Case study 3: Audit reforms in Samay

Samay is a fictitious African country with a Francophone heritage. The PFM reform dilemma it is facing however, occurs in many African countries at one point along a reform path. The article below appeared in the main business newspaper of Samay, the Samay Daily Mail. It tells a story of reform of the Government of Samay’s audit function. Please read the article and then discuss the questions at the end in your group.

Who audits our accounts?

The Samay Daily Mail, 20 February 2013

A dispute about the reliability of Government’s accounts resulted in chaos in the National Chamber of Parliament yesterday when the delegates were considering the Budget Execution Law (Loi de Règlement) for fiscal year 2011. Every year Parliament discharges its external oversight responsibility over government’s use of public funds of the previous budget year, by passing this law, which sets out government’s accounts.

The morning session was dedicated to the presentation by the Chambers of Accounts of its certification on the compatibility of government’s management accounts and the audited final accounts for 2011. Traditionally, the Chambers of Accounts, a part of the judiciary, undertakes an audit of government’s accounts, with the right to call individual state accountants to account and impose fines for irregularities. By law Parliament can only vote on the Budget Execution Law when presented with this certification. What is normally a matter of tabling the report however was turned into a disruptive debate when the opposition party tabled a report by the Inspector General of State, which highlighted serious shortcomings with the accounts for 2011.

The Office of the Inspector General of State, headed by Mr Ali Diallo, was traditionally responsible for post-audit within government and has in the past always reported its findings to the President, which were not made public. Recently however, the Office has been undergoing reforms under Samay’s Public Financial Management Reform Strategy. The report released in Parliament by the opposition is the first pilot audit report done by the revamped Inspector General of State, and reported on the accounts and procedures of the ministries of internal affairs and education only. It points to serious irregularities in the expenditure management of these ministries’ budgets. It is not known how the opposition obtained a copy of the report.

A highly placed official in the Ministry of Finance has told the Daily Mail that the reform programme was sponsored by donors, and that a firm of Canadian consultants provided the technical advice on the auditing functions of the Inspector General of the State to meet international standards for external financial oversight. The firm’s report called for the transformation of the Inspector General of State into an institution closer to the Auditor Generals found in some English-speaking African countries. A draft bill to turn the Inspector General’s office into the Office of the Auditor General has
been under development, but has been delayed as the President has been unable to agree with the Supreme Court how the reforms would include the Chambers of Accounts. A sticking point has been the external oversight of public accounts, which currently is upheld by the punitive powers of the Chambers in principle, although not a single case has been brought in over ten years. Also, the official alleged, the President was himself not willing to grant the Inspector General independence, as called for by the draft bill. Amongst other, he does not want Parliament to appoint the new Auditor General or the Office to be remunerated outside of the state’s salary structures. Currently the salary of Mr Diallo, who previously worked for a big audit firm in London, is topped up by a multi-donor fund that supports public financial management reforms.

Parliament is set to continue its debate tomorrow. It is expected that the opposition parties will file a motion for the President himself to appear before Parliament on the matter. The Offices of the President and the Inspector General of State were not available for comment. The local head of the Globe Development Bank, which manages the multi-donor fund, referred the Daily Mail to the Minister of Finance. His office was also not available for comment.

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Discussion points:

1) What do you think went wrong in the audit reforms that led to the political fall-out described in the article?

2) Assuming that the Ministry of Finance agreed that the existing system of external audit was not functioning well, at which point should the Ministry have acted to prevent this fall-out? What should it have done?