

# Fiscal Sustainability in the Modern State: The role of the SAI

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HELPING THE NATION SPEND WISELY



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# The UK Framework for fiscal sustainability

## The Government's 1998 Code for Fiscal Stability

- **Transparency:** Of fiscal policy objectives, the implementation of fiscal policy and the publication of the public sector accounts;
- **Stability:** A fiscal policy consistent with the central economic objective of high and stable levels of growth and employment;
- **Responsibility:** prudent management of the public finances;
- **Fairness:** including between generations; and
- **Efficiency:** using resources in ways that give best value for money

# The NAO's contribution to...

## Transparency:

- Published audit reports on each departmental account within 6 months of being rendered
- Disclosure of new information into the public domain
- Valuation of assets

## The NAO's contribution to...

High and stable growth and employment:

- Reports on -
  - Structural reform
  - Enhancement of competition
  - Regulation of public and financial services

# The NAO's contribution to...

## Prudent management of Public Finances:

- Reports on -
  - Financial management systems
  - Private Finance Initiative and Public Private Partnerships
  - Crime, fraud and corruption
  - Reducing tax avoidance

# The NAO's contribution to...

## Fairness:

- Reports on protection of -
  - Older persons
  - Children
  - Socially excluded & Disadvantaged
  - Immigrant communities

# The NAO's contribution to...

## Efficiency:

- Reports that lead to:
  - Savings equivalent to 9X the cost of running the NAO
  - Better procurement
  - Better outsourcing

## New work

At request of the present Government:

- Responsive regulation
- Budget assumptions



# Further possibilities 1

- **Audit of the “Golden Rule”**
  - over the economic cycle, the Government will borrow only to invest and not to fund current spending
- **Audit of the “Sustainable Investment Rule”**
  - Public sector net debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level. Other things being equal, net debt will be maintained below 40 per cent of GDP over the economic cycle

## Further possibilities 2

- Audit of Whole of Government Accounts
- Drawing up public sector balance sheet and changes in public sector net worth over time

## Further possibilities 3

- Audit of size of public debt
- Budget judgement

# Audit of the Budget: Overall Objective

- Caution and Prudence

# Key elements of audit of Budget Assumptions work

- **Trend GDP growth**
- **Privatisation proceeds**
- **UK claimant unemployment**
  
- **Dating the end of the economic cycle**
- **Equity prices methodology**
- **The gap between VAT liability and receipts**

# Conclusions

- The SAI is one player among a number involved in fiscal stability, including the Finance Ministry and the Central Bank, but .....

..... the SAI has the potential to help achieve fiscal stability through work at both the macro and micro level, going beyond traditional financial accounting and performance audit roles

The challenge is to obtain the necessary powers and have the skills and resources necessary to fulfil the remit well