

Republic of Iraq
Board of Supreme Audit
Directorate of Studies
& Technical Affairs

“Country Paper”
Challenges Faced by
Ensuring Transparency
and Accountability in
Public Financial
Management

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Introduction

Transparency is considered of one democratic practice that ensures accountability and free access to information. SAIs, pursuant to their legal authority, can play a huge role in spreading values of transparency and clarity of governmental activities, as well as combat and fight all kinds of corruption. In free, democratic societies, all parties believe that the government is no more than an agent of the people to administrate their general affairs, which necessarily entails subjecting the government to public scrutiny in a society that should have an open relationship between the government and citizens.

The success in applying transparency requires necessarily the existence of coordinated and organized efforts, at the level of the whole State, and in cooperation with states and companies that have expertise in this field to enable them setting up trans - country strategy to consist with its aspects respecting its specificity at the level of the state or the targeted environment in such a way that does not intercept with its local laws and legislation to increase transparency in civil service, fighting corruption, and crack down the corrupt ones.

The accountability is the ability to hold officials accountable, in terms of reward and punishment, at different levels without any discrimination due the ranks, in order to form the basic foundation to activate the control, as no control without accountability , and without all that, transparency will turn out to be just a smear of corrupts and talk for mass media, consequently the role of the controller will decline in the use transparency to prevent or limit the irregularities or corruption, therefore the direct relationship between the concepts of accountability & transparency and its reciprocity must be considered:

the more the level of transparency increased the more accountability is increased, and vice versa.

The global financial crisis led to overthrowing many major companies, banks and organizations. The criticism was basically directed to businesses managements and their adopted standards apart from any transparent professional framework, in addition to the spread of administrative and financial corruption aspects, which requires reliance on principles of accountability & transparency to reduce mal practices and limit administrative and financial corruption phenomena.

Hereby appears the need to the role SAIs should play as constitutional, specialized institutions with the task to safeguard public funds and promoting government performance in order to serve the comprehensive development process, so as to achieve public interest and ensure the transparency & accountability of that performance.

I. Changes and challenges that face management and accountability in public sector.

The challenges that transparency & accountability face in the public sector institutions are concentrated in the following:

1- Political challenges

This challenge is connected to the nature of the political regime and its ruling philosophy. The most important factors are its constitutional nature, basically the style of the devolution of power, the extent of openness to community. The challenge in this part lies in convincing the officials of the importance of transparency, its role in rule of order and justice, and its importance for the decision – makers to work publically in a way that ensures keeping the public informed with the facts related to the results of their work, and decisions the make, so they will be placed before an early accountability in case of a fault to prevent

going further and causing bigger loss to the community and as a result the decision maker will face harder level of accountability.

2- Social challenges

Different organizational cultures, social and legislative norms and ideas between countries are considered significant challenge, as some cultures may allow certain practices which are not accepted in another. As the corruption has a broad meaning that might intercept with socially agreed upon moral values, and with the absence of bases, rules, and controls that govern individual or group behavior on the account of supreme interest. The development of the concept of transparency, to be dealt with as necessity, was imposed by the transformation of corruption to a concrete phenomenon in society, therefore the targets of transparency & accountability should be establishing a system which fights corruption much more than focusing on the corrupted as individuals, accordingly the role of the media and juridical authorities will be activated and developed.

3- Economic challenges

The social and economic transformations, as well as changing of macro- policies accompanied with new organizational rule and approaches the public is not used to, can contribute in creating gap that can be used and will have impacts on the activities and services rendered to the public, in addition to accumulation of foreign debts, low rates of economic growth, deform the openness to markets and the reforms that enhance democracy, this will required the selection of appropriate economical and financial policies, and exposing them to public, so as to provide accountability and enhance credibility which is the foundation of the proper governance to assure a well-managed economy,

achieving hopes to overcome the problems, consequently the possibility of transferring the public funds to private sector and vice versa, and allow the public to hold accountable those who abuse them or stray from objectives, habits and laws approved by nation in addition to get people used to the most contemporary behavior.

4- Administrative challenges

The high bureaucracy “the complicated measures” in state institutions, the unclear laws & regulations and their quick changes, miss-arrangement and administrative instability are regarded among the challenges transparency faces during performing its role in the process of reform within the organizations, and if transparency includes the administration’s commitment to involve citizens in the management of public affairs conducted in their favor, in addition to the commitment to take all measures and procedures to ensure providing the citizens with sound statements and information related to all its plans, activities, works, projects, budget, dealings, and announcing the actual and legal reasons behind, all that is connected to positive commitment of the administration. This can be achieved through following the direct and indirect appearances and forms of administrative democracy, while the success of transparency principle will be reflected in the success of making changes in the organizational culture to create positive tendency among the workers which indicate that the most important thing in the organization is to provide high quality services to citizens, as well as the necessity of dealing with them in high transparency free of complication & routine.

II. The role of international audit standards in enhancing transparency & accountability

The international audit standards have a role in promoting transparency & accountability. The concerned professional associations and organization issued a number of accredited standards, the most important ones are the INTOSAI standards no.(20) and (21) related to principles of transparency & accountability and best practices. The purpose of these two standards is to promote principles of transparency & accountability in SAIs to help them to be pioneer in being example of the governance and practices; those two standards consist with article 9 of UNCAC, joint by the Republic of Iraq pursuant law no. 35 (2007). Paragraphs no. 2 and 3 of the above – mentioned article stipulated that each country member should take proper measures to enhance transparency & accountability in public funds management, in accordance with basic principles of its legal system, such as:

- Measures to adopt national budget.
- Reporting, on timely bases, the revenues and expenditures.
- A system that includes accounting and audit standards and related standards of oversight.

As well as measures to preserve the accounting records, registers, financial statements and other documents related to public revenues and expenditures to prevent forging those.

III. The role of SAIs in raising awareness of parliament and society to support the process of enhancing accountability and transparency of public management

Since they are constitutional institutions that work under a legal framework which allows accountability & transparency, SAIs need to work in a transparent environment to be able to objectively, neutrally and independently fulfill their duties in terms of disclosing the irregularities and defying the consequent responsibility, therefore it definitely needs to provide such environment. Complicating the

measures, not publishing the information, and not provide easy access to them were traditionally the main obstacles that limit the effectiveness of SAIs in all kind of systems, while providing the opposite environment by making the information available to everyone, which is considered one of the most important requirement of transparency and spreading awareness in society or parliament, represents a necessary condition to enhance the accountability in public management and its success.

IV. The impact of technological developments and mass media in enhancing transparency and accountability

The technological revolution in communications field had a tremendous impact in enhancing the concepts of transparency & accountability. Business organizations of today cannot dispense, in any case, to have a websites on the internet due to its several benefits in terms of costs, time, and rapidity to post the information related to their different activities. Mass media has an important role in enhancing the anticorruption system, in the shadow of the information and communication revolution witnessed by today's world. Free mass media and civil society organizations are considered key and effective tools of accountability process either directly or through the support they present to public oversight bodies by exposing the corruption cases, gathering information and observing the violation related to corruption that threatens the future of national development. The main task of mass media is to create the proper atmosphere to develop the facts, through exposing and analyzing the information, in the same time its job requires interest in follow up and interact with people as one of the most important means public can rely on to express.

V. The role of the Board of Supreme Audit (BSA) of the Republic of Iraq in promoting public accountability & transparency

The work of Iraqi BSA is organized by its current law no.(6) for 1990 (amended) as a prestigious audit institution, established under law

no.(17) for 1927, it is administratively and financially independent with juristic personality, that participates in enhancing principles of transparency & accountability through the law which entitle it to a number of authorities to promote its administrative and organizational independency. It arranges BSA's audit authorities and the mechanism of election of the president of BSA, his deputy, period of their mandate and the reasons of their dismiss.

BSA organizes its work by sectors. It has (6) central audit directorates in Baghdad that have been divided by the activities of the institutions subject to audit, as well as(6) audit directorates throughout Iraqi governorates, a directorate for studies & technical affairs, and one for administrative & financial office.

BSA adopted, for its endeavor to enhance the principle of transparency & accountability, several measures starting with setting audit plan ending by preparing audit reports. BSA takes serious and effective steps to support cooperation among oversight pillars in Iraq represented by (Commission on Integrity & inspectorates General) assigning scientifically and professionally qualified staff to conduct these steps.

To enhance the role of collective work BSA involved the staff in its main activities to found out their opinions on certain matters such as:

- The preparation of a critical and analytic study of current BSA law and developing a new draft law which contains new article that treats legal lack and others that enhance the staff's independency and neutrality.
- The preparation of audit and control programs that consist with the new legislation and field work environment the audit teams face, in order to be adopted as a mechanism to be used in audit work in compliance with professional international standards.

Different BSA audit reports, observations stated and recommendations to treat irregularity are discussed with the institutions subject to audit according to formal minutes before approval. BSA issues one annual report and four quarterly reports that include general and common remarks for all ministries as well as particular observations on each ministry and sector that were not overcome or cleared after the issuance of the relevant report. These reports are submitted to parliament committees to be studied and referred to the parliament sessions for discussion.

In light of the aforementioned BSA seeks to make adequate diligence to ensure integrity and efficiency of the selection process of BSA' employees, in addition to continuous training and developing of the staff. In order to achieve that BSA:

- Announces the existence job vacancies in the news papers, internet and all other mass media.
- Conducts oral and written tests through a specialized committee, formed from experienced and qualified experts, to select the best applicants.
- Organizes pre-recruit training course to accredit the results as a base for selecting the required number

Eventually BSA has a web site, on which it posts BSA financial statements that includes the results of its annual budget execution, some findings of audit that reveal aspects of defects and violations happened in the units subject to its audit which are discovered, in addition to all manuals and programs issued by BSA, reports of specialized performance audit which represents evaluation of specific activities concerning health & education services and some reports of comprehensive performance audit. BSA, also, posts some of its activities through the news papers and satellite channels.

The Committee of Financial Experts (COFE) presided by BSA's president and a group of experts as members, has also a website on which it posts the reports related to public funds generated from oil and oil products export sales. COFE hires international audit firms to submit additional reports on using those funds to COFE. These reports are examined by BSA too.

- **Conclusion**

In the today's world and its developments, it can be said that the ideal, virtuous society is characterized by three basic conditions that seek reform, regardless the priorities (accountability, transparency, and good governance). Therefore, providing a high degree of transparency & accountability will enhances anticorruption which reduces deviation, irregularities, and improves conducts that make corruption against values, objectives, and integrity, this requires the use of different comprehensive public, legal, and political means. The application of transparency requires, also, the necessity of all administrations' commitment, enhancing the role of accountability, constructive control to achieve transparency, and understand the transparency of business through the feedback and continuous review of the results of these business and disclosure to the stake holders.