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**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

Working Party of Senior Budget Officials

**PARLIAMENTARY BUDGET OFFICIALS NETWORK SURVEY
BACKGROUND NOTES
- COMMITTEE STRUCTURES FOR BUDGET APPROVAL AND OVERSIGHT
- INTERIM FINANCIAL REPORTING**

3rd ANNUAL MEETING OF OECD PARLIAMENTARY BUDGET OFFICIALS

Stockholm, 28-29 April 2011

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I. INTRODUCTION

In early 2011, the OECD asked members of the Parliamentary Budget Officials (PBO) Network to participate in a survey with three sections which looked at:

1. Special bodies that assist legislatures in budgetary matters (e.g. in-house specialised research units, independent parliamentary budget offices, and fiscal councils) and their mandate, leadership, staffing, relationship with the legislature, and functions;
2. Committee structures, staffing, powers of summons, and openness; and
3. Interim financial reporting, including form, frequency, content, and use by legislators.

The results of Sections Two and Three of this survey are presented in the following background notes which also serve to inform sessions during the 3rd Annual Meeting of OECD Parliamentary Budget Officials. It should be noted that some of the initial results from Section One have been incorporated in the background note on committee structures as well. PBO network members should feel free to provide comments and corrections to help refine the data presented.

The full results of Section One will inform a longer paper to be published in the *OECD Journal on Budgeting* later this year. The Secretariat will contact PBO network members to finalise this data set.

Twenty-five entities responded to the survey from the following countries: Australia, Austria, Brazil, Canada, Denmark, Finland, France, Germany, Israel, Italy, Japan, Korea, the Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom¹ and the United States. In some cases, more than one entity answered certain questions; for example, in Section One when a country had both an in-house specialised research unit and a fiscal council, both were asked to provide a profile.

¹ Responses from the UK Parliament (Westminster), the UK Office for Budget Responsibility (Section One only), and the Scottish Parliament.

II. COMMITTEE STRUCTURES FOR BUDGET APPROVAL AND OVERSIGHT

Context

In the majority of legislatures today, the committee stage is a routine step in the legislative process providing for more in-depth scrutiny of legislative and policy proposals. At the same time, committee membership allows parliamentarians to develop areas of expertise which may then be negotiated into positions of leadership within the legislature and greater public visibility (NDI, 1996)². Where members already have extensive knowledge and experience in an area covered by a committee, they may serve to increase its oversight capacity, provided they are not seen as a source of hidden lobbying.

Section Two of the Parliamentary Budget Officials Network Survey looked at four aspects of committees' role in the budget process:

- i. How committee scrutiny of the budget is organised, including the respective roles of the Budget/Finance Committee and sectoral committees;
- ii. Committee staff and other research capacity available to the Budget/Finance Committee;
- iii. Power to summon persons, papers and records necessary to properly carry out their scrutiny role; and
- iv. Whether or not committee reports are published and committee meetings are open to the public.

i. Committee structures

Among the 24 parliaments represented in the survey responses, 10 are unicameral and 14 are bicameral. With some notable exceptions, there is a general tendency for the lower house to have greater budgetary powers.³ Brazil was the only country with a bicameral legislature to report a joint committee (the Planning, Public Budget and Control Combined Committee, CMO) which is comprised of members of both the Chamber of Deputies and the Senate.

The general trend appears to be a dominant Budget/Finance Committee responsible for budget review which coordinates varying levels of input from sectoral committees. Ideally a strong Budget/Finance Committee promotes coordination and consistency in legislative budget action and facilitates fiscal discipline, while involving sectoral committees allows the legislature to draw on their specific expertise (Posner and Park, 2007; Schick, 2002).

One-third of respondents indicated that "a single Budget/Finance Committee coordinates a process in which sectoral committees make recommendations to the Budget/Finance Committee. The Budget/Finance Committee then reviews and accepts or rejects these recommendations and formally considers all budget-related matters."

² One important aspect not considered in the survey which is related to committee members building expertise is whether committee members serve on the committee for the full term of the parliament.

³ The 2007 *OECD Budget Practices and Procedures Survey* found that around two-thirds of the legislatures in all OECD countries are bicameral.

The Netherlands⁴, Norway, Sweden and the United States indicated that “a single Budget/Finance Committee formally considers budget aggregates (total level of revenue and spending and their allocation to each sector) and sectoral committees formally consider spending for sector specific appropriations.” Similarly in New Zealand, the Budget/Finance Committee considers budget aggregates and allocates appropriations to the sectoral committees although it may retain appropriations for consideration. In Canada’s lower house, a single committee considers the budget bill while sectoral committees consider individual appropriations in their areas; in the Senate, a single committee considers both the budget bill and individual appropriations.

In Austria, Brazil, Portugal and Spain, “a single Budget/Finance Committee formally considers the budget, but members from sectoral committees attend meetings of the Budget/Finance Committee when expenditures in their specific areas are discussed.” The amendment process in Brazil allows individual members, permanent committees, state representatives and regional representatives to propose budget amendments to the CMO.

In Japan, a single Budget Committee in each house formally considers the budget, although in the upper house the Budget Committee may ask other standing committees to undertake an extensive examination of the budget bill.⁵ In the Danish Parliament and the Israeli Knesset, the Finance Committee alone is responsible for reviewing the budget, although sectoral committees may choose to consider aspects of the budget.

The UK Parliament is unique among respondents in indicating that sectoral committees in the lower house formally consider appropriations for each respective sector and that no Budget/Finance Committee is in place. The Treasury Committee examines the expenditure, administration and policy of HM Treasury, HM Revenue & Customs, and associated public bodies, including the Bank of England and the Financial Services Authority. In Australia, committees in the lower house have no formal involvement, but sectoral committees in the Senate formally consider estimates for each respective sector.

ii. Committee staff and other research capacity

Legislators need to understand the contents of the budget if they are to play a meaningful role in the budget process. Strengthening research capacity, hiring adequate committee staff, and allowing committees to consult or employ experts all serve to enhance legislative effectiveness and redress the capacity imbalance between the legislature and the executive.

Most parliaments in OECD countries have access to several sources of technical capacity for budget analysis. Committee staff is perhaps the most commonly available resource; however, the number of staff available to assist the Budget/Finance Committee in undertaking specialised analysis of the budget and related matters varies widely.⁶ Australia, Germany and Norway reported that there are no staff of this kind, while Brazil, France and the United States reported specialised committee staffs above 20.

⁴ Data available for the lower house only.

⁵ In Japan, when the House of Councillors and the House of Representatives reach a different conclusion on the budget, a joint committee consisting of 20 members (10 from each house) is constituted. If this committee cannot come to an agreement, the decision of the House of Representatives stands.

⁶ Responses to this question were received from 21 of the parliaments surveyed. Staff is defined as full-time equivalents. Data missing for Austria, Scotland and the United Kingdom (Westminster). The committee staff reported by Brazil is part of the

But the number of committee staff does not tell the whole capacity story. There is a trend among OECD country legislatures (and legislatures globally) to establish specialised units to assist with budget-related research and analysis, particularly analysis of the executive's budget proposals, cost estimates of proposed policies and legislation, economic forecasts, baseline estimates, analysis of the economic impact of regulations, tax analysis, and policy briefs. In the past decade, the number of such units has more than doubled, and many are increasing in size.

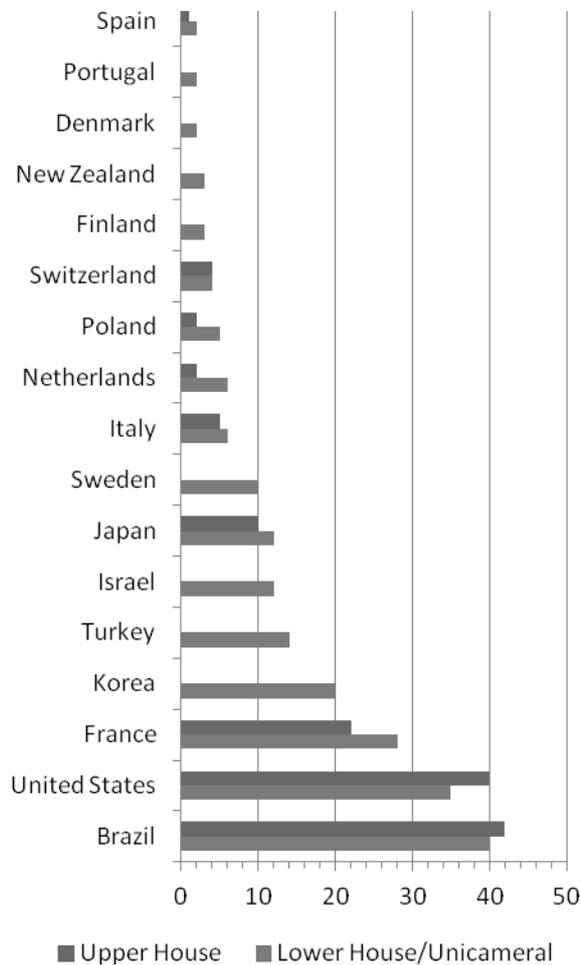
Most recently (March 2011), the Australian Parliament decided to establish a Parliamentary Budget Office headed by a Parliamentary Budget Officer with the status of an independent officer of the Parliament.⁷ As part of a broader performance-based budgeting reform, the Austrian Parliament is also planning to establish a Budget Office in 2012. The Spanish Parliament is in the process of working out the details for its new Budget Office which was established by legislation on 15 November 2010.

Brazilian Congress' "Budget Consultancy" which may also serve other legislative committees and sub-committees and individual members of the Congress, as well as undertake research on its own initiative.

⁷ A Joint Select Committee on the Parliamentary Budget Office (PBO) was appointed following a commitment negotiated between political parties and independent Members of Parliament, after Australia's 2010 federal election. That commitment formed part of the Agreement for a Better Parliament: Parliamentary Reform. The Joint Select Committee's Report can be viewed at:

www.aph.gov.au/house/committee/jscpbo/report.htm.

Figure 1 - Budget/finance committee staff



In some cases, these units are located within parliament, often as part of parliament's research services. In others, they are independent. Examples of the former include the Scrutiny Units in the United Kingdom Parliament and the Scottish Parliament, the Budgetary Control Department in the Research and Information Center in the Israeli Knesset, and the Department of Social and Economic Research in the Bureau of Research in the Chancellery of the Polish Sejm. Examples of independent bodies are the United States Congressional Budget Office (CBO), the Korean National Assembly Budget Office (NABO), and the Netherlands Bureau for Economic Policy Analysis (CPB). The status of the Canadian Parliamentary Budget Officer (PBO) lies somewhere in-between; although legislation established the PBO with an independent mandate, it is affiliated with the Library of Parliament and as such is not fully independent.⁸

⁸ The Canadian PBO was established in 2008 and currently has around 13 full-time equivalent staff.

Table 1 - Examples of independent units

Country	Unit Name	Year Est.	Staff
Korea	National Assembly Budget Office (NABO)	2003	116
United Kingdom	Office for Budget Responsibility (OBR)	2010	15
United States	Congressional Budget Office (CBO)	1974	250

Table 2 - Examples of specialised units within parliament

Country	Unit Name	Year Est.	Staff
Israel	Budgetary Control Department	2007	7
Italy	State Budget Department (one unit in the Chamber of Deputies and one in the Senate)	1989	15/9
Poland	Department of Social and Economic Research	1990	21
United Kingdom (Westminster) ⁹	Scrutiny Unit	2001	14

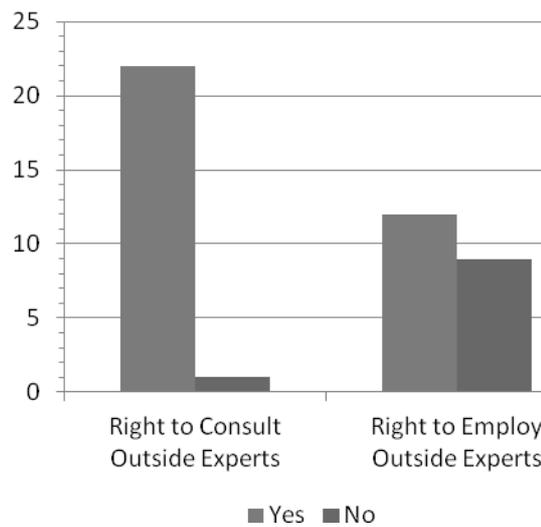
Often the work programme of both internally and externally based units is decided with the input of the Budget/Finance Committee. In Brazil and Japan, for example, the work programme is decided with the head of the committee. In Portugal, the Parliamentary Technical Budget Support Unit (UTAO) submits its proposed work plan to the Budget and Finance Committee for approval; and in Italy, the State Budget Department's work programme in both the Chamber and the Senate follows the Budget Committee's agenda. Moreover, while such units may serve other committees and individual Members, as well as undertake analyses on their own initiative, the Budget/Finance Committee's requests typically take priority.

In addition to the above, committees may seek outside advice. All of the respondents apart from Turkey reported that their Budget/Finance Committee has the right to consult outside experts. Half also have the right to employ outside experts.¹⁰

⁹ The Scottish Parliament's Scrutiny Unit was established in 2009 and has 7.5 full-time equivalent staff.

¹⁰ Data missing for the United Kingdom (Westminster). Australia and Germany did not indicate whether or not committees have the right to employ experts.

Figure 2 - Right to consult or employ outside experts

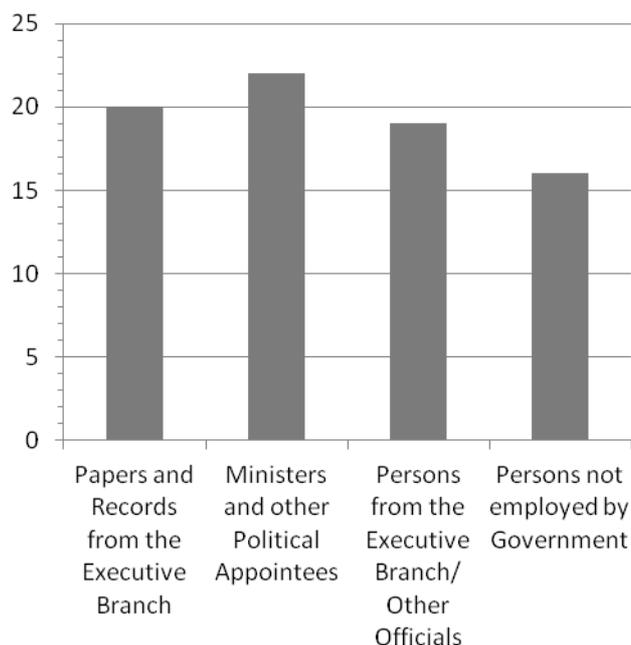


iii. Power to summons

The power to summons – that is, to compel persons to testify and to provide access to papers and records – underlines parliament’s accountability function. It is a key privilege of many parliaments, similar to a power of subpoena in civil procedure. Typically, however, there is no need to use this power formally, and committees simply invite witnesses.

Denmark, the Netherlands, Norway, Portugal and Spain indicated that “only a minister or other political appointee can respond on behalf of the executive during committee meetings.” For the remaining survey respondents, a minister, other political appointee and/or officials may respond on behalf of the executive branch, although the usual practice is for a minister or other political appointee to make the initial response, with officials answering remaining questions at future meetings.¹¹

¹¹ Data missing for Finland.

Figure 3 - Power to summons

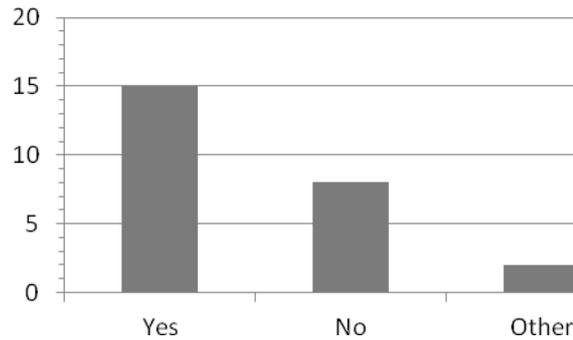
iv. Committee openness

Parliaments play a critical role in promoting transparency and accountability on the part of the executive. At the same time, they too must work in a transparent manner and be accountable to the electorate on an ongoing basis.

Open proceedings increase the likelihood of media reports on the parliamentary debates and the views of committees and their members. This in turn may generate wider public debate. In countries facing new budget constraints, it is especially important that the public fully understand the difficult trade-offs associated with budgetary decisions. Media presence may also help ensure responsiveness on the part of government officials (particularly when the power to summons is lacking) and perhaps encourage more realistic government commitments for follow-up actions. While there are legitimate concerns that parliamentarians may act in a more partisan manner during open committee meetings, those parliaments that have moved to open committee meetings have continued in this vein. Indeed, a survey of Public Accounts Committees found that involving the public and encouraging media coverage are among core indicators for success (Stapenhurst, Sahgal, Woodley and Pelizzo, 2005).

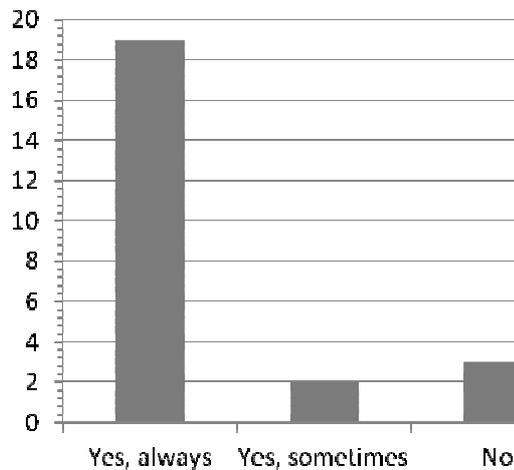
Over half of the respondents indicated that “committee meetings where the budget is being scrutinised are generally open to the public”, while one-third reported that committee proceedings remain closed. In some cases, committee proceedings are also broadcast through television and the Internet. One respondent noted that, although committee meetings are not regularly held in public, they may be upon decision of the committee office. Another noted that there are sometimes practical limitations or impediments to public participation due to meeting room size.

Figure 4 - Are committee meetings where the budget is scrutinised generally open to the public?



Publishing of committee reports appears to be a less controversial practice than meeting in public. The vast majority of respondents reported that committee reports are published. For most, reports are always published. However, Israel and Korea indicated that committee reports are only published sometimes. Germany, the Netherlands and Switzerland indicated that committees do not publish reports. This does not mean that no written record of committee deliberations exists, but that if it does exist, it is either not available to the public or is only available through transcriptions of debates, likely hindering access by the average citizen.

Figure 5 - Are committee reports published?



Conclusions

The general trend appears to be a dominant Budget/Finance Committee responsible for budget review which coordinates varying levels of input from sectoral committees.

Committees have access to several sources of technical capacity for budget research and analysis, and in many OECD countries such capacity is on the rise.

In many OECD countries, the parliament’s oversight role is underpinned by the power to compel persons to testify and to provide access to papers and records.

There is a trend towards greater openness, with a majority of committee meetings where the budget is being discussed generally open to the public. Most committees also publish their reports.

Sources

NDI (National Democratic Institute) (1996), "Committees in Legislatures: A Division of Labor", *Legislative Research Series Paper No.2*, National Democratic Institute, Washington DC.

Posner, P. and C.K. Park (2007), "Role of the Legislature in the Budget Process: Recent Trends and Innovations", *OECD Journal on Budgeting*, 7(3).

Schick, A. (2002), "Can National Legislatures Regain an Effective Voice in Budget Policy?", *OECD Journal on Budgeting*, 1(3).

Stapenhurst, R., V. Sahgal, W. Woodley and R. Pelizzo (2005), "Scrutinizing Public Expenditures - Assessing the Performance of Public Accounts Committees", *Research Collection School of Social Sciences*, Paper 62.

III. INTERIM FINANCIAL REPORTING¹²

Timely and useful data are necessary for legislative oversight. There is a growing amount of public financial information regarding government operations. At the same time, it is not always evident that these data are integrated into legislative decision making. In some jurisdictions, there is also a pronounced need for greater guidance in light of recent stimulus initiatives (*e.g.* Canada, United States) and incipient austerity measures (*e.g.* United Kingdom).

The “OECD Best Practices for Budget Transparency” (2001) provides guidance regarding timing and content of interim reports. This includes monthly reports released within four weeks of the end of each month which contain information on forecast and actual revenues and expenditures, as well as an explanation of any material variances.

Box 1 - Excerpt from the “OECD Best Practices for Budget Transparency” (2001)

- Monthly reports show progress in implementing the budget. They should be released within four weeks of the end of each month.
- They should contain the amount of revenue and expenditure in each month and year-to-date. A comparison should be made with the forecast amounts of monthly revenue and expenditure for the same period.
- A brief commentary should accompany the numerical data. If a significant divergence between actual and forecast amounts occurs, an explanation should be made.
- Expenditures should be classified by major administrative units (*e.g.*, ministry, agency). Supplementary information classifying expenditure by economic and functional categories should also be presented.

Section Three of the Parliamentary Budget Officials Network survey contained five questions pertaining to the form, frequency, content and use by the legislature of governments’ interim reporting, with a focus on monthly statements. This background note presents a summary of the results from the survey.

Among the 25 respondents to this section, 24 distinct jurisdictions provided information on the types of interim financial reports. The Canadian Parliamentary Budget Office officials also consulted with several countries to support interpretation of the results.

Form, frequency and content

All respondents reported that their governments publish interim financial reports. Almost two-thirds indicated monthly updates, with one-quarter indicating that the interim reports are issued at an interval less frequent than a monthly period (*e.g.* quarterly, annual or *ad hoc*).

Notably, Brazil indicated that interim financial data are available more frequently than monthly. Updated data are made available to legislators directly, through the financial reporting system.

¹² The background note on interim financial reporting was prepared by Jason Jacques, Director, *Budgets, Estimates and Reporting*, PBO, Canada, in collaboration with the OECD Secretariat.

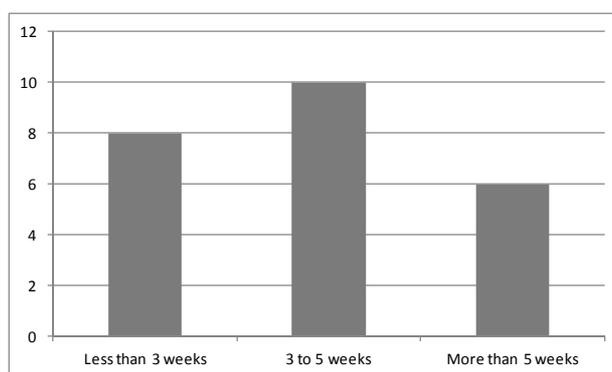
Table 3 - Frequency of interim financial reporting

Monthly	<i>Australia, Austria, Canada, Finland, France, Israel, Japan, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Turkey, United Kingdom (Westminster), United States</i>
Quarterly	<i>Italy</i>
Biannually	<i>Netherlands, Scotland</i>
Ad hoc	<i>Germany, Switzerland</i>
Other	<i>Brazil, Denmark, Korea</i>

Over three-quarters of jurisdictions reported that less than five weeks elapse between the end of the reporting period and publication of the interim report. Of these, almost half indicated that the reports are issued within three weeks of the reporting period’s end (e.g. for a monthly reporting period, the results are published within 21 days of month-end).

Greater frequency of reporting is correlated with less time elapsed between the reporting period and publication (i.e. monthly reports tend to be published in less than three weeks).

Figure 6 - Time elapsed between reporting period and publication

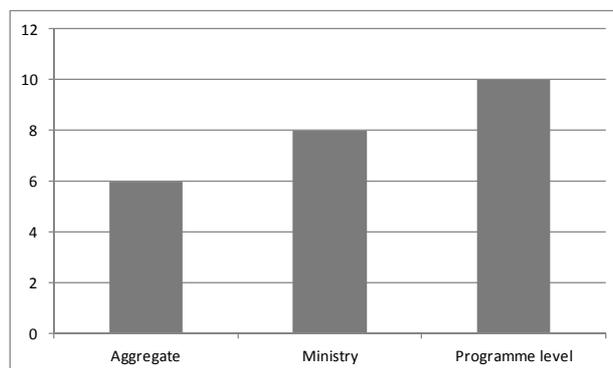


All respondents indicated that their jurisdictions’ interim financial reports contain data regarding revenues and expenditures of the government.

Approximately one-quarter of the jurisdictions reported that only aggregate-level expenditure information is released. Among the remainder, approximately half reported that expenditure data are presented for each ministry, while the other half indicated that even greater levels of detail are made available at the programme level.

Canada noted that the level of expenditure detail available to legislators is expected to improve with the introduction of ministry-level detail planned in the near future.

Figure 7 - Highest level of expenditure detail available in reports



With respect to revenue data, over two-thirds of countries indicated that detailed revenue information is presented in interim financial reports (Table 4).

In general, the level of detail in revenue data is correlated with the level of detail available regarding expenditures (*i.e.* countries that report detailed revenue data also report expenditure data at the ministry and/or programme level).

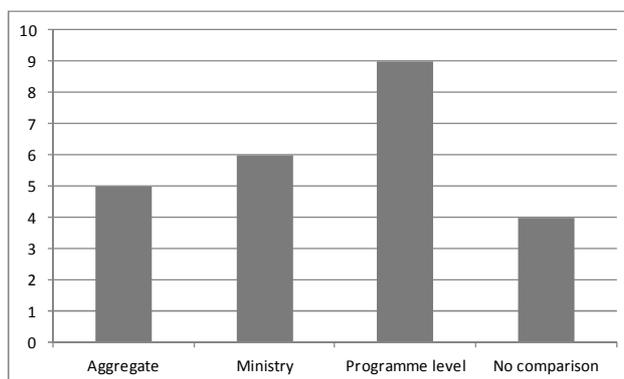
Table 4 - Level of detail available for revenue data

Aggregate	Australia, Denmark, Netherlands, Poland, Switzerland, United Kingdom (Westminster)
Detailed	Austria, Brazil, Canada, Finland, France, Germany, Israel, Italy, Japan, Korea, New Zealand, Norway, Portugal, Scotland, Sweden, Turkey, United States

Virtually all jurisdictions reported that governments publish interim financial statements on the same basis of reporting as their budgets (*i.e.* comparable accounting method), allowing comparison between planned and actual results.

As shown in Figure 8, when comparisons can be presented, nearly half of the countries publish comparative results at the more granular programme level. Several countries, including Italy, noted that initiatives are under way to introduce comparative data in interim financial reports.

Figure 8 - Basis of presentation for budgeted amounts and actual results



Over one-third of respondents indicated that the interim reports contain non-financial performance information (Table 5). In most cases, these are the same countries that also present comparative financial results at the programme level.

Table 5 - Presentation of non-financial performance metrics

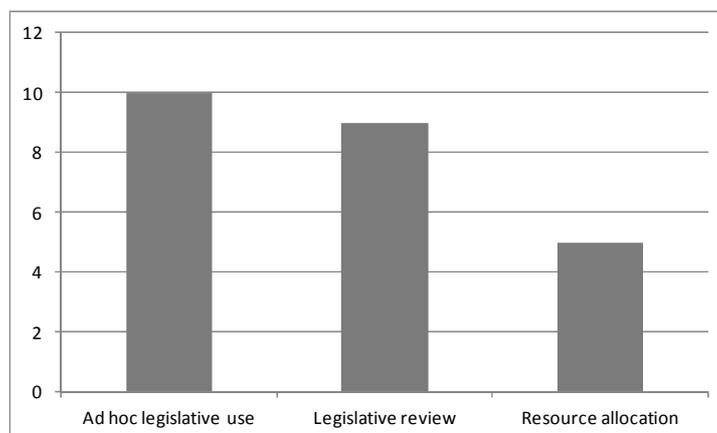
Yes	<i>Austria, Denmark, France, Germany, Israel, Italy, Korea, Netherlands</i>
No	<i>Australia, Brazil, Canada, Finland, Japan, New Zealand, Norway, Poland, Portugal, Scotland, Spain, Sweden, Switzerland, Turkey, United Kingdom (Westminster), United States</i>

Use by legislators

As shown in Figure 9, most countries do not have a formal process for consideration of the interim reports by legislatures. Rather, the reports are considered on an *ad hoc* basis. For instance, Australia noted that, while the reports are not formally referred to a committee, they may be used by individual legislators. Similarly, Norway and Portugal indicated that their reports are not formally reviewed by their legislatures, but are available to the general public and could inform debate.

Among the minority of countries that do have established review processes, approximately one-third indicated that the reports are used for in-year resource allocation or adjustment. This latter group also tends to have interim financial reports with programme-level detail and non-financial performance metrics (e.g. Israel, Netherlands).

Figure 9 - Use of interim reports by legislators



Notes: “Ad hoc legislative use” consolidates several categories of survey responses, including “other”.

With respect to additional reporting on economic stimulus measures, almost three-quarters of countries reported that there are no additional reporting requirements (Table 6). These tend to be countries with monthly interim reporting and higher levels of detail (e.g. programme-level expenditure data; non-financial performance metrics).

Table 6 - Additional reporting requirements for stimulus measures

Yes	<i>Canada, Germany, Japan, Korea, Spain, Switzerland, United Kingdom (Westminster), United States</i>
No	<i>Australia, Austria, Brazil, Denmark, Finland, France, Israel, Italy, Netherlands, New Zealand, Norway, Poland, Portugal, Sweden, Turkey</i>

Beyond stimulus reporting, most countries noted that their jurisdictions also publish other reports that provide an update on overall economic conditions (e.g. the United States), fiscal updates (e.g. New Zealand), and longer-term multi-year planning frameworks (e.g. Australia’s Fiscal Sustainability Report).

Conclusions

While the content, timeliness (i.e. lag between data collection and reporting) and format differ across jurisdictions, most countries have interim reporting practices that are consistent with OECD best practice.

Overall, survey respondents indicated a trend toward improved timeliness. Several countries also indicated that planned reforms are under way that will expand the content of reports, as well as increase the level of detail.

An emerging practice is the presentation of non-financial performance metrics in monthly reports.

Overall, reports with greater levels of detail and non-financial performance metrics tend to be correlated with use of these documents by legislatures in in-year resource allocation decisions. This could suggest that the demand and need from legislators result in higher-quality interim reporting.

A minority of jurisdictions produced additional interim reporting as part of stimulus spending, but most incorporated stimulus reporting within established interim reporting regimes. Based on these results, it seems evident that a high-quality interim reporting framework can accommodate fiscal events (*i.e.* stimulus, austerity) and does not require additional stand-alone products.

Sources

OECD (2001), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, 1 (3).