Public Financial Oversight

A Comparative Analysis of Parliamentary Committees Across Europe

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<td>BG</td>
<td>PC Parliamentary Committee</td>
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<td>CZ</td>
<td>PFC Public Finance Committee</td>
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<td>DK</td>
<td>PCA Parliamentary Committee on Audit</td>
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<td>PAC Public Accounts Committee</td>
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<td>SAI Supreme Audit Institution</td>
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1. Introduction

“After more than twenty years of reforms in the public sector, one of the most powerful accountability systems remains the system of parliamentary public accounts committees.”

(Jones and Jacobs, 2006, p. 63)

Parliamentary oversight can be defined as “the review, monitoring and supervision of government and public agencies, including the implementation of policy and legislation” (Yamamoto, 2007, p. 9). More specifically, the purpose of parliamentary oversight is to hold the government accountable for the use of public funds by detecting fraud and waste, and by ensuring the efficiency, economy and effectiveness of governmental operations. Oversight is consequently a “follow-on activity linked to lawmaking” that becomes critical when considering the “enormous powers wielded by executive leaders” (National Democratic Institute [NDI], 2000, p. 19).

An essential component of parliamentary oversight is financial oversight, which is concerned with the scrutiny of public spending. Two important institutions involved in financial oversight are supreme audit institutions (SAI) and parliamentary committees (PCs). SAIs “help promote government accountability and transparency through sound public financial management. […] In many countries they are viewed as the independent watchdogs of the public interest, and their audits are often potent deterrents to waste and abuse of public funds” (Stapenhurst & Titsworth, 2006, p. 101). The success of parliamentary oversight is linked to maintaining a close relationship between SAIs and PCs. In most countries SAIs report to the legislatures; whereas parliamentary committees add value to the SAI audits by holding hearings, drafting own reports and making recommendations to the executive.

Although they have received very little attention from the general public and academic researchers, PCs are the foundation of effective financial accountability and governance in the public sector. Broadly speaking, the role of the committees is to assist parliaments in holding governments accountable for their use of public funds and resources, and ensuring progressive and systematic improvement in public sector performance (Griffith, 2005). They are crucial players in detecting and preventing corruption, since they promote transparency and accountability of governmental programs and actions.

In the upcoming decades, when governments within Europe have to make dramatic cuts in governmental expenditure, performance audits are necessary to evaluate whether governments have spent public resources in an economically sound way. Supreme audit institutions and parliamentary committees play an important role herein – the former making regular audit reports and the latter ensuring their systematic follow-up. However, depending
on the legal system and historical developments, the interaction between these two institutions varies across countries.

Previous research has focused on public accounts committees (PACs), typically found in Commonwealth countries with a Westminster system, such as the United Kingdom, Australia, Canada, India, and many Caribbean, Pacific, and Sub-Saharan African countries. One of the most comprehensive studies on the functioning of public accounts committees was written by McGee in 2002 and it paved the way for further investigation into budgetary accountability. Best practices of PACs were put forward by Wehner (2002) and comprised of guidelines regarding the role, composition, content of work, resources and working practices of PACs. In 2005 another study by Stapenhurst, Sahgal, Woodley and Pelizzo identified several factors of success of public accounts committees.

These comprehensive studies have been used as guidelines to assess PAC performance across many jurisdictions. Gay and Winetrobe (2003) examined the Scottish Audit Committee. Staddon (forthcoming) put together a study of the activities of PACs in the British Isles. Another study on public accounts committees of New Zealand and Australia was issued by KPMG in 2006. A different approach was employed by Jones and Jacobs (2009b) who examined the activities and strengths of the Australian public accounts committees from the perspective of historical institutionalism.

Apart from the vast amount of literature about Westminster PACs and SAIs, information about European parliamentary committees related to financial oversight is scarce. A 2002 SIGMA report scrutinized SAIs and their relationship with oversight committees in the legislatures of the EU candidate countries. Furthermore, country specific information can be found in the OECD journals on budgeting and in reports of the Inter-Parliamentary Union. However, given the intense focus on the Westminster PACs and SAIs it becomes obvious that there is a vacuum of knowledge regarding other types of parliamentary committees involved in oversight. Therefore, the aim of this study is to shed light onto the functioning of diverse parliamentary committees in Europe, their practices, and their relationships with the SAIs in order to get a better comprehension of parliamentary financial oversight.

The research question of this study is: what are the characteristics and functions of parliamentary committees involved in financial oversight in Europe, how do they interact with supreme audit institutions, and what patterns can be identified?

First, the research process is described. A conceptual framework of public financial oversight follows, which presents three audit models that are identified in the academic literature. Subsequently, a new framework of different types of parliamentary committees that are tasked with financial oversight is established. The second chapter details the results of the study utilizing the previously developed framework. The concluding section summarizes the
most common practices. Finally, five interesting cases are described in more detail: France, Greece, Sweden, Switzerland, and a comparative study on the Czech and Slovenian system.

1.1 Methodology
To acquire necessary data a questionnaire\(^1\) of the World Bank Institute was modified in order to accommodate research of parliamentary committees involved in financial oversight throughout Europe. The questionnaire included questions on various aspects of the relationship between parliamentary committees and supreme audit institutions. It addressed powers and responsibilities of parliamentary committees involved in financial oversight, their composition, leadership, processes, practices, as well as transparency and follow-up. At the end of May the questionnaire was submitted to 25 national parliaments of the European Union, Switzerland and Norway. The United Kingdom and Ireland were not researched, since studies on the functioning of public accounts committees in Commonwealth countries have formerly been conducted. Therefore, for the purpose of this study ‘Europe’ refers to the above-mentioned countries.

Throughout the course of the following weeks, 25 responses were received representing a response rate of 89%. Supplementary phone interviews, as well as interviews in person were performed to clarify responses and gather additional information. Often, responses were provided by secretariats, while in other instances questionnaires were filled out by special departments for international relations, parliamentary research institutes, or members of the committees themselves. The reply of Sweden is not included in the main analysis, as the Swedish parliamentary oversight system is currently undergoing transition, and a new system will be in place in January 2011. Instead, a case study describing new developments of the Swedish oversight system is included. The countries that did not respond are Bulgaria and Latvia.

In Poland the questionnaire was filled out by the Budget Committee, which plays a secondary function in public financial oversight, while the State Control Committee plays a more important role. Since the information in this study mainly refers to the State Control Committee, the data and information included were obtained by conducting own research. For this reason the Polish reply was not counted in for the response rate. The practices of the Budget Committee are described in more detail in a special section of this paper.

While contacting the countries and acquiring the necessary data, several challenges have been faced. One of the major obstacles was getting in touch with the right committee. Help of experts, colleagues, on-line translators and similar tools were utilized. The second obstacle represented delayed replies. This was due to numerous parliamentary elections that were held at the time of research – in Hungary parliamentary elections were held in April, in the Czech Republic in May, while Belgium, Slovakia and the Netherlands elected their members of

\(^1\) The questionnaire was previously used for researching public accounts committees in the Commonwealth countries. It is presented in Annex 12 of this study.
parliament in June 2010. During the same month presidential elections were held in Poland following the tragedy of Smolensk. Furthermore, some questions were left unanswered making it difficult to draw clear conclusions. Lastly, the presence of inaccurate data and numerous imprecise studies slowed down the research process.

As mentioned, it was often difficult to determine the right committee, since parliamentary practices and procedures differ across legislatures. The research indicated several types of relevant committees ranging from budget committees, subcommittees of the budget committees, to parliamentary committees on audit. Sometimes, as is the case with the Czech Republic and Poland budget committees, audit committees and various departmental committees are involved in financial oversight. Moreover, the bicameral parliaments of Austria, Belgium, Czech Republic, France, Germany, Italy, Poland, Romania, Slovenia, Spain, Switzerland and the Netherlands required thorough research in order to determine what chambers and committees have an oversight function. The identification of the right committee in Switzerland proved particularly cumbersome; although the Finance Committees of both chambers deal with financial oversight, it is the Joint Committee on Finance that has a formal relationship with the SAI. A detailed analysis of the Swiss financial oversight system is provided in a separate case study.

Finally, although ex-post oversight is closely linked to ex-ante oversight this study does not focus on the latter. Occasionally, reference is made to the role of parliaments in the ex-ante oversight processes, since sometimes the relevant committee is a budget committee. Nevertheless, one must bear in mind that this study only considers the most important parliamentary committees interacting with SAIs. No other tools of oversight are analyzed. Lastly, the study focuses solely on the national level of public financial oversight, even though, regional audit bodies are often present.
1.2 Conceptual Framework

“Although new forms of scrutiny and accountability have emerged Parliament has a unique role in making their work relevant. Parliament’s role is in disentangling the key political issues from technical scrutiny, interpreting their significance and using this as the basis on which to challenge Government.”

(Griffith, 2005, p. 47)

“In order to grasp the nature of [the] processes of oversight, governance and accountability […] we must consider the origins and early practices of these social institutions and practices” (Jacobs & Jones, 2009b, p. 14). These early practices are described through the following audit models.

1.2.1 Different Types of Supreme Audit Institutions

In the literature on audit structures three different types of audit models are usually distinguished: Napoleonic, Westminster and the Board model. These models explain the functioning of the SAIs, as well as the roles and functions of parliaments and parliamentary committees.

The Westminster Model

Typical for the Westminster model is the office of the auditor general (AG), which reports to parliament. The office is headed by one AG who has considerable autonomy in appointing his or her staff, and in deciding on the audit program (Department for International Development [DfID], 2004). The office is made up of professional auditors and technical experts who submit to parliament periodic reports on financial statements and operations of governmental entities. The auditor general “issues independent reports, but s/he cannot force government to adopt any recommendation” (The World Bank Institute Parliamentary Strengthening Program [WBI-Unit 5], 2007, p. 6). Due to lack of judicial powers, its relationship with parliament is of utmost importance for following-up on governmental responses. Usually, a PAC is established that scrutinizes audit reports and/or examines any area of governmental expenditure. Finally, the “government is required to respond to PAC reports and has to state the actions it is taking to implement recommendations” (DfID, 2004, p. 3).

In the Westminster system, the focus is on financial and performance audits. With the former “the auditor attests the accuracy and fairness of the presentation of financial statements” (Stapenhurst & Titsworth, 2006, p. 102). This ensures that financial statements give a true and a fair view of the financial transactions that have taken place in the previous accounting year. Performance audits, which are also known as value for money (VFM) audits, confirm
whether public funds are spent economically, efficiently and effectively. According to INTOSAI (2004), “[e]conomy [implies] minimizing the cost of resources used for an activity, having regard to appropriate quality” (p. 15). Efficiency refers to achieving the optimal results with the available resources. Effectiveness deals with the question whether “the stipulated aims [are] being met by the means employed, the outputs produced and the impacts observed” (p. 17).

**The Board Model**
The Board or the Collegiate model is a variant of the Westminster model. The main difference between these two oversight systems lies within the organization of the SAI. Namely, in the Board model decisions are taken jointly by the members of the governing board of the SAI, rather than a single AG. The members of a college are normally appointed for a fixed term by the parliament and are responsible for preparing and sending of annual reports to the legislature.

**The Judicial/Napoleonic Model**
In the Napoleonic model the Court of Accounts (CoA) is part of the judiciary and as such holds judicial powers. Traditionally it focuses on review and control of legality of operations of public accountants, who are held liable. Thereby, the focus lies on financial and compliance audits. The latter deals with certifying the legality of transactions that have taken place (DfID, 2004). The audit by the CoA can result in either a discharge or in a penalty in the form of payment. A discharge is given if no irregularities have been detected. Traditionally, the role of a parliament is very limited in the Napoleonic system, since auditing is a judicial process.

**Comparison of Different Models**
The most important distinction between the Napoleonic and Westminster models is that the latter is more dependent on the active role of the parliament (DfID, 2004). Therefore, for this system to function properly, parliaments have to take the role of reviewing SAI reports seriously.

In systems with weak parliaments and with little will to improve public accountability, a Napoleonic system might prove to be more successful in holding a government to account. It imposes direct penalties. On the other hand, “in a judicial system, the relative lack of parliamentary involvement can have the effect of reducing the openness of the accountability process” (DfID, 2004, p. 8). Often, there is a little notice of hearings, and the outcomes of the court findings are frequently not subject to public debate.

Another important distinction between the models is the focus of audits. While in the Napoleonic model SAIs mainly perform compliance audits, in Westminster and Board models SAIs have a broader audit scope including value for money audits. Dye and
Stapenhurst (1998) state that financial, compliance and performance audits are necessary for a “complete view” of the audited ministries and government-funded organizations. “For a modern SAI to fulfill its role, performance auditing should be an important mandate feature” (p. 19). Also the Auditing Standards of INTOSAI – Article 38 – imply that in order to get a comprehensive view of the audited organization all types of audits should be performed.

Lastly, one disadvantage of the Westminster model is that the AG has considerable powers. This carries a risk of abuse when the powers fall into the wrong hands (DfID, 2004). Wherever the integrity of one AG is questioned, the Board model could be a better solution because decision-making power is shared and work is carried out on a consensual basis. One counterargument is that the decision making process might be slower and cumbersome in a Board model (DfID, 2004).

Figure 1 - Distribution of Oversight Models Across Europe
Categorization of different oversight models in the countries under review is depicted in Figure 1. It must be stressed that models described do not exist in their pure forms; they evolved and adapted to a country specific context. Hedger and Blick (2008) noted that there are considerable differences across countries and argue that it is impossible to talk about specific theoretical models. More importantly, the identification of a certain audit model within a country does not mean that the system is entirely similar to the same model in another country.

1.2.2 Public Finance Committees

Parliaments are the most important addressees of SAI reports. Parliamentary committees are usually tasked with their review. Committees are small groups of parliamentarians who are assigned with specific policy tasks, which allow “the legislature to perform simultaneously numerous important functions that otherwise might not be conducted” (National Democratic Institute [NDI], 1996, p.3). A distinction is made between permanent/standing and ad hoc committees, whereby the latter operate on a temporary basis. For the purpose of this study, committees responsible for a specific policy sector are referred to as departmental committees.²

Since parliamentary committees evolved differently from country to country, a combination of their functions and forms is unique for every legislature. As previously mentioned, there are three different institutional models of oversight – Westminster, Board and Napoleonic. However, these oversight models are more relevant for a categorization of SAIs than for the classification of parliamentary committees. Since this study focuses on parliamentary committees, it is useful to make a distinction between parliamentary committees responsible for financial oversight. The following categorization has been made:

**Public Finance Committees (PFC)** are typically the main committees interacting with the supreme audit institutions. They may review financial, performance and follow-up on audit reports, and may be concerned with various SAI activities. The involvement of PFCs in financial oversight differs significantly across legislatures; however, a general distinction can be made between two types of PFCs:

- **Parliamentary Committees on Audit (PCA)** are public finance committees concerned solely with the ex-post aspects of scrutiny.

- **Budget Committees (BC)** are public finance committees concerned with drafting budget bills and the scrutiny of public funds, and are therefore involved in both ex-ante and ex-post oversight processes.

² Also known as sectoral/branch committees
The classification of the analyzed PFCs is depicted in Table 1. As illustrated, there are more parliamentary committees on audit interacting with SAIs than budget committees Europe-wide.

<table>
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Table 1- Committees Analyzed in the Study

Identification of the right committee was not an easy task. Yet, this was more complicated in bicameral parliaments where lower and upper chambers have similar mandates. For example, in Italy the PFCs in both chambers receive SAI reports, while acting upon them separately. In some countries the committees may decide to cooperate. For example, in France the committees of both houses have similar mandates and a possibility to cooperate. Importantly, both committees have the competence to establish a specialized ad hoc subcommittee for auditing specific matters. Moreover, in Romania the budget committees in both houses receive and review the report of the SAI in a joint meeting.

On the other hand, in Spain there is a joint parliamentary committee that cooperates with the SAI. Hereby members are drawn from both houses. Also in Switzerland both chambers have a Finance Committee. However, the committee that has a formal relationship with the SAI is the Joint Committee on Finance, which comprises of six members (i.e., three members from the Finance Committee of the Lower Chamber and three members from the Finance Committee of the Upper Chamber). In Austria and Germany the considered PFCs are the ones responsible for oversight of spending on the federal level; therefore, the analyzed committees belong to the lower chambers of parliaments in those countries.

Moreover, in Belgium, Czech Republic, Poland and the Netherlands the upper chambers do not have PFCs. In the Netherlands the Upper House evaluates proposed laws and therefore it does not typically have an oversight function. In Belgium according to Article 74 of the

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\(^3\) Additional information is provided in Annex 1 and Table 2
Constitution, the Upper Chamber has no competences in the field of budget and state accounts, since this is the exclusive competence of the Lower House. Similarly, in Poland the Upper Chamber is solely empowered with ex-ante tasks and does not have any role in oversight.

The fact that sometimes several committees receive and review SAI reports also hampered the identification of the right committee. For example, in the Czech Republic and Poland both budget committees and committees for audit scrutinize the budget. In both cases, the committees belong to the same chamber. The table below depicts the main parliamentary committees that interact with the SAIs, as well as their specific roles.

<table>
<thead>
<tr>
<th>Country</th>
<th>Parliamentary Committees</th>
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<tbody>
<tr>
<td><strong>Austria</strong></td>
<td>Budget Committee</td>
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<tr>
<td></td>
<td>Court of Audit Committee</td>
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<tr>
<td><strong>Belgium</strong></td>
<td>***** Budget Committee</td>
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<tr>
<td><strong>Bulgaria</strong></td>
<td>***** Budget Committee</td>
</tr>
<tr>
<td><strong>Czech Republic</strong></td>
<td>Budget Committee</td>
</tr>
<tr>
<td></td>
<td>***** Committee on Development of Plans and Public Expenditure Control</td>
</tr>
<tr>
<td><strong>Cyprus</strong></td>
<td>Committee on Finance</td>
</tr>
<tr>
<td></td>
<td>Public Accountants (PAC)</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>Finance Committee</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
</tr>
<tr>
<td><strong>Estonia</strong></td>
<td>***** State Budget Control Select Committee</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Finance Committee</td>
</tr>
<tr>
<td></td>
<td>Audit Committee</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>***** Finance Committee</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>Budget Committee</td>
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<tr>
<td></td>
<td>Budget Committee</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>Special Committee of</td>
</tr>
<tr>
<td></td>
<td>Financial Statement, General</td>
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<td></td>
<td>Balance Sheet and Budget’s</td>
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<tr>
<td></td>
<td>Implementation of the State</td>
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<tr>
<td></td>
<td>N/A</td>
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<tr>
<td></td>
<td>Parliament</td>
</tr>
<tr>
<td><strong>Hungary</strong></td>
<td>***** Public Accounts and Budget Committee</td>
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<tr>
<td><strong>Italy</strong></td>
<td>***** Budget Committee</td>
</tr>
<tr>
<td><strong>Latvia</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Lithuania</strong></td>
<td>Committee on Budget and Finance</td>
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<tr>
<td></td>
<td>Committee on Audit</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>Control Committee on the Execution of the Budget</td>
</tr>
<tr>
<td></td>
<td>&amp; Committee on Budget and Finance</td>
</tr>
<tr>
<td><strong>Malta</strong></td>
<td>Public Accounts Committee</td>
</tr>
<tr>
<td></td>
<td>National Audit Office Accounts Committee</td>
</tr>
<tr>
<td><strong>The Netherlands</strong></td>
<td>***** Public Expenditure Committee</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>***** Committee of Scrutiny and Constitutional Affairs</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td>State Control Committee &amp; Public Finance Committee</td>
</tr>
<tr>
<td></td>
<td>State Control Committee</td>
</tr>
<tr>
<td><strong>Portugal</strong></td>
<td>***** Budget Committee</td>
</tr>
</tbody>
</table>

4 The annual activity report of the SAI is often included in the annual report on the state accounts
<table>
<thead>
<tr>
<th>Country</th>
<th>Committees for Budget</th>
<th>Committees of inquiry</th>
<th>Committees for Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>Committees for Budget</td>
<td>Committees of inquiry</td>
<td>Committees for Budget</td>
</tr>
<tr>
<td>Spain</td>
<td>***** Mixed Committee for the Relationship with the Court of the Accounts *****</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>Finance Committees</td>
<td>Joint Committee on Finance (Finance Delegation)</td>
<td></td>
</tr>
<tr>
<td>Slovakia</td>
<td>***** Budget Committee *****</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovenia</td>
<td>***** PC for Public Finance Control *****</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2 - Parliamentary Committees Interacting with Supreme Audit Institutions
2. Public Finance Committees Across Europe

2.1 Legal Bases of Public Finance Committees

Although the existence of public finance committees does guarantee a successful oversight, it “encourage[s] legislative officials to acquire sufficient expertise to effectively compete with and, when necessary, challenge executive officials” (Posner & Park, 2007, p. 5). The powers and responsibilities of public finance committees vary across European legislatures. However, for PFCs to be successful there needs to be a clear demarcation between their duties and functions of the other parliamentary committees (Stapenhurst et al, 2005).

The establishment of PFCs is usually described in the rules of procedures of parliaments, standing orders of the committees, or in constitutions. Usually, constitutions elaborate on a SAI and its relationship to a parliament; however, in Denmark and Finland there is a clear reference to PFCs. Additionally, the interaction between the SAIs and the PFCs is addressed in the acts on supreme audit institutions.

Box 1 - The Reference to the PFC in the Finish Constitution

Article 90:1 of the Finnish Constitution states that, “[t]he Parliament supervises the financial management of the State and compliance with the State budget. For this purpose, the Parliament elects the State auditors from among its members.”

Another type of legislation is noticed in Denmark, where the Public Accounts Committee Act establishes the Public Accountants as a specialized body of the Parliament that has the same independent status as the Ombudsman and the National Audit Office. Special public finance laws detailing the set-up of a PFC also exist in France, Malta, the Netherlands, Portugal, Spain and Switzerland. Nevertheless, to understand the functioning of the PFCs it is not sufficient to solely study these laws, since they cannot capture the informally institutionalized interactions between the numerous actors of the financial oversight process.

Box 2 - The French PFC

Article 57 of the Organic Law on Finance Laws (LOLF) states: “[t]he National Assembly and Senate Finance Committees monitor the execution of Budget Acts and evaluate any public finance issue. […] To this end, they conduct all documentary and on-the-spot investigations and all hearings they deem necessary.”

5 For a detailed list see Annex 2
2.2 Scope of PFC Activities

An important aspect of the PFC mandate concerns institutions which they are allowed to scrutinize. PFCs should have access to a wide variety of institutional actors, since the responsibility for policy implementation is increasingly removed from ministers. According to Stapenhurst, Sahgal, Woodley and Pelizzo (2005) the wider a committee’s mandate, “the greater its potential to deter wrongdoing and encourage better management of public resources” (p. 7). Governmental agencies, local governments, state subsidy recipients, and political parties may be subject to inquiries of public finance committees. Figure 2 shows that majority of PFCs have a right of access to governmental agencies, statutory authorities, governmental corporations, parliamentary expenditures and state subsidy recipients, either independently or through the SAIs. Political parties usually fall outside of this scope.

2.2.1 Local Authorities

Eight PFCs indicated that they have no power to scrutinize local governmental authorities; in those cases follow-up is usually performed by the local legislatures. This practice is found in Austria, Belgium, France, Germany, Greece, the Netherlands, Norway, and Switzerland. However, regional audit structures in the listed above countries differ. For example, Belgian SAI is divided into two parts – one responsible for the audit of the Flemish region, while the other one is responsible for the Walloon region (Rekenhof, 2004). On the other hand, in Germany “[t]he Bundesrechnungshof and the audit courts of the sixteen constituent states of the Federal Republic are autonomous and independent institutions of government auditing. This fact precludes any subordination to one another” (Bundesrechnungshof, 2005, p. 23).

2.2.2 Political Parties

An essential element of a democratic process is a right of access to information on the financing of political parties, in order for “voters [to] have a real possibility to know who finances political parties and individual candidates” (Pöysti, 2010). This enables general public to assess connections and influence of financers. Most countries reported not to have access to political parties’ financial information. Only the PFCs in Belgium, Czech Republic and Lithuania answered that they have access to this information, although with restrictions. Luxembourg, Hungary, Finland, Slovenia, Slovakia and Spain mentioned having access to financial information of political parties through the respective SAIs. The Luxembourgish SAI drafts a yearly report on the financing of political parties; this report is sent to the Parliament and published on the Parliament’s website, while also communicated to the Prime Minister.
Figure 2 - Number of PFCs with the Right of Access to Specific Institutions and Organizations
Box 3 - Access to Political Party Financing in Finland

The Finnish SAI pays particular attention to overseeing election campaign financing and political party finances according to the Act on the Election Candidates Campaign Finances (237/2009) and Act on Political Parties (10/1969). The SAI maintains a public register on the election campaign finance plans, and a public online register is maintained for donations exceeding a certain threshold. External auditors certify that parties have presented information required by law and respected provisions of the act on Political Parties. The Conditional Fines Board of the Finnish SAI sanctions failing parties that submitted erroneous information. The SAI has access to the working documents of external auditors of the political parties and may carry out audits to oversee compliance with legal provisions. Consequently, the Committee may receive reports from the SAI about political party financing and therefore, the Parliament has indirect access to information about political party finances.

Source: Pöysti, 2010

2.2.3 European Funds

An increasing number of PFCs devote ever more time for reviewing of EU funds allocation and implementation. In four countries PFCs are directly involved in scrutinizing use of European funds, while PFCs in nine countries do not play any specific role in this respect. However, a common practice is that PFCs review EU funds allocation by analyzing SAI audit reports.

In Denmark European funds are in principle audited in the same way as Danish public funds, whereas in Cyprus the PFC has a right to exercise parliamentary control by requesting any related evidence and documentation. On the other hand, in Luxemburg auditing of European funds takes place on the governmental level.

The Estonian PFC reported that public sittings are organized at least twice a year when representatives of ministries describe present use of EU funds. In Portugal the PFC discusses EU funds allocation only insofar these contend with the execution of the budget, while the efficiency matters are analyzed by the departmental committees. In Finland the PFC prepares an annual statement on the report of the European Court of Auditors (ECA), while the Dutch PFC examines the report of the ECA and consults the Minister of Finance on the matters related to European funds.
Figure 3 - Role of PFCs in Scrutinizing the Use of European Funds

### 2.2.4 Initiation Inquiries

A major difference in PFCs’ mandates is whether they can self-initiate inquiries concerning financial oversight independently from the SAIs. Institutional settings in which PFCs operate vary; therefore, their relationships with the SAIs also differ. Westminster countries traditionally have PFCs with extensive mandates to self-initiate inquiries. However, committees in Napoleonic countries, such as France and Italy have acquired these powers over the past two decades. For example, in 2001 France acquired a possibility for the Finance Committee to set up a *Mission of Evaluation and Control* (MEC). The MEC is a mission established on an ad hoc basis, entrusted with the mandate to audit specific issues or agencies.

Figure 4 - Power of PFCs to Self-Initiate Inquiries

#### Box 4 - The Role of the Romanian Budget Committee

In Romania the designated parliamentary committees interacting with the SAI are the Budget Committees within the two chambers of Parliament. The SAI submits to the Parliament a yearly report on the national public budget management. The report is reviewed by the two Committees in a joint meeting. However, financial oversight is not usually done by the Budget Committees; other oversight tools used are questions, interpellations and motions. Nevertheless, committees of inquiries and sometimes make use of SAI reports. The Budget Committees also make proposals for the appointment of members in the Board of the SAI.
2.3 Types of Audits and Involvement of Departmental Committees

Another fundamental aspect of the PFCs’ mandate is the time and the effort they devote to different types of audit findings. As described in the previous chapter, there are several types of audits. Performance audits deal with economy, effectiveness and efficiency of public spending, while financial audits concern “the accuracy and fairness of presentation of financial statements” (Stapenhurst & Titsworth, 2006, p. 102). As argued before, Westminster and Board model countries are more concerned with performance audit compared to Napoleonic countries where the focus is rather on financial audit. However, the research reveals that most Napoleonic SAIs also conduct performance audits. In Belgium, France, Italy, Portugal and Spain SAIs are mandated to conduct performance audits. The PFCs or departmental committees usually react upon SAI audits – hold additional hearings, or follow-up in other ways that are elaborated below.

There is an important issue at stake when applying performance auditing. Namely, there is a fine line between performance auditing and policy evaluation. As stated in 2004 INTOSAI report, value for money auditing “is by nature wide-ranging and open to judgments and interpretations” (p. 12). Sometimes these judgments are technical, but they can also be political – questioning whether the right choices have been made. The question arises to what extent the PFCs should be involved in performance auditing, since they do not have the same expertise as departmental committees to address certain matters.

Similarly, there are opposing views regarding the roles that departmental committees should play in financial oversight. “Some recommend that [departmental] committees should scrutinize audit reports that directly relate to their portfolios, and in particular value for money reports” (Wehner, 2002, p. 5). On the other hand, involving departmental committees can undermine the logic behind the existence of a dedicated committee for scrutiny of governmental actions.

<table>
<thead>
<tr>
<th>Box 5 - Interaction of the Portuguese PFC with Departmental Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portuguese departmental committees are involved in both drafting the budget and in overseeing its implementation. At least once a year, when a draft budget is analyzed, the PFC holds joint meetings with other relevant committees. The PFC controls financial and budgetary matters, as well as the evaluation of budget execution. However, departmental committees analyze the performance and efficiency of departmental spending.</td>
</tr>
</tbody>
</table>

An illustrative example of a country that actively involves departmental committees in financial oversight is the Netherlands. Dutch PFC forwards SAI reports to the relevant departmental committees and oversees their follow-up. Belgium, Czech Republic, Denmark, Italy and Hungary also reported that departmental committees are involved in reviewing SAI reports and the Estonian PFC organizes joint sittings with various departmental committees.
On the other hand, Finland and Malta have clearly indicated that there is no formal interaction between their PFCs and departmental committees.

2.4 Relationships Between Parliaments and SAIs

A prerequisite for accurate follow-up is a strong link between SAIs and parliaments, which is based on mutual trust and cooperation. In their work PFCs rely on the SAI reports, while at the same time SAIs rely on the PFCs for the follow-up of their reports. A balance must be found between independence and autonomy of the SAIs and their cooperation with parliaments. In a 2002 SIGMA study it is stated that “the [PFC] could […] be expected to take an interest on behalf of the parliament in the operation of the SAI, perhaps by commenting on its plans and budgets, but without interfering with the constitutional independence of the Auditor General” (p. 42). As expected, the research indicates that European PFCs cannot influence activities of the national supreme audit institutions. At best, they are consulted regarding to the appointment and removal of the SAI presidents and development of the SAI annual plans. Figure 5 illustrates the powers and responsibilities of the PFCs in regards to activities of the supreme audit institutions.
Although PFCs are the main parliamentary bodies interacting with the SAIs, not all of them play a role in the selection and/or the removal of the SAI president or in assessing SAI performance. For example, in Malta apart from the Public Accounts Committee (PCA) there is a National Audit Office Accounts Committee (NAOAC) in charge of the SAI related operations. This Committee appoints auditors for review of the SAI accounts. These reviews are presented to the NAOAC members and then submitted to the Parliament together with the comments of the committee. The Chairperson of the PCA is also a member of the NAOAC. In Romania SAI members are appointed and dismissed by the Parliament upon PFCs’ proposal. However, the control of the SAI budget is conducted by a designated committee.

As shown in Figure 5 the PFCs are sometimes consulted regarding the annual audit plans of the SAIs. For example, in Hungary the annual plan of the SAI is approved by the SAI President following the consultations with the PFC. Moreover, in determining its annual audit program, the Slovenian SAI “shall consider proposals made by deputies and working bodies of the National Assembly, Government, ministries and local community bodies. They must consider at least five proposals from the National Assembly from which at least two must be given by opposition deputies and a further two by working bodies of the National Assembly” (Republic of Slovenia, Court of Audit Act: Article 25, 2). If the requests made by the Parliament are not accepted, the Court has to justify their refusal.
Usually, SAIs draft their own budgets, which are then submitted to parliaments. However, the PFCs in six countries reported that they recommend on the budgets of the SAIs, while four countries indicated that they have to approve the SAI budgets. Furthermore, in Slovakia the SAI has its own budget chapter that is presented to the Budget Committee, which makes recommendations on it (SIGMA, 2002a). Similar practices are noted in the Czech Republic.

2.4.1 Requesting Audits

The PFCs or parliaments can request extraordinary audits from the SAIs. However, the SAI is not always obligated to comply, although in practice such requests are rarely rejected. For example, SAIs in Belgium, Hungary and Switzerland indicated that it is a common practice to accept audit requests from the parliaments. However, supreme audit institutions retain the liberty to adjust and/or add the request as they deem necessary, as well as to select their own auditing methods.

<table>
<thead>
<tr>
<th>Request of an Audit From the Supreme Audit Institution</th>
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<tbody>
<tr>
<td>Country</td>
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</tr>
<tr>
<td>Austria</td>
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<td>Belgium</td>
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<td>Cyprus</td>
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<td>Czech Republic</td>
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<td>Denmark</td>
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<td>Estonia</td>
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<td>Finland</td>
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<td>France</td>
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<td>Germany</td>
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<td>Greece</td>
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<td>Hungary</td>
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<td>Italy</td>
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<td>Lithuania</td>
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<td>Luxembourg</td>
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<td>Malta</td>
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<td>The Netherlands</td>
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<td>Norway</td>
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<td>Portugal</td>
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<td>Romania</td>
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<td>Slovakia</td>
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<td>Slovenia</td>
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<tr>
<td>Spain</td>
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<td>Switzerland</td>
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</tbody>
</table>

Table 3 - Relationship Between Parliaments and SAIs

The research pointed out that usually SAIs initiate audit activities and recommendations, rather than PFCs and/or parliaments. For example, in 2008 the Belgian SAI responded to two requests made by the Parliament, whereas it also sent four notices concerning the financial soundness of the budget on its own accord (Cour des Comptes, 2009). That same year the
German SAI submitted 39 confidential opinions and advisory reports to the Parliament, and its President was involved in 428 legislation and regulation projects (Bundesrechnungshof, 2008). The Finnish PFC reported that it is not a usual practice to ask the AG to conduct an investigation. Similarly, Norway indicated that the Parliament rarely requests the Audit Office to conduct additional investigations.

**Box 6 - The Polish Budget Committee**

In the Polish parliamentary system, two committees – the Budget Committee and the State Control Committee – play a significant role in overseeing the public budget. Even though all standing committees of the Parliament interact with the Supreme Chamber of Control (SAI), the State Control Committee (PCA) represents the main working body of the house that cooperates with the SAI.

The Control Committee receives, reviews and acts upon SAI audit conclusions. It also cooperates with the departmental committees. Since it was impossible to obtain a filled-out questionnaire from the State Control Committee the replies of the Budget Committee are gathered in this box, summarizing its processes and practices.

The Budget Committee has 51 members and it is concerned with the monetary matters, credit, taxation, wages, as well as with the budgetary and financial plans of the State. It also deals with the appropriated funds, agencies, and foundations. In examining the use of public money, the Budget Committee has access to governmental agencies, local government authorities, parliamentary expenditure and the Supreme Chamber of Control, but not to state-owned enterprises, or political parties. Concerning the activity of the SAI, the Budget Committee is only entrusted with the task of evaluating the activity of the external auditor.

The present chairperson of the Committee represents the ruling party. The chairperson is usually elected from among the members of the Committee during the first sitting. Deputies usually serve on not more than three committees and their remunerations are approximately 10% higher than those of members of other parliamentary committees. The members usually receive a one-day training before the start of their mandate; however, no training is provided during the parliamentary term.

Secretarial employees are usually entrusted with scheduling of meetings, drafting of reports, administrative duties, as well as with the external communication (i.e., SAI). Currently the Budget Committee has four dedicated secretarial employees. However, it is helped by the employees of the Common Secretariat of the Parliamentary Committees. Lastly, the Committee also receives help from external experts and advisors (i.e., university professors). Employees of the Parliament are subject to a one-year traineeship before becoming full-time employees. Staff persons usually have a higher education.
The Budget Committee meets approximately 120 times a year. The Committee usually informs the SAI about planned meetings and activities. The SAI president or other members of the SAI need to be present at the meetings at which the implementation of the State budget is discussed. The Committee may also request an audit from the SAI, which usually complies with this request. The Committee received three SAI reports in 2007, 49 in 2008 and 45 in 2009. On the other hand, it released 2 reports in 2007, which was the election year and 75 and 65 reports respectively in two subsequent years. There is also an annual report of the Committee, which concerns the State accounts. The Polish Government usually has to submit financial statements on the implementation of the State budget by the end of May; then the Parliament has three months to review the State budget. Usually, the reports of the Budget Committee are tabled in the plenary. The meetings of the Committee are open to the public upon request.

Lastly, in the Budget Committee there is a permanent subcommittee that monitors the implementation of the budget, tax system, financial institutions, as well as the use of European funds. Additionally, ad hoc subcommittees are established for urgent bills that require consideration. The Budget Committee always takes final decisions.

2.5 Composition and Leadership of Public Finance Committees

2.5.1 The Size of Public Finance Committees

Strong parliamentary committees are critical for the success of oversight procedures (Parliamentary Centre & World Bank Institute, 2000). However, it is impossible to determine the number of members a successful PFC should have, as its size depends on the size of legislature and the total number of committees. This section analyzes the size of public finance committees making a clear distinction between budget committees and parliamentary committees on audit, as described in Section 1.2.2.

![Relative size of PCAs](image)
Neither the absolute number of committee members, nor the relative size of the committee is a valid indication of parliamentary involvement in oversight matters. For example, relative to the size of the national legislature the Romanian PFC within the Senate is larger compared to the Estonian Audit Committee. Nevertheless, SAI reports are more often discussed in Estonia, whereas the role of the Romanian PFC in dealing with financial oversight is rather limited.

In relative terms committees involved in both ex-ante and ex-post oversight are on average of the same size as the committees concerned solely with the public spending. The smallest PCAs are in Denmark, Greece and Lithuania with less than 5% of MPs being members of the public finance committee. The largest PCAs are in Luxembourg and Latvia where one fifth of parliamentarians are committee members.

Conversely, the largest budget committee is in France, with 13% of the National Assembly being part of the Finance Committee. The smallest budget committees are found in Germany and Hungary, with approximately 7% of MPs being members of the committees. Nevertheless, both in Germany and Hungary public expenditure committees are the largest among all other parliamentary committees. However, while the French National Assembly has only six standing committees, there are 19 committees in Hungary and 22 in Germany.

The Latvian Audit Committee comprises of 19 members and it represents the largest committee within Parliament. On the contrary, in Lithuania the PCA is the smallest among all standing committees, together with the PC on Rural Affairs, and the PC on Human Rights. All three committees are comprised of seven members, which is the minimum number required for the establishment of a committee.

Within some legislatures, the setting up of committees follows a clear pattern. For example, in Austria, all PCs except for the Main Committee (i.e., 27 members) comprise of 26 members, while all PCs in Luxembourg have 12 members.
2.5.2 The Role of Subcommittees

Although the practices for establishing subcommittees, their mandates and rules of procedures show significant variations across legislatures, some patterns can be identified. As shown in Figure 8, 23% of European countries set up permanent subcommittees to deal with SAI findings. Another 23% use ad hoc subcommittees to deal with specific oversight matters, while 54% of committees do not usually establish any subcommittees.\(^6\)

![Figure 8 – Subcommittees of PFCs](image)

Given their mandates, the use of subcommittees is more significant in budget committees and represents a division between their ex-post and ex-ante responsibilities. Some budget committees deal with financial oversight matters mainly in subcommittees. This is the case in Germany where 15 out of 41 members form the subcommittee on public accounts. In Hungary the budget committee established a standing subcommittee with the purpose of reviewing and investigating the implementation of different acts and regulations in the area of public funds. A similar practice is noted in Belgium where tasks of reviewing audit reports and hearing candidates for the SAI presidency is entrusted to a permanent subcommittee. The size of a subcommittee depends on the number of parties in the Parliament, as there is one member for every political fraction.

Parliamentary committees on audit (PCAs) also set up permanent subcommittees. In Switzerland in the Upper Chamber the Finance Committee has seven subcommittees and four subcommittees in the Lower Chamber. Each is responsible for the budget, public accounts, and for the analysis of specific reports. A different practice is establishment of subcommittees to deal with specific oversight matters. In France the budget committee usually reviews the reports of the SAI. However, in order to examine specific issues the committee sets-up a subcommittee called Mission of Evaluation and Control (MEC). In 2010, the MEC examined the budgetary resources of the Department of Defense, and the use of public money for the purpose of teaching French abroad.

\(^6\) Considering the Swiss Finance Committee
\(^7\) For a detailed view of practices for setting-up of oversight subcommittees see Table 4
Role of the PFC Subcommittees

For Specific Oversight Purposes

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>The subcommittee looks at federal administration of public funds following a motion tabled by a 1/4 of members of Parliament. Maximum three such requests are handled by the SAI at the same time.</td>
</tr>
<tr>
<td>France</td>
<td>Mission of Evaluation and Control (MEC)</td>
</tr>
<tr>
<td>Italy</td>
<td>Establishing subcommittees can be decided by the PC. In the current legislature no subcommittee has been established.</td>
</tr>
<tr>
<td>Poland</td>
<td>For specific inquiries</td>
</tr>
<tr>
<td>Portugal</td>
<td>There are at the moment no permanent subcommittees. These can be created on an ad hoc basis, if necessary.</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Subcommittees and commissions are established on a concrete purpose if necessary. Currently there are none, as parliamentary elections took place in June 2010</td>
</tr>
</tbody>
</table>

For Permanent Oversight Purposes

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>A subcommittee on auditing and investigating the implementation of different acts and regulations in the area of public funds.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Rekenhof/Cour des comptes subcommittee examines SAI reports and hears the candidates for the presidency of the SAI. There is one member for every political party.</td>
</tr>
<tr>
<td>Germany</td>
<td>1) Subcommittee on public accounts 2) Subcommittee for questions concerning the European Union</td>
</tr>
<tr>
<td>Switzerland</td>
<td>7 subcommittees in the Upper Chamber, 4 subcommittees in the Lower Chamber&lt;sup&gt;8&lt;/sup&gt;</td>
</tr>
<tr>
<td>Czech Republic&lt;sup&gt;9&lt;/sup&gt;</td>
<td>1) Sub-Committee on Control Systems 2) Sub-Committee on Audit over the Financial Management in Public Administration 3) Sub-Committee on Legislation</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Standing Public Sector Accountability Subcommittee</td>
</tr>
</tbody>
</table>

No Subcommittee for Oversight

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyprus</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Denmark</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Estonia</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Finland</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Greece</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Latvia</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Lithuania</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Malta</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Netherlands</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Norway</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Romania</td>
<td>Subcommittee on Capital Markets</td>
</tr>
<tr>
<td>Slovenia</td>
<td>No subcommittees</td>
</tr>
<tr>
<td>Spain</td>
<td>No subcommittees</td>
</tr>
</tbody>
</table>

Table 4 – The Use of Subcommittees in Public Finance Committees

The Austrian PFC employs a different practice by setting up a subcommittee following a motion tabled by a quarter of members of the National Council. The Committee and the subcommittee do not work together and the President of the Court is usually not allowed to

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<sup>8</sup> Finance Committees
<sup>9</sup> In the election term 2006-2010. Given the recent parliamentary elections, no subcommittees have been established yet in the Budget Control Committee.
attend the meetings of the subcommittee, even though he/she is free to attend the meetings of the committee. The practices for establishing subcommittees in the Polish PFCs are different. The State Control Committee establishes several subcommittees on an ad hoc basis, while in the Budget Committee there is a standing subcommittee on the implementation of the budget.

Although establishing a subcommittee can improve a division of labor within the PC, the decision taking power should rest with the committee (Wehner, 2002). Decisions in European PFCs are usually taken by the committee. However, Italy mentioned that although there are no current subcommittees, if there were they would have the powers to take final decisions by themselves.

2.5.3 Membership
Membership usually reflects the political representation within the parliaments. Nevertheless, some committees give more consideration to members of the opposition emphasizing “the willingness of the government to promote transparency through independent scrutiny” (Wehner, 2002, p. 7). The research pointed out that this mainly refers to the practice of appointing the chairperson rather than the rest of committee members. The noteworthy exception is in Slovenia, where it is mandated that the opposition shall have the majority of seats in the Committee. At this moment, six out of 11 members represent the opposition.

Following the changes in the structure of the ruling coalition, the opposition also holds the majority in the Lithuanian Committee (i.e., four out of seven members). However, this is a reflection of the proportional distribution of seats in the Parliament. An interesting practice is found in Estonia, where every political party present in the Parliament nominates one of its members for the PFC membership. Presently, there are three members supporting the government and three members from the opposition.

The research indicates that members of the opposition chair the vast majority of the PFCs, but appointment procedures differ. This practice is more often employed by the PCAs compared to budget committees. A detailed membership pattern within European PFCs is presented in Table 5.

In Germany both the chair of the Budget Committee and the chair of the Subcommittee on Public Accounts are the members of the strongest opposition party. In Romania the opposition member chairs the PFC in the Lower Chamber, while the ruling party chairs the PFC of the Upper Chamber; this division is established by negotiations between political parties. In France only representatives of the opposition are allowed to chair the PFC in the National Assembly. However, the MEC has two chairs – one from the opposition and the other one from a ruling party. In Denmark the criterion for appointment is seniority and not a political color, while in Norway it is an unwritten rule that a chairperson represents the opposition. In Malta a chairperson of the PFC is usually appointed by an opposition leader.
Membership in public finance committees usually overlaps with the term of a parliament. Exceptionally, the chairperson is appointed for a shorter period of time in Denmark (i.e., one year) and Switzerland (i.e., two years). In France the membership in the Finance Committee is renewed every year; however, it is customary to enable the continuity of a chairperson.

<table>
<thead>
<tr>
<th>Parliamentary Committees on Audit</th>
<th>Budget Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austria</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Cyprus</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Czech Republic</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Estonia</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>Ruling party</td>
</tr>
<tr>
<td><strong>Lithuania</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Malta</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>The Netherlands</strong></td>
<td>Ruling party</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Poland</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Slovenia</strong></td>
<td>Opposition</td>
</tr>
<tr>
<td><strong>Switzerland</strong></td>
<td>Ruling party</td>
</tr>
</tbody>
</table>

Table 5 - Membership in Public Finance Committees
Danish Public Accounts Committee has six members who do not necessarily need to be members of the Parliament. Still, membership in the committee represents the political representation within the Parliament. Currently, two members represent the Government – one member represents a party that supports the Government and three members represent the opposition. The members are appointed for four years, independently of parliamentary elections.

Although the current chair is a member of the opposition, this practice is not mandated. The criterion for appointment is seniority; he/she is elected for one year, but is usually reelected. The chair has the primary contact with the media. However, his/her powers are limited because Committee members are usually united in their actions and the views expressed are based on the unanimous decisions and opinions of members.

Committee members receive an annual payment corresponding to a half of MPs’ salary. Members of Parliament receive this allowance in addition to their salary.

2.5.4 Serving on Other Committees

PFC members often serve on other parliamentary bodies. To compensate for their absence, some committees employ the practice of alternate membership. Despite the fact that in most European legislatures this is not the case, committees rarely reported this to be affecting their activities. Interesting practices are described below. In the Austrian PFC there is an alternate member for each member, while in Portugal and Finland there are exactly half plus one alternate members. In Finland each MP usually serves on two committees simultaneously, while in Norway all parliamentary groups have to be represented in every committee. The rule is that one MP should serve on one committee, but since this is not feasible for small parties their members are active in other committees as well. Similarly, in Italy it can happen that some members serve on other committees depending on the size of a political group.

As mentioned before, every committee in Luxembourgish Parliament must have 12 members. However, there are only 60 parliamentarians and 22 committees; hence, members usually serve on multiple committees simultaneously. Likewise, in Slovenia there are 90 MPs and 29 working bodies. A particular case is Finland where several members of the Committee are also on the Advisory Board of the National Audit Office – including the chairperson of the Committee who is also the chair of the Advisory Board. In Switzerland PFC members also serve on two and up to four committees or various delegations. Yet, they cannot be members of the Control Committees. As expected, the higher the number of standing committees the higher the chances that members of the PFCs serve on other committees. Thus, in France

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10 For a detailed description see Annex 8
where there are only six standing committees in the National Assembly MPs can only be members of the one committee; the exception is the European Affairs Committee, whose members also serve on other committees.

2.5.5 Quorum
The attendance of committee members plays a crucial role in the success of committee activities. When membership between committees overlaps, it is essential to coordinate the schedules with other committees in order to ensure the efficacy of the PC (Wehner, 2002). This is particularly a problem for smaller political parties which have to divide their few members over the various parliamentary committees.

Almost all PFCs require a quorum i.e., a minimum amount of members that need to be present in order to conduct activities. In most countries majority of members need to be present in order to conduct activities. For example, in Portugal 11 members (i.e., more than half of the permanent members) need to be present to constitute a quorum. Decisions are voted and each party has a number of votes proportional to the representation in the Parliament, no matter how many of its members are present in the Committee.

One exception is the Estonian PFC, which requires that one third of the committee members are present. Moreover, in the Netherlands and Switzerland no quorum is required. Lastly, Greece reported that all members of the committee must be present to constitute a quorum.

2.5.6 Role of the Chairpersons
Committee leadership is regarded as important because it can influence the agenda of meetings (Yamamoto, 2007). This is of particular importance in committees where the chair is from the opposition party. “The chairperson is also crucial in fostering a culture of consensus in the committee, by steering it clear of party political divisions as far as possible” (Wehner, 2002, p. 7).

The research revealed that chairpersons are usually responsible for agenda setting and leading of discussions. They also represent the committees in their relationship with a parliament, government, and often with a SAI. They call meetings, invite other persons to attend meetings, sign reports and other documents. Sometimes they are also responsible for dividing work among members (by assigning rapporteurs). Usually, a vote of the chairperson counts as one vote. Exceptionally, in Norway the vote is counted twice, while in Switzerland the chairperson has a casting vote.

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11 Refer to Annex 10 for a full list of practices
Box 8 - Duties and Responsibilities of the Chairman in the Lithuanian PFC

The chair shall:
1) Convene meetings and see that necessary documents and other material be prepared for them;
2) Taking into account the work program of a parliamentary session, decisions of the Committee, decisions of Parliament, or proposals of the initiators of the Committee meetings, prepare a draft agenda of Committee meetings;
3) According to the approved work plans and other decisions of the Committee, issue instructions to Committee members, and provide them with the material and documents relating to the activities of the Committee;
4) For the execution of the work plan of the Committee, organize members of the Committee to work in preparatory commissions and working groups;
5) Invite necessary persons to participate in Committee meetings;
6) Preside over Committee meetings;
7) Sign the resolutions, conclusions and minutes of the meetings of the Committee;
8) Represent the Committee in its work with other State institutions and public organizations;
9) Organize the implementation of the resolutions of the Committee;
10) Regularly notify members of the Committee of new assignments, the execution of the decisions of the Committee, consideration of its recommendations, and work in representing the Committee;
11) Each month notify the Commission on Ethics and Procedures of the members who do not attend Committee meetings and who do not fulfill their assignments.

2.5.7 Allowances for Serving on the Public Finance Committees

In Europe committee members rarely receive special allowances for serving on the PFCs. However, “[s]ometimes, […] a special salary and/or other prerequisites can increase the prestige of the position and make it attractive to those who might otherwise seek more partisan rewards” (Stapenhurst et al, 2005, p.16).

In Estonia the chairman and the vice-chairman of the PFC receive the usual remuneration for the chairmen and vice-chairmen. In Slovenia the members of Parliament who are active in three working bodies receive a bonus payment of 15%, while the chairpersons receive an additional payment of 30% to 40%, depending on the importance of the parliamentary body. In Norway and Malta the chairs also receive an additional payment; however, the same practice applies also in other parliamentary committees. An interesting case is Luxembourg where PC members receive allowances according to the number of meetings they attend. The allowances are the same for all committees.
Special allowances were mentioned by Denmark, where members receive an annual payment corresponding to half of MPs’ salary. After eight years of serving on the Danish PFC members are entitled to a pension.

2.5.8 Training Committee Members

Despite a technical nature of audit reports PFC members do not usually receive training when they start their term, nor during their mandates. Luxembourg reported that members of the PFC are informed by their political parties, as well as by the chair and the secretary about different procedures, rules and practices of the Committee. Additional training is not foreseen. In Cyprus the training focuses on the overall review of PFC operations and the rules and regulations of Parliament.

According to the Italian PFC, members receive any training or support they need. In Portugal the members of the Committee do not receive any training, but they are assisted by the Technical Unit for Budgetary Support. Committee members usually have a higher education, and an interest in financial, economic or budgetary matters.

Slovenian MPs get a short introductory seminar, where they receive information about a particular working body. Occasionally, additional training is provided. In Denmark, secretariat accompanied by more senior members gives newly appointed members orientation training.

2.5.9 Relationship with Foreign Parliaments

PFCs cooperate with foreign parliamentary committees either to gain more experience or to share their organizational procedures and other skills. The Czech Budget Control Committee mentioned its cooperation with Spain, Lithuania, Slovenia, U. K., Hungary and Finland. In Switzerland it is a practice for the Finance Delegation to visit its counterpart in a selected country once a year in order to exchange views, organizational procedures and practices. Similarly, Italy and Portugal mentioned their cooperation with the European Parliament and parliamentary committees in Europe. From time to time members of the Committee in Luxembourg meet with foreign parliaments that are in the process of establishing their own PFCs. Moreover, the Dutch Committee receives approximately five foreign delegations a year. In France the Committee has regular meetings with the German Committee and participates in semi-annual meetings organized by the European Union. In addition, the Danish Committee often receives foreign visits.

2.5.10 Employees of Public Finance Committees

Previous research into the relationship between parliamentary committees and supreme audit institutions emphasized the quality of legislative staff as a factor of success for oversight activities. According to Wehner (2002), “at a minimum, the committee should have a clerk and a secretary” (p. 10).
The PFC secretariats perform a wide range of duties. They prepare meetings, draft reports and transcripts of meetings, provide recommendations for resolutions, communicate with the SAIs, and sometimes manage media relations. Consequently, it is vital for staff members to have proper knowledge of practices and legal aspects of the functioning of the committee, as well as the skills to carry out various tasks.

Larger PFCs tend to have a lower ratio of dedicated staff to committee members compared to smaller PFCs. As shown in Figure 9 Lithuania has the highest ratio among respondent countries, indicating that there is a dedicated staff person for almost every committee member. France has the highest ratio among budget committees with one permanent staff person for every third committee member. Nevertheless, PFCs are often assisted by shared personnel and sometimes by a research unit.12

Permanent staff members usually hold university degrees in economics, law or political science. Training is usually not provided; however, while selecting the candidates a wide range of required skills is taken into account. Switzerland reported that secretarial employees have to have an adequate education and financial experience. In Norway staff is expected to hold a university degree, as well as relevant civil service experience. To work for the Lithuanian PFC advisors must hold a master degree in law or economics, while assistants must be university graduates. Similarly, the Cypriot PFC mentioned that no special training is provided; however, experienced and senior staff members are appointed.

<table>
<thead>
<tr>
<th>Country</th>
<th>Type of Training Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Denmark</strong></td>
<td>Job and mentor training</td>
</tr>
<tr>
<td><strong>Estonia</strong></td>
<td>According to need</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>Language courses, computer training, seminars and training courses on different topics</td>
</tr>
</tbody>
</table>

12 For a detailed overview of staff see Annex 7
Of major importance is that the research staff is usually responsible for analyzing and preparing research papers, identifying problems and finding solutions. This argument is supported by Krafchik & Wehner (2004) who suggest that capacity building of parliamentary committees should begin with providing committees with independent research competences. However, the absence of a dedicated research capacity can be compensated to a certain extent with the expertise of the audit institution (Wehner, 2002).

The PFCs in the Netherlands, Italy and Portugal mentioned that they are supported by a research body. In Portugal the committee is assisted by a Technical Unit for Budgetary Support comprised of three members. The Unit expects to increase its staff to a maximum of eight members.

**Box 9 - Dutch Bureau for Research and Public Expenditure**

Bureau for Research and Public Expenditure assists Dutch parliamentary committees. The specific task of the Bureau is to provide research capacity, to verify departmental evaluation reports and to advise committees on budgetary matters.

Upon request, the Bureau provides committees with written reports on matters concerning budgetary or parliamentary control. The Bureau also examines inquiries that were initiated by the Government.

Source: Dutch Chamber of Deputies

**Box 10 - The Role of the German Federal Court of Audit**

Apart from auditing public expenditure and reporting on its findings to Parliament the Court acts as an advisor to both Government and Parliament. Its observations and recommendations are not limited to the year for which approval is sought but also concern issues open for remedial (e.g., trends in federal management). The Court plays an important role when budget estimates are prepared as it participates in the budget negotiations between the
Ministry of Finance and governmental departments. The recommendations of the Court sometimes prompt legislators to revise or amend laws. The Court also examines large-scale programs for which expenditure has not yet incurred and tries to detect and correct mistakes at an early stage. Its representatives also provide testimony during the deliberations within the PFC.

In his ex-officio position as Federal Performance Commissioner the president of the Court puts forward proposals, recommendations, reports and opinions to improve the efficiency of the Federal Administration.

In the past years the Court advised Parliament on different issues like the introduction of the toll collection system for lorries, procurement of the A400 M Airbus, federal departments’ reliance on external experts, impact of allocating government functions to Berlin and Bonn, federally funded railway net extension, awarding of marketing contracts by the Federal Government’s Press and Information Office, Foreign Office real estate management, and federal debt management restructuring.

Source: German Court of Audit

### 2.6 Working Practices of the PFC

#### 2.6.1 Meetings

**Frequency of Meetings**

Frequency and duration of PFC meetings varies across legislatures and a generalized judgment about the number of meetings required to conduct successful oversight is impossible to make. However, committees that meet more frequently, “have better opportunity of promoting consensual working practices than committees whose members come together infrequently” (McGee, 2002, p. 72). “Each [committee] has to ensure that it sets aside sufficient time to do justice to the audit reports tabled, and to reach a satisfactory level of scrutiny” (Wehner, 2002, p. 11). Furthermore, to make sure that tabling of accounts and audit reports is not delayed, regular meetings are required that enable committees to deal with the bulk of reports received (Stapenhurst et al., 2005).

Most countries reported not having a formal policy detailing the regularity of meetings, the notice of meetings or agenda structure. However, in Lithuania the regularity of meetings is detailed in the Statute of Parliament. In Romania meetings of the Senate PFC are formally regulated by the Senate’s Standing Orders, the Senate’s Decisions and the Committee’s own regulations.
There are considerable differences in the amount of PFC meetings. For example, the Italian Committee meets three times per week. On the other hand, the French PFC meets once a month to discuss SAI related issues. Among the PCAs, Finland has the most frequent committee meetings (two or three times per week) and Greece, the least frequent meetings with one meeting every four months.

On average, budget committees meet more often than PCAs. This makes sense considering their agenda, which not only deals with ex-post but also with ex-ante budgetary topics. However, one cannot draw conclusions simply by looking into provided figures. First of all, there are significant differences in the amount of time committees dedicate for meetings. In Switzerland the PFCs have seven to eight meetings per year, each lasting one to two days. Additionally, the subcommittees have two to three meetings of one day per year. Therefore, the amount of hours the committee meets is comparable to a country that meets weekly for one hour. Moreover, the success of committee meetings does not depend on the amount of meetings, but on the matters that are discussed within these meetings. Budget committees, on average, spend less time discussing SAI reports compared to PCAs that mainly deal with SAI reports.

**Agenda Setting**

The frequency of the SAI related matters differs across legislatures. While some committees base their activities only on the SAI reports, other committees indicate sporadic review of SAI reports. A clear pattern can be distinguished between different types of committees and the proportion of meetings they devote to SAI reports.

Committees that deal the least with the SAI related matters are in Greece, Romania and Italy. Except for Greece, these countries have budget committees and therefore, they do not only

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13 For Belgium, France and Germany the number of meetings is the number of meetings in the subcommittee. The majority of figures are estimates based on the information about monthly meetings.
handle ex-post related matters, but also ex-ante budgetary matters. In addition, there are other tools for oversight; for example, use of interpellations is common in Romania. Moreover, a large portion of the time is devoted to budgetary and financial legislation. Another method is found in budget committees that establish a specific subcommittee dealing with the SAI related reports. For example, these subcommittees are established in Belgium, Czech Republic, Germany, and Poland.

The other type of committees - PCAs - deal mainly with the ex-post budgetary oversight, and therefore, have more frequent interactions with the SAI. Due to the significant workload that the PCAs are buried with, most committees prioritize their activities and examine only the most important reports within their scope of mandate. Given the role of the PCA and the characteristics of SAI findings reports may also be forwarded to the responsible departmental committees.

Chairpersons often influence the agenda due to powers they have to direct and organize the committees’ work. However, sometimes the agenda may be influenced by the secretary or the research staff. For example, in Denmark the agenda is determined by the head of secretariat who consults the chair or the committee members as needed. In Luxembourg the agenda of meetings is a result of collaboration between the secretary and the chair taking into account the evolution of the work in progress of the PCA, as well as the request of Committee members to discuss different subjects. Usually one or more of the above-described actors are involved in the agenda setting.

The research indicates that agenda setting is not influenced by the executive. Stapenhurst et al (2005) identified this as a factor of success. PFCs should be “provide[d] with the freedom of action to focus on relevant, important matters” without interference from the government (p. 10). The same argument holds true for the interaction with the SAIs. “While it is important that the [PFCs] [consider] the advice of the [SAIs], the [committees] should not be constrained in [their] choice of which aspects of an audit report should be further investigated” (Wehner, 2002, p. 14). Annex 10 outlines the way agendas are set for all countries under review.

**SAI Presence at the PFC Meetings**

In all European countries except in Greece SAI members participate in the meetings of the PFCs at least once a year, particularly when the report on the state accounts is presented. Usually, it is the president of the SAI who attends the meetings, sometimes accompanied by his/her deputies or other staff members. However, the frequency of committee meetings attended by SAI members varies significantly across legislatures; the frequency of meetings attended is also linked to the number of reports issued by the SAI.

In several countries SAI members are often present at committee meetings. For example, in Finland the AG and his/her staff are the most consulted experts. They take part in meetings
approximately twice a month. In Malta the AG, the Deputy AG, the Assistant AG and their officials attend all meetings of the Committee. In Lithuania it is common practice for the SAI President, his Deputy and the Director of Communication to regularly attend meetings, while other members can participate if requested. SAI members attend all meetings of the Cypriot PFC.

On the other hand, PFCs in Belgium, Luxembourg, the Netherlands, Norway and Slovenia reported that SAI members do not usually attend ordinary meetings. In Estonia the AG and the Audit Manager are present during all audit reports discussions and participate in regular meetings according to need. Moreover, members of the French SAI attend meetings of the MEC and its hearings.

The interaction between parliaments and SAIs usually takes place during committee meetings. At the meetings PFC members can ask questions and inquire about audit reports and SAI remarks. Outside meetings it is typically the chairperson who is responsible for communicating with the SAI. In Romania the whole Committee interacts with the SAI and not its individual members, whereas in Denmark as a rule members do not interact directly with the SAI or the AG but via the Committee secretariat.

Box 11 - The Advisory Board of the Finnish SAI

In Finland several members of the Audit Committee serve on the Advisory Board of the SAI that is also chaired by the chair of the Audit Committee. The SAI has an Advisory Board prescribed by law to which it appoints representatives of key cooperation partners as well as experts on financial administration and the public economy. The Advisory Board includes the Auditor General and one member elected to represent the National Audit Office's staff. The task of the Advisory Board is to maintain and develop the Office's connections with cooperation partners, to present initiatives, to develop auditing, and to monitor the focus of audits, their effectiveness and their ability to serve different cooperation partners.

Source: Finnish State Audit Office

2.6.2 Continuity

Most commonly, membership in parliamentary committees lasts for a period of four to five years, corresponding to the parliamentary term. Thereafter, when new elections are held the positions are divided according to the political representation within the parliament. Because inquiries sometimes last several months, this rupture of the committee structure can harm the proceedings of inquiries across parliamentary terms.

In most countries, continuity of proceedings is not regulated. Yet, in some cases the secretariat is responsible for the continuity of inquiries across parliamentary terms. In the Netherlands, Lithuania and Luxembourg the clerk provides an introduction file to new
members at the first PFC meeting. Another way to inform new members about the pending proceedings is to refer to the year-end report of the committee. For example, Portuguese and Slovenian PFCs issue a report at the end of each parliamentary term. In Austria pending SAI reports are negotiated in the ensuing legislative period. On the other hand, Belgium and France indicated that pending proceedings are usually discontinued with the end of parliamentary term.

2.6.3 SAI Reports Sent to PFCs

PFCs usually receive two types of SAI reports. The majority are audit reports focusing on financial audits, performance audits and follow-up of previously performed audits. The other types of reports are SAI activity reports. Some SAIs issue one comprehensive annual report on the state account and the activity of the SAI, while other supreme audit institutions have at least two different yearly reports, one concerning the state budget implementation and the other one concerning SAI activity.

Types of Audit Reports Received

All countries except Greece reported receiving a combination of several types of audit reports. The Greek PFC tackles only financial audit reports. Figure 11 depicts the proportion of different SAI audit reports received. However, the findings addressed in SAI reports often include a combination of financial as well as performance audits. In Lithuania majority of received reports are financial audit reports. However, the Committee only receives audit reports if the opinion of the SAI is negative. According to the Law on State Control, the Auditor General shall “submit performance audit reports and financial (regularity) audit reports and opinions to the Seimas Audit Committee, when State Control officers issue qualified or adverse opinion, or disclaimer of opinion on financial accounts” (Article 10, Paragraph 7). Positive audit reports are not dealt with.

Box 12 - Comprehensive Audit Reports in Hungary

In the case of Hungary most reports received (80%) are comprehensive audit reports. According to the Hungarian SAI, “comprehensive audits evaluate the organization frameworks, as well as the personnel, tangible and financial conditions of performing state duties, as well as the conformity of all these by applying the system-based approach. Parallel to that, it pays special attention to the operation of internal control systems and to the detection of any inherent risks. Lastly, solutions of performance audits are emphasized in this method.”

Source: State Audit Office of Hungary, 2006, p. 8

The PFC in Portugal considers financial audit and performance audit reports on budget execution. However, departmental committees assess performance and efficiency of expenses in each policy sector. Likewise, parliamentary committees in Lithuania usually consider
performance audit reports, whereas financial audit reports are considered taking into account decisions of the Committee on Audit.

On average PFCs receive the same amount of performance audit and financial audit reports; however, there are exceptions. In Denmark and Austria 95% of reports received are performance audit reports. On average, the Estonian, Finnish and Nordic PFCs also receive more performance audit reports rather than financial audit reports.

**Type of Audit Reports Usually Received From the SAI**

<table>
<thead>
<tr>
<th>Country</th>
<th>Financial audit reports</th>
<th>Performance audit reports</th>
<th>Follow up reports</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>5%</td>
<td>95%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>5%</td>
<td>95%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>35%</td>
<td>55%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>10%</td>
<td>60%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td></td>
<td>100%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>5%</td>
<td>80%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>40%</td>
<td>40%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>60%</td>
<td>39%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>50%</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td></td>
<td>75%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>55%</td>
<td>25%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Norway</td>
<td>7%</td>
<td>80%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>50%</td>
<td>33%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
<td>70%</td>
<td>10%</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Figure 11 – Audit Reports Received by PFCs**

Since the 1980s the use of performance audit reports has become more important (Jones & Jacobs, 2009a). The reports are helpful in identifying inefficient operations and improving the economy, efficiency and effectiveness of public services. Most countries under review reported that the use of performance audit reports has expanded recently. Still, Norway reported that both types of reports are equally important. Financial audit is a continuous process whereas performance audits are carried out in sectors where risk is considered high.
Performance audits have recently become more important; however, financial and performance audits complement each other.

**Review of SAI Reports**

Although the review of SAI reports follows different rules and practices across European national parliaments, visible patterns concerning the way PFCs deal with reports can be identified. The scope of PCAs is to deal solely with overseeing public expenditure. Hence, PCAs tend to pay more attention to SAI reports than budget committees. Often, budget committees review a smaller fraction of SAI reports, as this task is conducted by departmental committees. For example, in 2007 in Hungary the report on the final accounts was discussed in all committees except in the Committee on Immunity.14

<table>
<thead>
<tr>
<th>Box 13 - Review of SAI Reports by the Hungarian Parliament</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2008 the Committee on Budget […] as well as the Economic and IT Committee relied most extensively on the SAO report in their work (each of them put five SAO reports on its agenda). In 2008, the Committee on Human Rights, Minority, Civil and Religious Affairs discussed four SAO reports and a study of the SAO’s Research Institute on the situation of the Romas.</td>
</tr>
<tr>
<td>It became a general practice in the parliamentary cycle of 1998-2002 that the SAO annual activity reports are regularly discussed by the plenary sessions – and by an increasing number of standing committees – of the National Assembly, which subsequently decides on the approval of said reports. The 2007 SAO Annual Activity Report was put on the agenda of five selected committees.</td>
</tr>
<tr>
<td>The SAO report on the 2007 final accounts, and the SAO opinion on the budget appropriation bill for 2009 were discussed by all committees but the Committee on Immunity.</td>
</tr>
<tr>
<td>The report on the financial management of the Hungarian News Agency Corporation in 2007 was discussed by the Committee on Culture and the Media, as well as the Committee on Budget, Finance and [Audit Office] together with the annual report of the Hungarian News Agency Corporation.</td>
</tr>
<tr>
<td>The report on the activities of the Hungarian Privatization and State Holding Company in 2007 was discussed by the Economic and Information Technology Committee and by the Committee on Environmental Protection (from the four selected committees) in October.</td>
</tr>
<tr>
<td>The report on the audit of the utilization of EU funds in 2007 was discussed by the temporary committee monitoring the implementation of the New Hungary Development Plan on 7</td>
</tr>
</tbody>
</table>

14 See Box 13
October 2008, together with the informative report on the modification of funds stipulated in the action plans of the regional operational programs of the Ministry for National Development and Economy.”


The Portuguese Budget Committee received 40 reports in 2008 and another 40 reports in 2009. PFC did not review all of them, since the Committee only conducts a general political control of financial and policy matters. However, departmental committees assess the efficiency of expenditure in specific policy sectors.

In Denmark, Lithuania, Malta and Norway all reports issued by the SAI are discussed within PCAs. Similarly, all reports received by the Committee in Luxembourg are reviewed. However, the number of reports is small and ranged from two to six reports a year in the past five years. The Dutch Committee reviews between 70% and 90% of received reports and forwards them to relevant departmental committees. This is to ensure that none of the important SAI recommendations are missed.

Interesting examples are worth mentioning. First, the Swiss Finance Delegation receives the financial audit reports of the SAI, which are then sent to the Finance Committees in both chambers. There are about 100 reports every year but only the important ones are reviewed. In the past five years the Finance Committee received only four to five reports a year. Second, the Slovenian SAI reported that in 2004 the Committee did not examine any of the issued reports. The Annual Report for 2003 was also not examined by the Parliament; however, some of these reports were reviewed a year later. Hence, in 2005 88 reports were analyzed although the SAI released 83 reports. In 2009 out of 66 reports 13 were discussed by the PCA.

Setting a benchmark for the minimum number of SAI reports reviewed is difficult; this depends on the SAI mandate, the quality of public management, size of the public sector, and the size of the national economy. The focus of reports determines the extent to which public money is spent economically, efficiently, and effectively. Yet with the absence of formal follow-up mechanisms or political will to implement recommendations, the number of SAI reports loses importance.

2.6.4 Holding Hearings
One of the primary tools PFCs can use to gather evidence when conducting inquiries is holding hearings at which witnesses and experts are summoned. Hearings can be held in the plenary, in the PFC itself, in relevant departmental committees or in special temporary committees of inquiry. During hearings, “officials from departments, agencies or other relevant bodies answer to the [PFC]” (Wehner, 2002, p. 13). Considering the bulk of work the committee is occupied with, hearings are usually not held for each inquiry. PFCs have to
prioritize reports that “deal with more serious financial control issues and subject only these cases to a full-blown hearing” (Wehner, 2002, p.13). It is important that committee members are well prepared for these hearings and sometimes the workload is divided among the members in order to ensure efficient operation.

**Box 14 - Hearings in Finland**

In Finland the Committee starts by hearing experts and obtaining information from other sources. Hearings generally begin with a ministry representative or representatives and then proceed with other persons who have assisted in preparatory work or can speak for agencies, organizations and other interested parties. Experts usually give oral presentations at Committee meetings. The Committee can also ask an expert for a written statement.

Not all committees organize hearings. The Danish PCA has full access to summon witnesses and call for information or documents, but it seldom does. It bases its conclusions on the findings of the SAI and this information seems sufficient. In Romania witnesses are not usually summoned within the committee either; instead special committees of inquiry can be set up.

**Box 15 - Hearings in the Czech Republic**

According to the Constitution of the Czech Republic, the Government is accountable only to the Chamber of Deputies. There are several ways of obtaining information from governmental sources. One is posing parliamentary questions in the plenary where the appropriate member of Government has to answer the question immediately upon its presentation. A question may also be posed in writing where the Government or a member of the Government is obliged to answer either orally at the next meeting of the Chamber of Deputies or in writing within 30 days of its submission.

Besides parliamentary questions, deputies can obtain information from the executive branch through departmental committees. A committee has a right to demand that a member of the Government or a top administrative official personally attend the Committee’s meetings in order to inform and explain. Lastly, the Chamber of Deputies may set up special committees of investigations that examine matters of public interest.

*Source: Chamber of Deputies of the Czech Republic, 2006*

**Summoning of Witnesses**

Wehner (2002) and Stapenhurst et al. (2005) emphasize the importance of summoning accounting officers instead of ministers. This is to ensure the apolitical nature of the process; the focus should be on implementation of government programs instead of policy matters. It
is preferable to “focus on the accountability of civil servants for administrative and financial operations rather than on the political accountability of ministers” (Stapenhurst et al, 2005, p. 11).

**Officials Summoned As Witnesses**

<table>
<thead>
<tr>
<th>Country</th>
<th>Minister</th>
<th>Administrative head of department</th>
<th>SAI</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>21%</td>
<td>16%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>11%</td>
<td>32%</td>
<td>42%</td>
<td>16%</td>
</tr>
<tr>
<td>Portugal</td>
<td>25%</td>
<td></td>
<td>75%</td>
<td>0%</td>
</tr>
<tr>
<td>Norway</td>
<td>20%</td>
<td>60%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>0%</td>
<td>100%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Malta</td>
<td>0%</td>
<td>100%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>19%</td>
<td>25%</td>
<td>44%</td>
<td>13%</td>
</tr>
<tr>
<td>Italy</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Hungary</td>
<td>18%</td>
<td>23%</td>
<td>27%</td>
<td>32%</td>
</tr>
<tr>
<td>Germany</td>
<td>0%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Finland</td>
<td>23%</td>
<td>23%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Estonia</td>
<td>23%</td>
<td>31%</td>
<td>0%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Figure 12 – Summoning Witnesses

**Box 16 - Summoning of Ministers in the Netherlands**

In the Netherlands it is a common practise that ministers are accountable to the Parliament. Sometimes civil servants are called to inform the Parliament. However, this only happens when the minister is informed and formally approves this procedure. It might happen, for example, that a committee makes a request to hear a civil servant, but ministers themselves may decide to appear at the hearings instead, assisted by a civil servant. Of course, for specific committees of inquiry different rules apply. In this case, civil servants are obliged by law to be present as witnesses when they are called to do so. Lastly, whenever the Lower House invites a representative of an independent institution to take part in a hearing, the relevant minister has the right, according to Article 69 of the Constitution, to be present at these hearings.
2.6.5 Measuring Performance

At present there are no benchmarks for measuring committee performance. In this respect the public sector has fallen behind the private sector (Stapenhurst et al., 2005). Only five countries reported assessing the performance of their PFCs. In Portugal this is done by the Committee itself, as well as by the President of the Council of Committees. Without using performance measures the Dutch Public Expenditure Committee submits an annual report on activities undertaken and the results achieved. Similarly, in Estonia the PCA reports its work to the Parliament. The performance of the Lithuanian PCA is assessed according to the number of reports discussed, the number of decisions taken, the number of letters issued, and the number of meetings organized. By the end of each plenary session the committee publishes its reports and passes it to the Speaker of Parliament. Moreover, in Slovakia performance is controlled every six months by putting together statistics about the work of the PFC. In addition, several other reports concerning PFC performance are elaborated at the end of the election term.

In evaluation of their work PFCs rarely make use of external assistance. Denmark is the only country that reported having requested a consulting firm to evaluate its performance. Nevertheless, the French PFC mentioned that it consults the SAI for the purpose of collecting best practices of control.

2.6.6 PFC Reports and Reporting to the Parliaments

As mentioned before, parliamentary committees are established in order to facilitate the workload of the chambers and improve the oversight function of the parliaments. Therefore, PFCs frequently establish a conventional system of reporting to the assembly, such as releasing their own reports. Yamamoto (2007) suggests that reports are “the primary vehicle for formulating recommendations to the government” and informing the chamber of the activities of the respective PFCs (p. 10). Keeping in mind differences in parliamentary procedures across Europe, it does not come as a surprise that reporting methods differ from parliament to parliament. The research revealed that PFC reports can be divided according to their 1) tracking method, 2) subject matter, and 3) their purpose; however, no clear pattern can be determined according to the type of the PFCs.

The first major difference across European PFCs is based on the method that is used for tracking committees’ reports. In some countries this is done on an annual basis, while PFCs in the other countries keep track of their reports on an electoral term basis. The former ones track their reports according to the parliamentary year, which differs from legislature to legislature. For example, in Portugal parliamentary year spans from mid-September until mid-June, while in Norway it runs from October till September of the following year. The latter method that PFCs utilize for tracking the number of released reports is based on the electoral term. Such is the case with Norway, which reports that in the electoral term of 2005-2009 the PFC submitted approximately 130 reports to the chamber.
The highest number of reports is presented in Slovakia, the Netherlands and Lithuania, respectively 1789, 492 and 387 in a four-year span of 2005 to 2009. However, the high number of Slovakian reports might be influenced by the fact that the Slovakian PC is the budget committee and therefore it is involved in wide spectrum of duties. On the other hand, the high number of Dutch reports might be due to the inclusion of reports that were drafted by the Bureau for Research and Public Expenditure. Furthermore, Finland did not release any reports in 2005 and 2006 since the PFC was established only in 2007. During its first year of operation the Finish PCA released only two reports, while in the subsequent years this number increased to six reports a year. Figure 13 depicts the number of yearly reports released by the European PFCs.

In addition, in some countries PFCs do not release reports in order to inform the chamber of their activities and findings. This practice has been reported in Malta, Switzerland and Greece. The Maltese PFC detailed that the chairperson presents the meeting minutes in plenary sessions.
Yet, it is useful to indicate another distinction present across European PFCs, which is based on the subject matter of the PFC reports. The focus is either on SAI reports (i.e., annual and audit reports) or elaborates on PFCs’ findings and opinions. Therefore, although the Portuguese PFC did not report any precise figures, it pointed out that there is a report drafted on each and every issue that has been discussed within the Committee. Similarly, the Slovenian PFC issues a report concerning every matter that arises on the agenda. Half of the Norwegian PFC reports were based on the SAI reports; some 16% of the total reports dealt with constitutional amendments, while approximately 10% reported on self-initiated investigations. In Denmark approximately 25% to 35% of the annually released reports cover inquiries. In Slovenia the number of inquiry based reports ranges from 74% of the total number of reports in 2006 to 37% of the total number of reports released in 2009.

Additionally, PFC reports serve different purposes. Some reports are exclusively intended to inform the chambers on committees’ actions and recommendations, while other reports are intended for governments. The latter type of reports is either sent directly to the audited governmental entity or forwarded to the auditees via the chambers; this practice is elaborated more in detail in one of the following sections.

**Responsibility For Drafting of PFC Reports**

Furthermore, the practice of report drafting also differs between the countries of the continent. Usually, the first step is to prepare meeting minutes; once those are drafted the PFC reports are created based on the information contained in the transcripts. Secretarial employees, committee members, rapporteurs or committee chairs are usually responsible for drafting meeting minutes and/or reports.

In 13 countries the secretariat might be assigned with the task of drafting meeting minutes and reports, while in Cyprus, Germany, Hungary, Italy, the Netherlands, Romania, Slovenia, France and Switzerland this task rests solely with the secretarial employees. On the other hand, in 10 respondent countries the duty of drafting minutes and reports may be assigned to members or the chair of the committee; in six of those countries this task can only be conducted by a PFC member or a chair. This is the case in Belgium, Czech Republic, Lithuania, Luxembourg, Norway and Portugal. It is interesting to note that the Chairperson of the Czech PCA is singlehandedly responsible for preparing minutes and reports. A detailed record of who is responsible for preparation of the PFC minutes and reports is depicted in Figure 14.
Table of PFC Reports
The research revealed that it is a practice for PFCs in Europe to table their reports in parliament. In 11 respondent countries all PFC reports are tabled in the plenary; such is the practice in Austria, Belgium, Cyprus, Estonia, Finland, Lithuania, Norway, Portugal, Romania, France and Slovakia.

Tabling of All PFC Reports in the Chamber

In Denmark, Germany, Italy, Luxembourg, the Netherlands, Slovenia and Spain public finance committees are not able to table all reports in the parliament. However, in Slovenia around five of the most important PFC reports are tabled in the Parliament every year; the annual report is always tabled. In Italy only legislative reports are tabled in the Parliament.
The reports of the German subcommittee are discussed only within the Budget Committee, which decides on what reports to pass to the plenary. Moreover, in Spain the report on the annual accounts in discussed in the plenary.

In the Netherlands all reports are sent to the departmental committees; hence, all deputies are familiar with the issues covered in the reports and can make use of the information provided whenever needed for the process of controlling the Government. However, in cases in which the subject matter covered in the report does not concern individual committees the reports are made public and sent to the Speaker of the House of the Representatives. Similarly, in Denmark the reports are tabled in the relevant departmental committees but are also always discussed in the Finance Committee.

**Box 17 - Tabling of PFC Reports in Luxembourg**

In Luxembourg reports of the PFC are tabled only if the Government refuses to implement recommendations of the PFC.

For Greece, Malta and Switzerland tabling of the reports is not relevant since in none of the listed countries public finance committees release their own reports. At this point again, it is vital to stress the difficulty of determining whether PFC reporting to the parliaments is important for the financial oversight process since often times different departmental committees may be extensively involved in this process.

**The Annual Report**

Some public finance committees have a practice of drafting annual reports. Those range in scope – from addressing the main points that were on the agenda of the PFCs to focusing on summaries of committee activities and findings.

**PFC Annual Report**

<table>
<thead>
<tr>
<th>Report Type</th>
<th>Number</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report: FR, SI, PT, NL, EE, DK, CY</td>
<td>7</td>
<td>FR, SI, PT, NL, EE, DK, CY</td>
</tr>
<tr>
<td>Bi-Annual Report: LT</td>
<td>1</td>
<td>LT</td>
</tr>
<tr>
<td>No answer: ES, LV, BG, PL, BE</td>
<td>5</td>
<td>ES, LV, BG, PL, BE</td>
</tr>
<tr>
<td>No Annual Report: GR, CH, RO, NO, MT, LU, IT, HU, DE, FI, CZ, A, SK</td>
<td>13</td>
<td>GR, CH, RO, NO, MT, LU, IT, HU, DE, FI, CZ, A, SK</td>
</tr>
</tbody>
</table>

Figure 16 - The Practice for Issuing Annual Reports
In Estonia the annual report covers important issues that the PCA dealt with during the past financial year. These range from participation at the meetings to summaries of the proceedings and decisions made. Estonian annual reports also include an annex with the list of the SAI audit reports that were prepared during the year, accompanied by the opinions of the Committee. In Denmark the annual reports focus on statistical and operational information of the PFC such as financial results and performance figures, including the number of undertaken inquiries, submitted reports, international activities etc. Similarly, the annual report of the Dutch PFC covers the results of undertakings and discussions, while in Cyprus annual reports discuss financial and fiscal results, as well as findings of inquiries.

Box 18 – Reports of the Slovenian Commission for Public Finance Control

In Slovenia the Commission for Public Finance Control (PFC) releases two types of annual reports. There is 1) an annual report based on the annual report of the Court of Audit (SAI), and 2) the election term report that is prepared every four years at the end of each election term and which covers technical and operational issues of the PFC.

Articles 34 and 35 in the Rules and Procedures of the National Assembly refer to the process of reporting:

Article 34

“Reports on issues discussed at Commission meetings are drawn up for the issues referred for discussion at plenary sessions as well as in relation to important performance reports discussed by the Commission. The Chair of the Commission decides on which performance reports a report will be drawn. For other issues, only decisions are drawn up and adopted at the meeting.”

Article 35

“In cases when a report on the discussion of a performance report is drawn up, the draft report is prepared by the expert service of the Commission after the meeting. The draft report indicates the main questions and answers as well as the recommendations arising from the debate.

The draft is forwarded to the Court of Audit, the members of the Commission, and the auditee, who may submit their comments within a time period determined by the Chair of the Commission.

The draft report with recommendations is sent together with the notification of the calling of the meeting at which the final report is to be adopted. The members of the Commission may submit their comments to the draft report in the form of amendments. The final report with recommendations is adopted without debate at one of the next meetings of the Commission.
The Commission first votes on the amendments to the report and then on the report in its entirety.”

**Box 19 – Biannual Reports in Lithuania**

A practice of reporting main activities and decisions is common in Lithuanian Committee on Audit (PFC). Information about SAI reports are provided alongside with proposals and opinions of the PFC. The Committee also justifies follow-up actions on SAI reports, as well as the questions of parliamentary scrutiny that formed Committee opinions. Information on general statistics is also part of the annual report: number of reports issued, number of meetings organized or the number of letters sent. In addition, Lithuanian biannual reports inform on international activities in which the Committee on Audit has taken part. Future plans are also elaborated on.

The timeframe of drafting annual reports differs from legislature to legislature. The longest time-spans are noted in Cyprus and Romania where the release of annual reports may take over a year after the financial year-end. The Romanian Senate Committee also reported that since the PFC does not exercise financial oversight, the only relevant report is the one on the annual report of the SAI. In Slovenia and Portugal annual reports are usually drafted within 12 months of the financial year-end. The annual reports of the committees are often based on the annual reports of the supreme audit institutions, which in practice influences the timeframe of releasing PFC reports.

On the other hand, the shortest time period for releasing annual reports is noted in Estonia – three months following the financial year-end. In Lithuania the biannual reports are drafted immediately after the end of the parliamentary sessions - which are held twice a year.

**Timeframe for Drafting Annual Reports**

![Bar chart](image)

* all values provided in monthly intervals

Figure 17 - The Timeframe for Issuing Annual Reports by PFCs

**2.7 Transparency of the PFC Activities**

Nowadays, there is an increasing “trend for legislatures to open their proceedings and committee meetings to the media and the general public” (Wehner, 2004, p. 4). This forces
greater transparency of governments. For example, Krafchik and Wehner (2004) suggest that the precedence for the process of scrutinizing public budget is transparency. Therefore, even though parliaments’ role is becoming ever more important in the ex-post evaluation of public spending, the role of parliaments is equally important for the process of drafting the public budget. Accordingly, parliaments strive to strengthen their influence in this process by coordinating “with other independent institutions with an oversight mandate” (Krafchik & Wehner, p. 10). These are supreme audit institutions, media and civil society.

There is no better way of enforcing checks and balances of the executive rather than through involvement of civil society and media. Therefore, public scrutiny is helpful in holding executives to account; this can be achieved in two manners. The first one is through direct media involvement and “re-transmission by the mass media or parliament’s own broadcasting channel” (Yamamoto, 2007, p. 32). This practice allows the public to keep track of the current work of the PFCs and to be up to date with the ongoing audit issues. The second approach that some parliaments have adopted is allowing the public “to observe the meetings in the committee room[s]” (p. 32). Therefore, both civil society and media “exert direct pressure on the executive and […] play an indirect role in supporting the [parliamentary committees] by providing information and suggesting lines of enquiry” (Hedger & Blick, 2008, p. 13). Consequently, media should be able to freely access accounts on governmental activities and performances while gaining influence on the executive.

It is further recommended that successful prosecution of wrongdoers is not the only purpose of the PFCs (Hedger & Blick, 2008). Instead, their focus should be on exposure of “civil service inefficiency, incompetence and maladministration. These activities may not be illegal, but rather areas where approved polici[es] [have] not been implemented efficiently and effectively, and where public money may have been misused or wasted” (p. 5).

PC Meetings Open to Public/Media

![PC Meetings Open to Public/Media](image)

Figure 18 - Transparency of PFC Proceedings

In ten respondent countries meetings are open to the public as well as the media. Similarly, in nine countries meetings are held behind closed doors, while in Romania and Spain meetings are only open to the representatives of the media. This pattern is clearly depicted in Figure
18. Wehner (2004) suggests that even if meetings and hearings are open to the public, “[t]here might be reasons for barring the public [access]” (Wehner, 2004, p. 11). This usually happens for security reasons if the issues discussed are of state importance and secrecy is required. Consequently, it is of no surprise that the majority of the PFCs may decide whether the meetings are public or in camera.

**Box 20 – Transparency Process in Denmark**

In Denmark meetings of the Public Accounts Committee (PFC) are usually closed for the public and media. Although this procedure might raise suspicion that the system is not democratic, the Danish PFC pointed out that this practice is applied in order to ensure that the members are not pressed into fast decision-making. Namely, with meetings being closed for public and media, committee members are able to take their time while debating without any outside influences. Even though the meetings of the Committee are closed all the supporting documents that are being distributed at the meetings are immediately available to both public and media.

The research suggests that in most cases hearings are open to public, even in the countries that tend to shut the doors of their meeting rooms. This is of no surprise, since it has been noticed that allowing media to attend hearings of the parliamentary committees results in greater press coverage and “in stimulating public awareness and debate, and causing the executive to take greater note of the increased public interest that arises” (Hedger & Blick, 2008, p. 13). The involvement of civil society stirs the nature and direction of the parliamentary committee inquiries. Therefore, a lot of PFCs take special care in publicizing committee meetings and hearings. Some countries publish reports, meeting minutes, or transcripts of hearings on their websites.

In cases where committee recommendations have not been implemented there is a possibility for further questioning of the executive through enlarged media coverage. Sandford (2005) rightly concludes, “good press coverage [indicate] that the committee is performing its task of holding [the executive] to account” (p. 27) Worth mentioning is the case of Slovenia, where in addition to meetings, the PFC also holds consultations that relate to the preparation of the meetings. The consultations are usually closed.

**2.8 Follow-Up**

The identification of financial irregularities and open criticism of responsible governmental officers is an essential outcome of the public accountability process; a well functioning accountability system identifies and penalizes wrongdoers. Thus, public finance committees add value to the work of supreme audit institutions. Hedger and Blick (2008) suggest that PFCs need to ensure that their work is relevant by following-up and verifying that
recommendations have been acted upon. The follow-up conclusions need to be firm and recommendations need to be timely and accomplishable.

**Government is Required to Formally Respond to PFC Recommendations**

| Yes, if the Parliament requires that: FI, CH, NO | 3 |
| No: AU, EE, HU, IT | 4 |
| Yes: CZ, LT, CY, DK, NL, MT, LU, DE, BE, PT, SK, SI | 12 |

*Figure 19 - Practices for Responding to PFC Recommendations*

As with all the other PFC practices the mechanisms and timeframes for follow-up are significantly different across European legislatures. Common practice in democracies is that parliaments have the power to seek information and to ask the relevant ministers to act upon recommendations. The research indicates that in majority of European countries if PFCs make recommendations the governments are required to respond. Responses are usually not debated in the plenary. Nevertheless, the practices for responding to PFC recommendations and monitoring their follow-up are different.

**Timeframe for Executive's Response Where a Formal Response is Required**

| According to recommendation: SI, MT | 2 |
| No timeframe: CY, DE, BE, PT, | 4 |
| Within 2-4 months: DK | 1 |
| Within 1 month: CZ, LT, EE, IT, SK, NL | 6 |

*Figure 20 - Timeframe for the Executive’s Response*

Annex 11 details the timeframe for governmental response. A short timeframe is important in order to ensure timely and effective follow-up. If there is a timeframe, the executive usually has to respond within a few weeks to several months. The longest timeframe identified was in Denmark - up to four months. Hereby, it must be noted that the content requirements vary between countries.
Box 21- Responding to PFC Recommendations in Slovenia

In Slovakia the Executive is obligated to respond to PFC recommendations; within 30 days the relevant line ministry is required to submit a report and defend it in front of the Committee. If necessary, the response is also discussed in the plenary. The Committee monitors the implementation of any measures taken.

Box 22 – The Case of Parliamentary Follow-Up in Norway

In Norway there are no formal rules for follow-up. Even though, the follow-up consequences are undefined, the PFC may criticize ministers in the plenary debate and it is possible to pass a vote of no confidence. Any circumstances that merit criticism must first be presented to the audited body for comments. Ministers must be given the opportunity to respond to the auditors' criticism or the report before the matter is submitted to the Parliament. If majority of MPs are in favor of a minister’s resignation, then a minister has to resign. The most dramatic consequence is to start legal procedures for impeachment. However, this rarely happens – the last time was in 1926.

Executive Responses Debated in Plenary

<table>
<thead>
<tr>
<th>Response</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>BE, HU, AU</td>
</tr>
<tr>
<td>Sometimes</td>
<td>CZ, CY, NL, IT, LU, NO, CH, SK, SI</td>
</tr>
<tr>
<td>Yes</td>
<td>FI</td>
</tr>
<tr>
<td>No</td>
<td>LT, DK, EE, MT, DE, PT</td>
</tr>
</tbody>
</table>

Figure 21 - Practices for Tabling Governmental Responses to PFC Recommendations

An interesting follow-up practice is mentioned by the Slovenian Committee; the expert service of the PFC “keeps a record of the adopted decisions […] and their implementation. Once a year, the [Committee] discusses the report on the implementation of the decisions. Bodies that have failed to implement [Committee] decisions may again be called upon by the [Committee] to implement decisions” (Art. 37 of Rules of Procedures). In Finland the Audit Committee follows-up systematically on all recommendations that have been made. It can require written documents and hear experts in order to verify the implementation stage. The Committee will act until the government has started to improve on the recommendations made. In Portugal the Committee communicates with the Ministry of Finance directly or
through the Minister of Parliamentary Affairs. In Switzerland the response of the government is also put on the agenda of the PFC. The Committee may address the Lower House to undertake further actions.

In Denmark it is a duty of the relevant minister to submit statements indicating the steps that will be taken in order to implement the recommendations and conclusions of reports. In their statements ministers must respond to all negative comments, conclusions and recommendations upon which the AG conducts further assessment. The Committee on Audit then handles the matter once more – if there are no further comments the matter is closed. However, this may take up to several months or even years.

On the other hand, Luxembourg indicated that even though follow-up practices on PFC recommendations are not formally defined, informal practices are in place. The PFC waits for a written reply from a minister that informs on the steps undertaken for fulfilling PFC recommendations, as well as on any problems encountered. If the minister declares that it does not intend to follow-up on PFC recommendations the report is debated in the plenary.

Wehner (2006) suggests that the finalization of an oversight audit report should not be the end of a parliamentary oversight process. In some countries formal tracking reports are drafted by supreme audit institutions. Another practice is to include a review on implemented recommendations in SAI annual reports.

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**Box 23 – Follow-Up in Germany**

“The [L]ower [H]ouse of the German Parliament, the Bundestag, receives an audit report about ten months after the end of a fiscal year. The report is based on about 1000 individual audits, and focuses on about 100 of the most important ones. It contains information on broader financial management issues as well as detailed comments across departments.

The report is considered in the Committee on Public Accounts [PFC], a subcommittee of the Budget Committee […] Each member is assigned the role of rapporteur for a specific ministry, and has to scrutinise the remarks on this entity in the audit report. The relevant ministers, or at least high-ranking bureaucrats, Finance Ministry officials and auditors take part in the relevant discussions.

The Federal Court of Audit prepares a draft recommendation for each item. If adopted, the [E]xecutive is obliged to implement the recommendations, and has to report on its progress in this regard within a set timeframe. Most decisions are taken unanimously, and about 90 per cent of the recommendations of the Federal Court of Audit are endorsed. The Budget Committee generally accepts the views of the [S]ubcommittee and refers its report to the plenary. The Federal Court of Audit also produces a follow-up report two years later. This
report documents whether the *Bundestag* adopted a recommendation by the Federal Court of Audit, and, if so, to what extent the relevant department implemented it. This tracking mechanism enforces compliance with committee recommendations by departments, which face expenditure cuts or reprimands during their budget hearings when compliance has been unsatisfactory.”

*Source: Wehner, 2002, p. 32*
3. Conclusion

This study provides new information on the characteristics and practices of European parliamentary committees involved in financial oversight and their interaction with supreme audit institutions (SAIs). It defines Public Finance Committees (PFC) as the main parliamentary committees interacting with the SAIs. The PFCs may review financial, performance and follow-up audit reports of the SAI, initiate inquiries, hold hearings, and follow-up on governmental responses until the accountability process is closed. The results of this research allow for a general distinction between PFCs according to their role in oversight. Parliamentary Committees on Audit (PCAs) are public finance committees concerned solely with the ex-post aspects of scrutiny. Budget Committees (BCs) are public finance committees concerned with drafting budget bills and the scrutiny of public funds, and are therefore involved in both ex-ante and ex-post oversight processes.

In Europe, the majority of countries do not deal with oversight in budget committees, but in separate parliamentary committees on audit. Parliamentary committees have evolved differently in each country and the combination of their functions and forms are unique for every legislature. As a result, generalized judgments were difficult to make throughout this research and the main report and annexes provide detailed results of the characteristics and working practices of the committees.

Following is the short summary of the results:

• **The mandate of PFCs should be clearly defined.** The establishment of PFCs is usually described in parliamentary rules of procedures, in SAI acts, special regulations and less often in constitutions. Their mandate is usually detailed either in the rules of procedures, or in special national regulations.

• **PFCs should have a wide scope of mandates.** The majority of European PFCs may examine either autonomously or through the SAI: governmental agencies, government service providers, state subsidy recipients, government owned corporations, statutory authorities and parliamentary expenditures. The mandate to scrutinize local government authorities is less prevalent; this is not surprising considering the importance of regional/local governments with oversight functions. Lastly, even though the control of political party spending is essential for the good functioning of democracies, most PFCs do not play a role therein.

• **The influence of the PFCs regarding SAI activities is minimal.** PFCs are at best consulted during procedures of appointment/dismissal of SAI members. They usually have no power to influence the budget of the SAI; this usually constitutes a separate
chapter in the general budget. Even less often, PFCs are consulted on the activity program of the SAI.

- **A close relationship between PFCs/parliaments and SAIs is vital.** The majority of PFCs have the right to request special audits from the SAI without a formal vote in the plenary. Supreme audit institutions are not always obligated to comply with such requests. However, this is rather a cautionary measure to ensure independence; in practice audit requests by the PFCs/parliaments are rarely turned down.

- **Neither the absolute size, nor the relative size of PFCs is relevant for their involvement in scrutinizing public funds.** In relative terms, BCs and PCAs are on average around the same size. However, PCAs show significantly more variation in this respect when compared to budget committees.

- **Membership in the committees usually reflects the proportional representation within parliaments.** Slovenia is the only European country where it is mandated that the opposition shall have the majority of seats in the PFC.

- **Special consideration should be given to members of the opposition.** The majority of PFCs are chaired by members of the opposition. This practice is not always mandated. It can be an unwritten rule or follows negotiations between political parties. More PCAs are chaired by members of the opposition compared to budget committees.

- **Membership in PFCs usually overlaps with the term of legislature.** This automatically implies a rupture of the committee activities when a parliamentary term comes to an end.

- **The continuity of PFC work across parliamentary terms is essential to ensure that SAI reports are properly followed-up.** However, continuity of proceedings is usually not regulated. Often the secretariat is tasked with informing the newly appointed members.

- **Active participation of members and chairs is important.** MPs often serve on other committees and usually there are no alternate members to compensate for absent members. Though, often a quorum is required. In most committees, the majority of members need to be present to constitute a quorum.
• **Members rarely receive special allowances for serving on the PFC.** Only in some cases the chairs receive additional payments. However, this is usually a common practice for other committees in those parliaments as well.

• **PFC members do not usually receive training at the beginning of their term, nor during their mandate.** Trainings are sometimes provided by PFC secretaries, chairs, technical research units, or by shared staff members of parliament.

• **The practice for establishing subcommittees is more relevant in BCs when compared to PCAs and represents a division of responsibilities between ex-ante and ex-post oversight.** PFCs establish ad hoc subcommittees (23%) or standing subcommittees (23%) to deal with financial oversight, or with specific oversight matters. However, the majority of PFCs do not establish oversight subcommittees.

• **Adequate staffing and resources are important.** The majority of PFCs have dedicated staff persons and sometimes rely on shared staff personnel. Staff members do not usually receive training before and during their term in office. They generally have a higher degree in economics, political science or law. Less often, committees are assisted by research units functioning within parliaments.

• **The frequency of PFC meetings is important to ensure that enough consideration is given to SAI audit reports.** The frequency of meetings varies significantly across European legislatures. Budget committees report having meetings more often, but this is not surprising when considering that they deal with ex-ante and ex-post oversight. Nevertheless, what ultimately matters is how much time is devoted to financial oversight.

• **The assessment of PFC performance allows it to improve its functioning.** However, the vast majority of European PFCs do not have benchmarks for measuring committee performance.

• **Performance audits are important to ensure the efficiency, effectiveness and economy of governmental spending.** The balance between financial audit and performance audit reports received from the SAI varies across European legislatures. Although Napoleonic countries traditionally focus on financial audits they also review and follow-up on performance audits. All European countries except for Greece receive and review performance audits.
• **The majority of PFCs do not issue an annual report on oversight.** Annual reports usually provide an overview of the PFC activities of the previous year. These reports can inform other MPs about the activities of the PFC and can provide valuable information during changes of parliamentary terms for newly appointed PFC members.

• **Transparency is crucial for democratic governance.** It allows the public and media to scrutinize PFC activities and it can result in greater pressure on the executive to improve operations in case of malfunctioning. Across European PFCs meetings, hearings and reports are not always accessible to the public. Whereas hearings are usually open to the public and reports are frequently published, meetings are often held behind closed doors.

• **Clear follow-up mechanisms are essential.** At the last stage of the accountability process, PFCs can add considerable value to SAI activities by employing strong follow-up mechanisms. Especially when the SAI has no judicial powers, the responsibility of holding the executive to account, mainly rests on parliament. Members of the executive are generally obliged to respond to committee recommendations, though these responses are not always tabled in the plenary. A formal mechanism for tracking executive implementation on follow-up reports can be considered a factor of success. In most countries however, there were no such procedures in place. Instead, the SAI often monitors the implementations of its recommendations.

Parliamentary committees are crucial players in the process of ex-post budgetary oversight and this report has helped identify different oversight practises across European countries. Considering the European Union is presently going through tough economic times, it is vital to map out the characteristics of different oversight models and to allow for a continuous learning process of member states. Special attention in this respect was given to Greece, where committee activities proved to be lower than of their European counterparts. For a more detailed analysis of the Greek oversight system and recommendations for improvement, see the case study on Greece. Another special case represents the Swedish oversight system that is currently under political debate and will most likely adopt a new system by the beginning of 2011. For a detailed description of the current system and recommendations, refer to the case study on Sweden.

Another important conclusion of this research has been that the audit models established in the current academic literature – the Westminster, the Board and the Napoleonic models – are no longer valid. Though, a categorization has been made of the countries, based on a rough classification of SAI characteristics, no country has one model in its pure form. An interesting case is represented by France, where the Napoleonic model originated. The case study on France details the transformation of the French oversight system, which now also resembles other models. Furthermore, another case study – on the Czech Republic and
Slovenia – describes evolutionary differences of the same model in two countries with the similar historical backgrounds.

Due to the magnitude of this project and the limited time-span, this research had to be narrowed down to focus on the most significant parliamentary committee dealing with financial oversight. The focus has been on accountability of public funds at the national level, while the functioning of regional/local SAIs and the follow up by regional governments have not been taken into account. Suggestions for further research are: further investigation into the roles of departmental committees in the financial oversight process, development of performance indicators for public finance committees, examination of how financial oversight procedures evolved and adapted across the continent, and to what extent could financial oversight practices be harmonized among EU Member states. This study can be used as a starting point for future research.
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Parliamentary Staff.