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Ireland's first state agency: A century of change in the range and scope of functions of the Office of the Comptroller and Auditor General

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Abstract

A search of the Irish State Administration Database (ISAD, www.isad.ie), which records the origins, life cycle, policy domain and functions of all central public organisations since the foundation of the Irish state over a century ago, reveals that, following the formative and turbulent year of 1922, the Office of the Comptroller and Auditor General was the first new agency formally established in 1923. The primacy given to what we might now refer to as a supreme audit institution (SAI) for the public sector reflects the importance of financial control to the effective functioning and legitimacy of the executive organs of the nascent state. In this paper we analyse the changing range and scope of functions undertaken by the Comptroller and Auditor General in its first century. We examine first the sustained growth in the number and type of public bodies subject to Comptroller and Auditor General scrutiny. Second, we look at the broadening in scope of audit functions beyond the traditional concerns of regularity, ensuring the money was spent for the purposes for which it was given (financial and compliance audit), to encompass wider values such as efficiency, economy and effectiveness and even performance, more broadly conceived. Finally, as well as the instrumental perspective on the role of the Comptroller and Auditor General's Office, we reflect on the key relationships and cultural and symbolic dimensions of the Office's work across time. From this analysis we draw some conclusions about the nature of financial control in the contemporary state, as compared with the early Irish state.

Keywords: Comptroller and Auditor General, supreme audit institution

Introduction

The Irish State Administration Database (ISAD, www.isad.ie) records the origins, life cycle, policy domain and functions of all public organisations since the foundation of the Irish state over a century ago. ISAD reveals that, following the formative and turbulent year of 1922, the Office of the Comptroller and Auditor General (OCAG) was the first new public agency formally established by the emergent state in 1923. The OCAG is, in generic terms, the supreme audit institution (SAI) for Ireland with respect to public sector finance and, arguably, is first not just in chronological terms but in at least two further senses. As the guardian of public sector finances, SAIs arguably are a *sine qua non* for the functioning of modern government, without which the core tools of taxation and spending would be neither legitimate nor effective. Thus, SAIs might be conceived of as the lead agency within the machinery of government of any state.

In Ireland the OCAG has a further primacy by reference to its position within *Bunreacht na hÉireann* (the Constitution) at Article 33. The Comptroller and Auditor General (C&AG) and the Attorney General are the only heads of agencies mentioned in the Constitution.[1] We might think of other, more recently established

[1] The OCAG is arguably the first amongst what is now an army of regulators of public sector activities which, at the time of writing, includes the Office of the Ombudsman, the Office of the Ombudsman for Children, the Ombudsman for the Defence Forces, the Irish Human Rights and Equality Commission, An Coimisinéir Teanga (the Irish language regulator), Commission for Public Service Appointments, Commission for Railway Regulation, Commission for Regulation of Utilities, the National Oversight and Audit Commission, the National Transport Authority, the Data Protection Commission, the Office of the Planning Regulator, the Policing Authority, the Qualifications and Quality Assurance Authority of Ireland, the Health Information and Quality Authority, the Standards in Public Office Commission and the Garda Siochána Ombudsman Commission.

agencies overseeing the exercise of state powers as important and constitutional, including the Ombudsman and the Irish Human Rights and Equality Commission. However, they are neither referred to nor protected by the Constitution, with significant potential effects in terms of independence across a number of dimensions – for example, funding, appointments and tenure of office. Thus, the primacy of the OCAG amongst regulators' public sector activity in Ireland reflects the importance of financial control to the effective functioning and legitimacy of the executive organs of the state.

In this paper we analyse the changing range and scope of functions undertaken by the OCAG in its first century, and the significance of the Office in the broader Irish public sector landscape. Range refers to the number and types of organisations over which the OCAG exercises scrutiny, and we examine the sustained growth in the number and type of public bodies subject to OCAG oversight. Scope refers to the range of objectives and values for which the OCAG exercises oversight. Public sector audit originated with concerns to ensure that money allocated by parliament for government expenditure was only spent for the purposes for which it was allocated, a concern with what is sometimes referred to as probity or regularity. We look at the broadening in scope of audit functions beyond the traditional concerns of regularity, to encompass wider values such as efficiency, economy, effectiveness and even performance, more broadly conceived, as well as sustainability. Finally, supplementing the instrumental perspective on the role of the OCAG, we reflect on the cultural and symbolic dimensions of the Office's work over time and its relationships to other organs of the state, including government departments, other state agencies and the courts. From this analysis, we draw some conclusions about the nature of financial control in the contemporary state, as compared with the early Irish state.

Origins and function of public sector audit in Ireland

The modern form of the Irish OCAG traces its roots to pre-independence statutes, namely the terms of the Exchequer and Audit Departments Act of 1866. It was a significant piece of legislation as it merged two historic officers dating back to the middle ages: one with responsibility for authorising public expenditure (the Comptroller General of the Exchequer) and the other for *ex post* scrutiny to certify that the expenditure complied with the purposes for which it was authorised (the Commissioners of Audit). It followed the creation of the Committee of Public Accounts in 1861 in Westminster as a mechanism for public accountability for the use of state funds. The Act provided the foundational structures not just for the later Irish Office but for other later Commonwealth equivalents, including those of India and New Zealand.

The First Dáil Constitution, adopted in 1919, required that all moneys assigned to ministries should be voted by the Dáil, that the ministries should maintain accounts, and that the accounts should be audited by auditors appointed by the Dáil (Article 4). On independence in 1922 the new Constitution provided for the Dáil to appoint a Comptroller and Auditor General to 'control all disbursements' and 'audit all accounts of moneys administered by or under authority of the Oireachtas' and to report to the Dáil (Constitution of the Irish Free State (Saorstát Eireann) Act 1922, Article 62). The Irish Free State Constitution gave judicial-type protections to the tenure of the appointee, who was to be appointed for a fixed term, but could be removed only 'for stated misbehaviour or incapacity on resolutions passed by Dáil Eireann and Seanad Eireann' (Constitution of the Irish Free State (Saorstát Eireann) Act 1922, Article 63). *Bunreacht na hEireann* similarly makes provision for the appointment and removal of the C&AG (Article 33).

The appointment of the C&AG was the subject matter of the first Act of the Oireachtas in 1923, only the sixth Act of the Oireachtas, with five pieces of legislation having been passed in 1922, and the first statute referring to particular agency arrangements in the new state. The first Act was the Constitution of the Irish Free State (Saorstát Eireann) Act 1922 and the four subsequent Acts addressed the continuation and adaptation of legislation in force, appropriations (public finance), the postponement of local elections and the continuation of expiring legislation. The Adaptation of Enactments Act 1922 was a remarkably short piece of legislation under which existing legislation of the UK applying to Ireland was adopted and adapted to the new conditions of the Irish Free State. With respect to public finances, the Act provides that every reference to the Exchequer or C&AG in any British statute shall in the Irish Free State, after 6 December 1922, be construed as a reference to the Exchequer or C&AG of the Irish Free State (Adaptation of Enactments Act 1922, section 2). Thus, with this provision, and related provisions across a massive swathe of UK legislation, the new state nimbly adapted new measures to govern the actions of the new administration (MacCarthaigh, 2002).

The Comptroller and Auditor-General Act 1923 ('the 1923 Act') provides for the appointment by the Oireachtas by majority vote of 'a Comptroller-General of the Receipt and Issue of the Exchequer of Saorstát Eireann and Auditor-General of Public Accounts who shall be styled and known as the Comptroller and Auditor-General' (Comptroller and Auditor-General Act 1923, section 1). The main functions of the new OCAG were to control all disbursements and audit all moneys allocated by the Oireachtas and to report to the Oireachtas (section 7). By virtue of the Adaptation of Enactments Act 1922, all existing provisions of the UK parliament and, in particular, of the Exchequer and Audit Department Acts 1866 and 1921 were applied to the conduct of the work of the C&AG. The British 1921 Exchequer and Audit Departments Act was significant as it had allowed the C&AG in London to rely on departmental systems of financial control rather than examining every transaction themselves, which had become impossible after the expansion in state activity during and post World War I.

Considering SAIs in comparative perspective, researchers today look at a range of factors governing the appointment, resourcing and operations of audit bodies with a view to understanding their independence from government as a condition of effective and legitimate functioning. Critical elements include the appointment, remuneration and removal of the head of the institution. Other key matters include the resourcing and terms of appointment of staff in the supporting office (Clark et al., 2007, p. 45). The 1923 Act elaborates the protections of tenure, providing that the appointment shall be to the age of seventy, with removal by the Oireachtas only on the vote of both houses for misbehaviour or incapacity (section 3), similar to the constitutional protections for tenure of judges. Intriguingly, whilst the independence of the C&AG as an officer of the Oireachtas is established by the Constitution and legislation, the tasks of resourcing and staffing of the OCAG are assigned to the Minister for Finance (section 4). Thus, from the earliest days of the state the Office has been dependent on the Minister of Finance for resources to undertake its independent function, including oversight of the Department of Finance itself. An Independent Review, commissioned by the OCAG and published in 2020, noted that it did not detect that control of resources inhibited the undertaking of core functions. Still, it did inhibit the Office from expanding its capacity and functions in line with OCAG strategy and the recommendations of the Independent Review (OCAG, 2020a, p. 7).

In formal terms the arrangements established in 1923 stood for seventy years until changes were introduced in the Comptroller and Auditor-General (Amendment) Act 1993 ('the 1993 Act'), a modernising measure aiming both to consolidate the position of the C&AG in Irish legislation and to adapt the role to the development of more contemporary public sector audit doctrines associated with the new public management revolution sweeping public administration in Europe and beyond.

Changing scope

The operational scope of the OCAG started with approval for disbursements and audit of moneys voted by the Oireachtas, but is not fixed and has changed during the course of the state's first century. The most significant changes were those made under the terms of the 1993 Act, which, as Boyle (2023) identifies, have resulted in greater media attention to some of the OCAG's work. The Act mirrored in many respects the ambitions of the UK National Audit Act of 1983, which gave the equivalent office the power to report on issues of economy, efficiency and effectiveness in the use of public funds.

The 1993 Act codified in domestic legislation the procedures for C&AG control over disbursements (section 2) and the annual audit of appropriation accounts (section 3), while not entirely dispensing with the pre-independence Imperial legislation. The main body of work undertaken each year by the C&AG is reflected in two series of annual reports with respect to the accounts of public services and appropriation accounts. The most significant change in scope contained in the 1993 Act was the introduction of powers to engage in value for money (VFM) audit with respect to any organisation which the C&AG audits (section 9). VFM audit encompasses investigation of whether funds have been used efficiently, effectively and economically. Effectiveness concerns whether the purpose for which the funds have been allocated has been achieved. Economy is concerned with understanding how much has been spent. Efficiency in this context concerns the relationship between effects achieved and money spent – what has been the bang for buck? Could the same ends have been achieved with less expenditure? These section 9 investigations may include comparison, the detail of which is not specified (section 9(3)), but which we might anticipate could include comparison with other organisations within the state but also other similar organisations/processes in other states.

The introduction of VFM audits under the 1993 Act aligned Ireland with a significant international trend towards a greater focus of public sector audit on performance as an aspect changing public sector doctrines, frequently referred to as 'New Public Management' (Hood, 1991). The C&AG published 113 special reports in the thirty years from the passage of the 1993 Act to the OCAG's centenary in 2023, most of which, but not all, were undertaken under the powers of section 9 of the 1993 Act. From their initiation there was a strong focus in the VFM reports on management and performance of public functions. A third special report, on Garda transport in 1995, for example, used comparative evidence to assess such questions as the appropriate proportion of motorcycles in the overall Garda fleet. The report noted the potential for a review of the Garda fleet and also for the phasing of procurement to avoid delays in commissioning new vehicles due to bottlenecks in the Garda garage. Opportunities to enhance VFM were clearly identified, including civilianising some key roles, enhancing garage productivity and centralising fuel procurement.

On a number of occasions the C&AG has drawn together findings from VFM reports to offer more general conclusions about management and performance of public functions. Special Report 32, for example, draws together analysis and recommendations from the first sixteen VFM reports relating to economy and potential for saving money and enhancing efficiency. This special report aims to demonstrate the impact of the VFM reports for the public finances, highlighting the contribution of the analysis to wider reforms in strategy setting, performance information and administrative budgeting in the public sector. Special Report 56, published in 2007, similarly examines the impact of a further twenty-one special reports undertaken up to 2000, alongside further and ongoing reforms to public management and public finance. The C&AG has also published special reports in the form of guidance, and not under section 9 of the 1993 Act – for example, *Financial Management Maturity Model: A Good Practice Guide* (Special Report 101, 2018).

Similarly, the C&AG has published on its website an undated note on *Assessing the Effectiveness of Audit Committees*. The C&AG also brings together its guidance with webinars and other materials on an 'Insights' tab on its website (OCAG, 2020b, p. 16). The Controller and Auditor General of New Zealand devotes a section of its website explicitly to guidance, with ten good practice guides. The Australian National Audit Office (NAO) withdrew better practice guides following a Review of Whole-of-Government Internal Regulation in 2015, concerned with reducing administrative burdens on public sector bodies, but now publishes regular 'Audit Insights' to share learning from performance audits more widely. The UK NAO combines the two approaches, publishing good practice guides as an aspect of its wider 'Insights' series (Morin & Hazgui, 2016).

The proactive use of VFM reports to enhance public management more broadly is evident in reports which target system-wide issues, such as *Financial Reporting in the Public Sector* (Special Reports 95 and 99 in 2017, 100 in 2018 and 108 in 2020), *Management of Severance Payments in Public Sector Bodies* (Special Report 91 in 2016), *Effectiveness of Audit Committees in State Bodies* (Special Report 87 in 2014), *Central Government Pensions* (Special Report 68 in 2009), *e-Government* (Special Report 58 in 2008), the *Expenditure Review Initiative* (Special Report 39 in 2001), *Training and Development in the Civil Service* (Special Report 38 in 2000), *Consultancies in the Civil Service* (Special Report 22 in 1998) and *Administrative Budgets in the Irish Civil Service* (Special Report 15 in 1996), alongside some meta-issues of governance, such as Special Report 63 in 2009 on *Tribunals of Inquiry* and Special Report 37 in 2000 on the *Collection of Fines in the District Court*. The OCAG also played a significant role in inquiring into the non-collection of Deposit Interest Retention Tax, leading to both parliamentary and High Court inquiries in the period 1999–2004 following its publication in 1999.

Notwithstanding the strong evidence of a proactive and regulatory approach to addressing key issues of public management and finance through the special reporting framework, it is evident that VFM oversight by the C&AG of public sector bodies at a rate of three or four reports per year is, inevitably, sporadic and partial, with most public bodies and functions not subject to such investigations at any time. By comparison, the UK NAO has published more than 2,000 VFM reports since 1984, a rate of more than 50 per year. The Australian NAO, operating in a federal system, has published more than 1,300 performance audit reports since 1995, at a similar rate as the UK NAO. New Zealand, more comparable in size to Ireland, publishes many fewer performance audit reports each year, more in line with the scale of publications in Ireland. The OCAG's ambition to develop both more and better performance audit reports was endorsed by an Independent Review of the Office published in 2020. The review noted that the OCAG had significant opportunities to further draw on its whole-of-government expertise to provide guidance on financial management and performance to public bodies in Ireland (OCAG, 2020a, p. 7).

Dynamic range

The formula for the range of institutions subject to C&AG audit adopted and adapted from the British in 1922/23 was simple and based on whatever moneys were allocated by Oireachtas appropriations. This would then apply to all moneys allocated to government departments, including funds that departments might then allocate to other state agencies or to others. The position is more complicated with respect to state agencies receiving funding from sources other than appropriation funds allocated to departments. This would include any state agencies such as regulatory agencies or trading organisations receiving income from fees, levies, fares, subscriptions, grants or other non-Exchequer sources. The 1993 Act explicitly extends financial audit duties of the C&AG to a range of state agencies of different forms which may receive only some, or even none, of their financing from Oireachtas appropriations. These agencies are defined by reference to a list of organisations, extending the remit of public sector audit beyond the defined public money, to include also defined public organisations (section 5 and schedule 1).

The list of bodies coming within the remit of the C&AG under the 1993 Act included statutory corporations such as An Bord Iascaigh Mhara (Seafood Development Agency), the Medical Bureau of Road Safety, the General Medical Services (Payments) Board – subsequently incorporated into the Health Service Executive (HSE) – and An Bord Uchtála (Adoption Board, replaced in 2010 by the Irish Adoption Authority). But it also included a wide range of non-statutory bodies set up in a variety of legal forms (including non-statutory non-departmental public bodies, companies limited by guarantee and chartered corporations), exercising functions ranging across: research and public policy, encompassing the Economic and Social Research Institute, National Economic and Social Council (subsequently put on a statutory footing as a statutory non-departmental public body) and the Institute of Public Administration; education, including Trinity College Dublin and the Royal Irish Academy of Music; and culture, drawing in the Irish Museum of Modern Art and National Theatre Society Limited.

In other words, the 1993 Act seeks to make explicit the public dimension of a range of bodies which arguably exist on a continuum of publicness and firmly establishes them, for at least some public finance purposes, as public and thus subject to public sector audit.[2] The accounts of health boards (subsequently incorporated within the HSE) and vocational education committees (subsequently recast as education and training boards) were also brought under the scrutiny of the C&AG (section 6). The 1993 Act empowers the C&AG to conduct inspections of the accounts of any organisations receiving public money totalling at least half of that organisation's funding (section 8), giving the OCAG a proactive regulatory role for financial propriety.

By the same token, a number of explicitly public bodies, mostly operating as trading organisations, were specifically excluded from certain aspects of public sector audit, notably the powers of inspection of accounts and the VFM audit provisions introduced in the 1993 Act (sections 8 and 9, respectively). These state commercial bodies, with more limited audit scrutiny, included some of the largest commercial organisations in the state, such as Aer Lingus, Aer Rianta, ACC Bank, Bord Gáis, Bord Telecom Éireann, Córas Iompair Éireann, Electricity Supply Board, Housing Finance Agency, An Post, RTÉ and VHI, but also all local authorities.

Reporting and relationships

The work of the C&AG contributes centrally to the culture of effective and legitimate public finance and governance in Ireland. We can today conceive of the C&AG as part of the state apparatus devoted to regulation of public sector activity (referred to in the noted recent Australian inquiry as 'Whole-of-Government Internal Regulation'). Whilst the C&AG was the first and is the longest established regulator of other public sector bodies, it has been joined by other regulators concerned with overseeing public bodies in respect of principles of good administration (Ombudsman, freedom of information, human rights and equality), alongside mixed economy regulators overseeing both public and private sectors in respect of such matters as environmental protection, data privacy and advertising. Regulators of the public sector are valued for their technical expertise and the fact

[2] One anomaly relates to borrowing by agencies which, on the one hand, are counted as public for the purposes of public sector audit but whose borrowing does not count against the Public Sector Borrowing Requirement. Trinity College Dublin is an example.

they are at arm's length from elected politicians, and are sometimes conceived as part of the non-majoritarian aspect of contemporary government. But, paradoxically, machinery for regulating public sector activities is increasingly seen as a central aspect of doctrines associated with good democratic governance, providing the reassurance that implementation of policies is being carried out in a manner that is consistent with stated objectives, is effective and efficient, and is respectful of wider democratic values such as human rights, transparency and, arguably, sustainability (Scott, 2014).

Regulation of the public sector is a subset of regulatory processes more generally, comprising: the setting of standards, norms or rules; mechanisms of monitoring or feedback on compliance with the norms; mechanisms for correcting behaviours which deviate from the norms (Hood et al., 2001). Public sector auditors sometimes argue that they are not regulators in the full sense as they are, at most, part of the middle, monitoring, machinery with powers neither to set nor enforce the applicable norms. There are norms, of course, set partly through legislation and partly through standards set by mostly private audit standards bodies. The International Organization of Supreme Audit Institutions (INTOSAI), the network of national SAIs and a key standards body for the sector, may properly be conceived of as a private body since it has no statutory mandate nor funding (though it is funded by nationally allocated public funds paid over as private subscriptions by national audit bodies).

It is very common to find that regulators of public sector activity lack formal enforcement mechanisms and this is true of not only the C&AG but also the Ombudsman. We must presume that, even though there is little by way of formal enforcement, public sector audits (and indeed Ombudsman complaints and investigation) do impact behaviours within public sector bodies. For example, the C&AG recently reported to the Oireachtas on an incident where the Department of Finance had requested, and the Central Bank of Ireland transferred, funds without the required C&AG approval. It was subsequently confirmed that '[t]he Department and the Central Bank have worked individually and collectively to address the issue and introduce additional controls to prevent a recurrence' (Committee of Public Accounts, 2023).

Indeed, the threatened or actual publication of adverse findings, televised interrogations in front of the Oireachtas Public Accounts Committee, or the PAC as it is more commonly known, and associated publicity and reputational impact may be conceived as part of a limited enforcement pyramid. This might then include education, advice, warnings and publication of adverse findings, even if it does not include the higher-level sanctions of fines, imprisonment or revocation of licences. Such an implicit enforcement pyramid might be assumed also to act prospectively on public sector bodies in designing and implementing their mechanism of financial control and internal audit. Regulatory culture in Ireland generally has favoured consensual approaches to securing compliance with regulatory norms, with incremental breakout from this culture and a more stringent formal enforcement approach gradually developed in domains such as competition, financial markets and data privacy.

The C&AG has a key relationship with the PAC. Modelled on the original Westminster equivalent, the PAC has responsibility for parliamentary oversight of public expenditure, and the C&AG reports provide a sustained flow of data and analysis to the committee. Thus, the PAC has both a strong evidence base to support its functions and a high level of professional support for its activities, distinguishing it from other Oireachtas committees. In addition to the two sets of reports required under statute relating to expenditure and appropriations, the PAC also receives the special, VFM, reports produced under section 9 of the 1993 Act and a non-statutory performance report which functions as an annual report on the activities and achievements of the OCAG. The PAC also scrutinises ad hoc reports prepared by the C&AG under section 2 of the 1993 Act in 'circumstances where the account of the Exchequer at the Central Bank has been operated to a material extent otherwise than as set down in law'. As outlined above, such a report was recently prepared relating to authorised funds transferred from the Central Bank to the Department of Finance (OCAG, 2022).

The bread and butter of OCAG audit and reporting is the regularity audits undertaken each year in respect of all public funds allocated by the Oireachtas and some additional expenditure by certain bodies as set down in the 1993 Act. With these audits the OCAG wants to be in a position to sign off on the organisation's accounts, but where some issue is raised, then it may produce a qualified audit opinion. In 2020, 5 per cent of the 290 certified accounts audited received a qualified audit opinion in each case because of concerns over accounting for pensions (OCAG, 2020b, p. 14). Other, less stringent adverse conclusions in audits are 'Emphasis of Matter' and 'Significant Other Matters' which may be highlighted. With this last group nearly 80 per cent of the fifty-one instances related to non-compliance with public procurement rules (OCAG, 2020b, p. 14). More proactively, audit reports may include recommendations for action, with fifty-nine such recommendations published in 2020 and a 95 per cent acceptance rate (OCAG, 2020b, p. 14). A further layer of action with respect to matters discovered in audits is the raising of matters with management through the issue of an audit letter. The performance report is anchored to demonstrating achievements of the OCAG for each year by reference to performance indicators and other qualitative indicators.

The other key set of relationships for the OCAG are those with the public bodies whose finances it oversees. Curiously, the OCAG refers to these bodies as 'clients' (OCAG, 2021, p. 3), in the same manner that an accounting firm might refer to those companies who select the firm as their auditor. While the use of the term client implies elements of choice and transaction for the client in selecting and working with the auditor, client also imports a sense of professional responsibility and duty to the values of the profession which go beyond the narrow self-interest of the client. Some of the caring professions refer to those they work with as clients, whether or not the client has selected, or even wishes for, their intervention. Some other public sector bodies routinely refer to those they work with as clients, notably the Industrial Development Authority. On the other hand, it would be unusual for other regulators of the public sector to refer to those they oversee as clients. It would be odd for the Ombudsman to refer to organisations which it investigates as clients. Indeed, if the Ombudsman were to have clients they would more likely be the complainants, not the respondents, and perhaps even the Oireachtas. By the same token, in a different culture the Oireachtas representing the electorate and wider public interest might be thought of as the lead client for the work of the C&AG. One might ask the extent to which relationships are reflected or shaped by the use of the term client.

Most regulators of public and private sector activity participate in networks of regulators as an aspect of learning from others and sometimes for other functions such as protecting independence, managing operational cooperation or boosting legitimacy. Whilst there are some national networks of regulators in Ireland – for example, the Economic Regulators' Forum – the OCAG does not appear to participate either in any general regulatory network nor in any more specific network of regulators of the public sector nationally. The main focus of OCAG network activity is with INTOSAI and their regional body for Europe (EUROSAI), which comprises fifty SAIs, including the European Court of Auditors.

Symbolism and culture

Effective auditing systems can help provide the public with the transparency and accountability it needs to maintain (or restore) faith in the government and improve the quality of management and decision-making. In a positive light, they provide an 'immune system' to ward off potential corruption and maladministration (Gustavson & Sundström, 2018), and to provide early warning of waste. Others may argue, however, that there is a surfeit of auditing and that the emergence of an 'audit society' in recent decades works against trust in and across government (Power, 1997). They also suggest that it increases the bureaucratic burden on the state and the cost to the taxpayer of auditing an ever-growing range of complex public policy tasks.

Along with the judicial system, state auditors are expected to fill accountability gaps that emerge within the democratic decision-making process by providing objective evidence and placing it in the public domain. As well as filling their constitutional duties, they must adhere to professional standards in complex and contested political environments. Hence the shift of recent years to encourage SAIs to be more pro- rather than re-active in their work has necessitated careful balancing of responsibilities. Alongside this, state auditors have had to develop strategies to manage the complexities of a more diversified and reform-prone public sector organisational zoo (MacCarthaigh, 2014).

However, as well as their formal statutory responsibilities, the activities of SAIs send important symbolic signals across the administrative system, not alone in respect of setting good audit practice standards but also in terms of the prioritisation of overarching policy concerns. In this perspective the OCAG can be considered an expressive organisation in the sense of having an important reputation to protect but also for advocating standards of accountability and probity across the organisations it audits. The work of the Office therefore goes beyond the immediate technical tasks it is organised to deliver, providing important information about standards and practices that it expects others to achieve in the course of their work.

The work of the Office is of course also responsive to wider environmental trends and pressures, and future auditing practices in the public sector may be shaped by more cross-cutting and global themes. The reporting work of INTOSAI provides an insight into this with its increasing emphasis on the important role of national SAIs in helping to achieve the United Nations Sustainable Development Goals. Interestingly, Li et. al (2023) find that environmental audits in Chinese provinces helped with improving environmental quality, but they also found significant lag effects from policy introduction to implementation. And growing global emphasis on the use of national well-being, rather than GDP and economic indicators, also presents challenges for state auditors in terms of what is meant by 'effectiveness' when examining what public money is being spent to achieve.

The culture and practice in which Irish public sector finances are accounted for is only recently coming into line with international norms, however. A study published by the International Monetary Fund (IMF) in 2013 found that prior to (EU-mandated) changes in the 1990s, the Irish system of government budgeting and accounting was largely unchanged from that which had been inherited from the UK at independence in 1922 (IMF, 2013, p. 7). Fiscal reports had confined themselves to central government budgets and covered only cash transactions and debt, with the focus solely on the year to come and no data on policy objectives. They did not follow standard international classification systems and neither was there any examination of fiscal risks. In contrast, the transition from cash to accruals accounting for central government departments was announced in the UK in the early 1990s and subsequently implemented over the next decade with a view to 'whole of government' accounting, including via the Government Resources and Accounts Act of 2000.

The OCAG has long supported whole-of-government practices being introduced, as well as performance budgeting practices such as those that emerged during the 1980s. Until recently, it remained the case that national budgets were generally planned, spent and accounted for on an annual cash basis, with all stages in the process of revenue allocation and accounting managed by the Department of Finance. This began to change when the Maastricht Treaty introduced reporting requirements obliging Irish governments to produce fiscal statistics that followed a common system (the European System of Accounts from 1995). The 1997 Stability and Growth Pact was also important in initiating multi-year planning, as were the requirements for *ex ante* and *ex post* evaluations necessary for securing EU Structural and Cohesion Funding. Also driven by EU compliance requirements, multi-annual planning for capital (but not current) expenditure was introduced in 2004.

As part of the post-2008 public financial crisis, a loan programme with the 'Troika' of the IMF, European Central Bank and European Commission was agreed, which ran from December 2010 to December 2013. Within it a series of financial management reforms were demanded. Many of these had been discussed in pre-crisis contexts, but the conditions of the loan programme provided the opportunity for their implementation. The Department of Finance published *Reforming Ireland's Budgetary Framework: A Discussion Document* in early 2011 (Department of Finance, 2011), which included a range of reform measures in budgetary management, including multi-year fiscal planning and a performance-based reporting system to align with budgets. The 2011–16 period witnessed considerable progress in the implementation of a performance budgeting system in Ireland under the aegis of the new Department of Public Expenditure and Reform, an issue which had been mooted for many years but with little progress made in practice. However, the use and analysis of this information by the parliament remained weak and an OECD review published in 2015 found room for much greater political engagement in budgetary priority-setting and oversight, including the PAC.

Considerable effort has since been invested in preparing the ground for moving the Irish system of public sector accounting from a cash-based to an accruals-based one (Connolly & Stewart, 2021; Moretti et al., 2019). In 2019 the government approved a decision to introduce accrual accounting in central government departments and offices, based on the *International Public Sector Accounting Standards*, across the public sector and to consolidate all public sector entities into a 'whole of government' account. By April 2023 nine public service organisations, including the OCAG and the Department of Public Expenditure and Reform, had made the transition to accrual accounting, with phase two of transition across all departments underway. Progress has also been made in respect of the creation of a single Financial Management System. As the new system becomes established, the OCAG will have a central role in ensuring it is used to good effect and that processes of financial accountability adapt accordingly. In that regard, the OCAG *Report on the Accounts of the Public Services* for 2019 and 2022 examined the implementation progress of the Financial Management Shared Services (FMSS) system. The FMSS project is part of a larger project of phasing in wider financial reporting and accounting reforms (including the migration to accrual accounting).

Conclusions

The importance of the role of the OCAG in the creation and development of the independent Irish state has been underappreciated. Notwithstanding some high-profile cases of maladministration and corrupt practice involving politicians, that Ireland has not been subject to systemic public sector corruption or personal enrichment by those in senior positions of administrative and political authority can be heavily attributed to the existence of a strong national audit system. At a time when there are global questions about democratic backsliding and the legitimacy of public authority, offices such as the OCAG provide an important democratic bulwark. The Office occupies a position of considerable authority and public trust, advocating good practice in the use of public funds and seeking to ensure that governments do not overspend or misuse state revenues.

As we have noted in this article, the shifting emphasis over the last century from annualised financial audit and assessment of controls to engaging in assessments of performance, efficiency and VFM has been important for the development of the Office and its profile. Such evolution is likely to continue with the greater emphasis by governments on themes such as well-being and sustainability. It is clear that the OCAG already has significant resource challenges, with insufficient public funding to enable systemic performance audit practices, which would need to be addressed were the role to evolve further. As the Irish system of public financial management sheds legacy cash-based practices and moves to accruals accounting practices and a single consolidated system of financial management, the OCAG will also be required to adapt its reporting mechanisms.

Following Gustavson & Sundström (2018), we suggest that the fundamental characteristics of the work of the C&AG should be to continue maintaining independence and professionalism, and recognising that it is the public who are the primary principals for its work. As it begins its second century, the OCAG will remain a central institution in Irish public life and must adapt to meet the challenges of an increasingly complex, internationalised and digitised public sector.

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