Overview of Budgetary Cycle

Port of Spain, Trinidad and Tobago
5 February, 2014
9:30 – 10:30
Roles of Legislatures and Legislative Committees

- **Pass Legislation**
  - Brief overview of legislative process
  - Legislative committees

- **Budget Approval**
  - Estimates process
  - Finance committees
  - Rejection of budget by legislature is a confidence matter

- **Budget Oversight**
  - Principally through the PAC
  - Review Auditor General’s regularity and value-for-money audit reports
“Parliamentary control of the public purse is fundamental to responsible government. Granting government the authority to spend is one of Parliament’s principal functions, founded on two basic principles:

– The government may not raise money through taxation without Parliament’s approval
– The government may not spend money except for purposes authorized by Parliament”

Budget Cycle in the Westminster System

1. **Budget Formulation:** The executive formulates the draft budget.

2. **Budget Approval:** The legislature reviews and amends the budget – and then enacts it into law.

3. **Budget Execution:** The executive collects revenue and spends money as per the allocations made in the budget law.

4. **Budget Oversight:** The budget accounts are audited and audit findings are reviewed by the legislature, which requires action to be taken by the executive to correct audit findings.

Key Budget Documents:
- Audit reports;
- Legislative Audit Committee reports;
- Executive’s budget proposal;
- Supporting budget reports;
- In-year reports;
- Mid-year report;
- Year-end reports;
- Supplementary budgets;
- Budget law;
- Reports of legislative budget committees.

Source: http://www.internationalbudget.org/resources/expenditure/Chart2.bmp
Legislatures in parliamentary systems play a less significant role in budget formulation and examination than those in presidential systems*

This is owed in part to the fact that:

- Government formulates budget
- Defeat of budget is a confidence vote—reduces incentives to amend budgetary estimates

*See citation, slide 11
“Spending information in the estimates tends to be highly aggregated into overall amounts, so the level of detail sought by parliamentarians about particular programs is often not available” **

Performance information/annual business plan not available to support questioning

Process can become politicized (i.e. embarrass the minister vs. effective scrutiny)

Absence of staff support to help legislatures interpret the estimates

“The estimates arrive in a binder the size of a Manhattan phone book and in a format that is almost impossible to understand by anyone other than a forensic accountant”.

“No one can deny the information has been presented as required but a massive dump of data is of no value to MP’s without interpretation and MP’s haven’t got a prayer of making sense of this material. I’m the chair of the committee and a six term veteran and I can barely figure it out”

The Committee gets a one hour meeting with the Minister to question him or her on billions of dollars in program spending before being required to vote on the estimates and report back to the House”

--Pat Martin, MP, House of Commons (Canada)
The budgetary estimates can be reviewed in one or more of the following ways:

- In committee of the whole
- Each sectoral committee conducts their own hearings
- A dedicated “estimates committee” holds its own hearings
Participants at the 2012 ParlAmericas workshop recommended that training be provided to parliamentarians on scrutinizing the budgetary estimates.
Legislative scrutiny of public accounts is more common in parliamentary legislatures than presidential systems: *

- With the Auditor-General’s report, Parliament can exercise its budget oversight functions more effectively.
- It is crucial that Parliament be empowered to scrutinize the audit report and be able to propose appropriate corrective action.
- It is thus important that there be close links between the AG’s office and Parliament.

*Source: The Legislature and the Budget. Rick Stapenhurst, World Bank, 2004
Most parliaments have a PAC tasked to:

- Examine the Auditor-General’s reports that highlight whether:
  - The government keeping proper accounts and records, and presenting its financial information fairly
  - Spending by government departments is for the purposes intended by Parliament
  - Resources are being managed with due regard for economy, efficiency and effectiveness and accountability requirements are being met reasonably.
  - Investigate irregularities reported by calling permanent secretaries and other witnesses
- Endorse the Auditor General’s recommendations
- Recommend corrective action to rectify any problems identified
- Conduct follow up hearings to ensure that recommendations have been implemented
Ex Post Scrutiny in Parliamentary Systems III: Ex Post Scrutiny: PAC-Auditor General Relationship

Parliament/Legislature

(3) PAC hearings

Auditor General

(1a) Audits
(1b) Management letters
(1c) Response
(1d) Follow up

Departments/Agencies/enterprises

(2) Reports
(4) Responds
(5) Follows up
(6) Corrective action

Source: CCAF-FCVI Inc. Training for Oversight Committees

Strengthening Parliamentary Budget Oversight in the Caribbean – Phase 2 | Port of Spain, Trinidad and Tobago| 5-6 February 2014
Participants at the 2012 ParlAmericas workshop recommended that:

- A study should identify the benchmarks in the region regarding the effectiveness of the PACs and establish outcome-oriented indicators on the functioning of PACs.
- A study should be conducted to identify an alternate committee structure to the PAC and address issues related to this new alternate body, such as its independence, its mandate and operating procedures, the appointment process, constitutional and legal changes required in order to allow non-elected officials to serve, and measures to assure non-partisanship and transparency.
- Identify and allocate resources to the four active PACs in the Caribbean region (the four active PACs were identified as Jamaica, Trinidad and Tobago, Guyana and Bermuda).
- Select one or two countries (other than those with active PACs) as pilots to strengthen their PACs.
- Pass a regional resolution on strengthening PACs.
Questions?