufficient evidence that the internal audit function is significantly better recognized and utilized as a significant management tool. It is hoped that this present reform of the Financial Management System of the Public Service in Trinidad and Tobago, being undertaken by the Ministry of Finance would establish the function of Internal Audit in its correct place and provide adequate resources including suitably trained and qualified persons.

AUDIT COMMITTEES

22. A significant development is the use of Audit Committees as a support function. In many cases, the Internal Auditor has a reporting and advisory role within the Audit Committee.

23. An Audit Committee acts as an advisory body to the Board and/or senior management on issues relating to internal and external audit, and on financial and other accountability responsibilities. An Audit Committee complements the relationship between Internal Audit, Chief Executive Officer and Board, thus further safeguarding the independence of the Internal Audit.

24. Audit Committees also oversee Internal Audit's activity and thus help to increase the effectiveness and value to the organisation of the Internal Audit. Audit Committees are widely used in the private sector where they serve the interests of shareholders through their Board of Directors.

25. In the public sector, Audit Committees are a recent development, but their very presence reflects an increasing emphasis on accountability and financial performance.

26. It is recommended that in Government Ministries and Departments, Audit Committees be introduced. Suitably experienced and qualified persons from outside the Ministry or Department as well as retired senior public servants and other persons of integrity with the relevant background can make invaluable contributions as members of these Committees.

EXTERNAL AUDIT

27. The external auditor, an external party, contributes to the achievement of an entity's objectives by bringing an independent and objective view. The external auditor contributes directly by means of the compliance and attest audit, the financial statement audit, Value for Money, Comprehensive and Performance Audits and indirectly by providing information useful to the management, to the Board of Directors and to the Shareholders/Stakeholders.

28. The Audit Practices Committee of the United Kingdom has defined an audit as:

"...the independent examination of, and the expression of an opinion on, the financial

***statements of an enterprise by an appointed
auditor in pursuance of that appointment."***

29. Here in Trinidad and Tobago the appointed Auditor of the public accounts is the Auditor General which Office was created in accordance with section 116(l) of the Constitution, viz:

116(1) "There shall be an Auditor General
for Trinidad and Tobago..."

30. The Auditor General is required to examine and report in accordance with the Constitution of the Republic of Trinidad and Tobago Chapter 1:01 and the Exchequer and Audit Act, Chapter 69:01.

- S.116(2) reads - "The public accounts of Trinidad and Tobago and of all officers, courts and authorities of Trinidad and Tobago shall be audited and reported on annually by the Auditor General..."
- S.116(3) - "The Auditor General is hereby empowered to carry out audits of the accounts, balance sheets and other financial statements of all enterprises that

are owned or controlled by or on behalf of the State.”

- S.116(4) - “The Auditor General shall submit his reports annually to the Speaker, the President of the Senate and the Minister of Finance.”

31. In addition, the enabling Act of certain Statutory Bodies may make provision for audit by the Auditor General. Further, section 31(1) of the Exchequer and Audit Act, Chapter 69:01 makes provision for the audit of Statutory Bodies by the Auditor General if Parliament by resolution so directs, viz.

Chapter 69:01 – S.31(1) - “Notwithstanding anything to the contrary contained in any other written law, the accounts of any statutory body shall be audited by the Auditor General, if Parliament by resolution so directs.

32. Based on the above, the Auditor General has the legal responsibility to audit:

- the public accounts of Trinidad and Tobago;
- State Enterprises; and
- the accounts of certain statutory bodies.

INDEPENDENCE OF THE AUDITOR GENERAL

33. It is a fundamental requirement that the Auditor General **should be, and be seen to be**, independent, since otherwise the authority of his opinion and its value to those who seek to place reliance on it would be eroded. The Constitution of Trinidad and Tobago makes provision for the independence of the Auditor General in section 116(6) as follows:

S116(6) ***"In the exercise of his functions under this Constitution the Auditor General shall not be subject to the direction or control of any other person or authority."***

34. The complete independence of the Auditor General is a vital factor lending itself towards Greater Accountability. It should also be noted that the international financial institutions e.g. the IDB, UNDP and World Bank place great score on the independence of the national auditor as evidenced by the relevant stipulations in their loan contracts.

Auditing Fora

35. Periodically Auditors General come together at international fora such as the International Congress of Supreme Audit Institutions, the Conference of Commonwealth Auditors General and the International Conference on New Developments in Government Financial Management. In addition, Audit Offices throughout the world are members of the International Organization of Supreme Audit Institutions (INTOSAI). The existence of these 'meeting places' reinforces the commitment of Auditors General around the world to their responsibilities.

36 In addition, training and development opportunities are provided by the more developed National Audit Offices to the other Audit Offices, particularly those in the developing world. The Office of Auditor General of Trinidad and Tobago benefits from these opportunities which allow the Department to be better able to appreciate the current changes in the accounting and auditing professions and to take action to be better skilled. This will enhance the work of the Department and ultimately contribute to and promote greater accountability.

THE PUBLIC ACCOUNTS COMMITTEE

37. The Public Accounts Committee is historically a Committee of the Parliament and is one of the main links in the chain of public accountability, the others being Parliament itself, the Treasury and the Office of Auditor General. In the Commonwealth, the genesis of the Public Accounts Committee can be found in the appointment of such a Committee in the United Kingdom on April 8, 1861.

38. Provision for the existence of a Public Accounts Committee may be explicitly laid down in law as is the case in Trinidad and Tobago. More often, however, it is the Standing Orders of the Parliament which provide for its operations, function and conduct.

Evolution of the Public Accounts Committee in Trinidad and Tobago

39. Here in Trinidad and Tobago the need for a Public Accounts Committee was recognised by the Secretary of State for the Colonies in 1957 when commenting on Financial Devolution in the West Indies. He stated:

"...such a Committee has a vital part to play in safeguarding the interests of the legislature in the proper expenditure of public funds."

40. On 1960 April 15, a Public Accounts Committee was first appointed by the Speaker of the Legislative Council of Trinidad and Tobago.

41. The present Constitution of Trinidad and Tobago makes provision for two Public Accounts Committees, viz.

- the Public Accounts Committee (Section 119(4)), and
- the Public Accounts (Enterprises) Committee (Section 119(5)).

42. It is before such Committees that those accountable i.e. Accounting Officers, must explain their stewardship and give explanations for their actions on issues raised in the Auditor General's Report.

Role And Function of the Public Accounts Committee

43. Created by section 119(4) of the Constitution, the Public Accounts Committee of Trinidad and Tobago is mandated to consider and report to the House of Representatives on:-

- "a) appropriation accounts of monies expended out of sums granted by Parliament to meet the public expenditure of Trinidad and Tobago
- b) such other accounts as may be referred to the Committee by the House of Representatives or as are authorised or required to be considered by the Committee under any other enactment, and,
- c) the report of the Auditor General on any such accounts."

THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE (PA(E)C)

44. The Public Accounts (Enterprises) Committee (PA(E)C) is charged with the responsibility of considering and reporting to the House of Representatives on:

- "a) the audited accounts, balance sheets and other financial statements of all enterprises

that are owned or controlled by or on behalf
of the State; and

- b) the Auditor General's report on any such
accounts, balance sheets and other
financial statements".

Unifying role of the PAC

45. The Public Accounts Committee as an instrument vital to accountability, brings together the Accounting Officer, the Treasury – Ministry of Finance, the Auditor General and Parliament in an exercise geared to ascertain that public revenue due, has been raised and collected and that public money has been spent in accordance with the dictates of Parliament and the relevant legislation and financial directives to the service of Trinidad and Tobago.

46. While in practice the PAC is comprised of members of different political parties, it is important that political affiliations be subjugated at Committee meetings. To be effective, the PAC must maintain an objective, non partisan and “what is best for my country” approach to its work. It should also conduct its affairs in accordance with current trends and practices applicable to Public Accounts Committees.

REPORTS OF THE AUDITOR GENERAL

47. In accordance with section 116(4) of the Constitution of the Republic of Trinidad and Tobago, the Auditor General reports to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance. The Speaker is required to lay the Report in the House of Representatives and the President of the Senate is required to lay the Report in the Senate.

48. The process of laying of the Reports in Parliament via the House of Representatives and the Senate makes the documents public documents.

49. The Reports are at this stage made available by Parliament to the media. Provision is not included in the Constitution for the Auditor General to directly interact with the media concerning dissemination of the Reports. One hundred and twenty-three(123) copies of each Report are submitted to Parliament as required by the Parliament.

Role of the Media

50. The role of the media in the accountability process is recognised as meaningful. Dissemination of information to the public by the media

contributes to accountability in public affairs. Journalists in a society can provide a regular open conduit of information from government to the people. The public will then be able to judge the performance of the Executive and to decide whether their policies and programmes encourage public confidence.

51. Ladies and Gentlemen, we have the legislation, the systems, the procedures, the methodologies, the checks and balances. We may even have Integrity Legislation. What is vital and at times deficient, is the standard of conduct in public life which will allow individuals at all levels, to operate within the set accountability parameters.

CAROSAI

52. Ladies and Gentlemen, I must take this opportunity to tell you of an Institution whose motto is “Towards Greater Accountability”. This body is called the Caribbean Organisation of Supreme Audit Institutions – CAROSAI.

53. I trust that you have heard of this body as its members are the regional National Audit Offices by whatever name.

54. CAROSAI was inaugurated on 1988 August 07 right here in this Hotel in Trinidad. At present the membership stands at twenty-one(21). The Secretariat of CAROSAI is in the Auditor General's Office of Trinidad and Tobago. Allow me to read the preamble of CAROSAI's Charter for you.

- WHEREAS it is recognised that there is need for a regional organisation of Supreme Audit Institutions which would promote understanding and co-operation among Supreme Audit Institutions in the region;
- WHEREAS there is growing awareness of the need to fortify and strengthen the respective Supreme Audit Institutions within the Caribbean region through training and continuing education; the exchange of audit techniques and audit programmes, standards and criteria for Public Sector Accounting;
- WHEREAS it is recognised that the role of the public sector audit is to enhance public accountability, and

- WHEREAS the above aspirations can be effectively realised by the establishment of a regional organisation of Supreme Audit Institutions;

NOW THEREFORE, be it accepted that there shall be established a regional organisation of Supreme Audit Institutions, hereinafter called the Caribbean Organisation of Supreme Audit Institutions (CAROSAI).

55. I should also tell you that the Charter signatories were:

- Hazel Spencer, for Director of Audit of Antigua and Barbuda;
- Franklyn Kemp, Acting Auditor General of the Bahamas;
- Adrian P. Strachan, Auditor General of Jamaica;
- Lincoln Thomas, Auditor General of Barbados;
- Wendell Lawrence, Director of Audit of the Federation of St Kitts and Nevis;
- Emma Hippolyte, Director of Audit of St Lucia;
- Frederick Providence, Director of Audit of St Vincent and the Grenadines;
- Alton A. Campbell, Auditor General of the Republic of Trinidad and Tobago

56. Ladies and gentlemen, if you are in a position to help CAROSAI see it also as a contribution towards Greater Accountability. I strongly recommend that the Accountants General of the region strive to form a suitable forum of their own.

Conclusion

57. In conclusion, let me emphasize that Accountability is key to good governance. As pointed out by a former Minister of Finance in 1993, if leaders in public life operate in an environment which demands accountability, there will be little room for integrity standards to slip. Checks and balances will ensure accountability and Government will operate with due regard to economy, efficiency and effectiveness. An obligation to answer for a responsibility conferred means in common parlance that **“Accountability is Answerability”**.

58. Ladies and gentlemen, thank you!