

Representatives of the General Board of Audit in Nicaragua are talking to Franziska Pfister

Independent audit of the state budget – What are the benefits for the population?

One of the most important achievements of budget support in 2005 – and at the same time one of its conditions – was the fact that for the first time an independent audit of the state budget has been conducted. How does that work?

To review – or audit – accounts means that the budget is compared with the actual payments made. We examine, for example, whether receipts or other records are available, we compare the guidelines with the payments made, and so on. In the past years a lot has been invested in the management of public finances in Nicaragua, particularly in the context of budget support, which means that today it can deservedly be called quite modern. Together with these efforts an independent audit of the state budget was one of the main concerns, not least of all on the donors' side. Until 2005 the financial resources needed for examining all of the cash flows of the national public budget were lacking. Therefore only select institutions were audited over a short period of time. And even this was only done in the form of checking of accounts, which means comparing numbers, but never with on site visits. In the 2005 budget 2 million Córdoba (around 116'000 USD) were allocated to the audit. Furthermore the Inter-American Development Bank provided 31 experts who conducted a revision of 21 institutions together with their Nicaraguan colleagues of the General Board of Audit. Out of these 19 were state ministries, the others were institutions supported by the state.

Nicaragua's General Board of Audit is an independent institution affiliated with the ministry of finance. The two interview partners were Marisol Cruz Chirino, director of the department for institutional relations and José Angel Rosales Zeas, head of the audit department of the sector budget, investments and state income.

What were the concrete results of the 2005 – 2007 audits? Has money flown into the wrong pockets?

Many administrative mistakes or smaller minor offences were found. Sometimes signatures were missing or there were only copies of bills but no originals. A widespread phenomenon is furthermore that people prefer to have their holidays paid out instead of taking them. Or there were increases in salaries which were not authorised. In the case of major offences special audits were done, but we did not find any massive offences.

What are the effects of the audit? What has been achieved?

So far the recommendations of the first audit have not had any direct effects as the budget of the following year has already been implemented. However, we have learned a lot from the experiences made so far and as a consequence we have

invested a lot into the education and training of our colleagues. Many civil servants are now better informed with respect to procedures and the legal conditions. The courses we have organised and conducted were worth the effort. Based on our experiences distinct improvements can be noticed. Most institutions are promptly implementing technical norms once they are familiar with them. Also the number of institutions which are undergoing audits has increased significantly. Civil servants are developing an awareness that they have to be accountable for the resources used.

However, we would not only like to examine the accounts and thereby improve the state of the finances, we would also like to ensure that the money is used effectively in the sense of the set goals. In this context we use specific indicators, such as the rate of children going to school, to verify whether the planned results were achieved. Select visits of projects are already an integrated element of the audit. These visits include engineers who are also capable of making a qualitative assessment. One problem which remains is the financing of the audit. Our resources are limited – both financial as well as human resources.

The changes are therefore noticeable in the institutions. But what does it look like for the wider population, what are their benefits of an audited state budget?

The primary purpose of the audit is to ensure the effective use of our own resources as well as the external contributions such as those made through budget support. An audit improves transparency. An external audit strengthens the credibility of the public authorities. We are well on the way. The population now has the possibility to understand how the state household works and what exactly is being financed. This helps in improving the trust placed in the authorities. While it is difficult to change the population's opinion, as this will take more time, we have already noticed a change in the people with whom we are collaborating in the context of the audit. During our visits they used to say: "Watch out, now they are coming and are looking for someone to annoy." When we are visiting them today, they say: "Let's hope that they give us recommendations which are useful." The defence has given way to a constructive attitude. Those people therefore already place more trust in the process which is promising.

The author, Dr. Franziska Pfister, is an environmental scientist and works among others also for Gerster Consulting. This article was written in cooperation with Sonja Beeli and is part of a series commissioned by the State Secretariat for Economic Affairs (SECO) to take a closer look at budget support from various points of view. They reflect the author's personal opinion.