

*The International Consortium on  
Governmental Financial Management  
(ICGFM)*



Vol. 11

July 2001

No. 2

## XV INTERNATIONAL CONFERENCE ON NEW DEVELOPMENTS IN GOVERNMENT FINANCIAL MANAGEMENT

The XV Annual International Government Financial Management Conference took place this year in Miami, Florida, between April 2<sup>nd</sup> and 6<sup>th</sup>. Jointly sponsored by the International Consortium on Government Financial Management (ICGFM) and Florida International University's School of Accounting, the conference brought together 450 participants from among top government financial managers, anti-corruption specialists, and other professionals in the financial management field. David Walker, Comptroller General of the United States, Carlos Pullen, manager at the Brazilian Federal Bureau of Data Processing, Gregorio Guerrero, Mexico's Auditor General and U.S. Congresswoman Ileana Ros-Lehtinen were among some of the top government officials that spoke at the conference. As in previous conferences, the event's attendees included delegations from 60 countries throughout Asia, Africa, the Americas and Europe. This year's theme, "[The Impact of E-Government on Financial Management: Corruption Risks and Control Rewards](#)," examined several government and multilateral agency initiatives aimed at making the public sector more accountable through the use of new technologies. Other topics reviewed by



*David Walker, U.S. Comptroller General, surrounded by participants from all over the world at the XV International Government Financial Management Conference in Miami, Florida*

conference speakers included new international public sector accounting standards, fraud detection and controls, and ethical and financial controls.

Jackeline L. Williams-Bridgers, Senior Consultant at PricewaterhouseCoopers opened the conference with a keynote speech on the recently developed Opacity Index (or O-Factor), an estimate of the cost and availability of capital as adversely affected by opacity. Opacity, she explained, is defined by this index as the lack of clear, accurate, formal, easily discernible, and widely accepted practices in the world's capital markets. The Opacity Index offers a composite "O-Factor" score for each country based on opacity data in five different areas that affect capital markets: a) corruption, b) legal system, c) government macroeconomic and fiscal policies, d) accounting standards and practices (including corporate governance and information release), and e) regulatory regime. Hence, the Opacity Index offers a

### INSIDE

PRESIDENT'S MESSAGE .....	2
EXECUTIVE PROFILE:	
RAYMOND EINHORN .....	3
XV INT'L CONFERENCE ON NEW DEVELOPMENTS IN MIAMI (Cont.) .....	4 & 5
ICGFM MEMBERSHIP APPLICATION .....	6
FORUM CORNER:	
✓ GOVERNMENT IN TRANSITION: CHALLENGES AND OPPORTUNITIES .....	7 & 8
✓ THE OPACITY INDEX .....	8, 9 & 10
✓ A PERSPECTIVE ON INT'L AUDITING .....	10
UPCOMING EVENTS .....	11

*(Continued on Page 4)*

## The President's Message



*J. Graham Joscelyne*

The ICGFM has moved forward since I last wrote you. Nevertheless, your executive has made a point of ensuring all movement is focused on meeting your needs – which are the objectives of the organization.. We also want to ensure that high-quality products emanate from a solid base.

Over the last year, the Interim Executive Committee met regularly to review the By-laws and Financial Policies of the Consortium. This required considerable effort and I am pleased to inform you that each committee member did their full share and more to ensure that our organization has appropriate by-laws and financial policies in place. These were compared to similar organizations, such as the Institute of Internal Auditor and the Association of Government Accountants. Finally, our legal counsel gave approval. The new by-laws and financial policies were adopted at the Board meeting prior to the Miami Conference.

At this meeting, the new Board of Directors was elected. Although much can be written about this, you will see that the new Board members have considerable experience in government financial management and

are committed to the ICGFM. More importantly, each member is enthusiastic about the aims and objectives. According to the new by-laws, Board members rotate to keep continuity at the leadership level.

The Miami conference was a real success. E-Government is clearly a topic that caught the imagination of many. As a result, there were over 450 participants from more than 60 countries. I am told this is a record. Much of this success would not have been possible without the leadership of Dr. Mort Dittenhoffer and the support of Florida International University as well as other sponsors. This is the major 'product' of the Consortium and care will be taken to maintain and, if possible, improve on an already impressive result. We will continue to focus on matters of relevance to all of us.

At the June Executive Committee meeting, it was decided a one-day symposium would be held in Washington DC. in the fall. This is a slightly different format from previous conferences, but within this day, we will carefully choose topics that are in line with our objectives. The details are provided elsewhere in this newsletter. We look forward to your participation. We will also use this opportunity to hold the first ICGFM members meeting.

Finally, your Board approved the appointment of a part-time administrator, Ms. Cindi Culkins. This marks another change for the Consortium which has had the privilege of volunteer service from Audrey Dysland and her husband Bob. Their contributions are much appreciated. In time, we will inform you of changes to our mailing address and a new telephone number.

I trust this gives you a flavor of the activities that your leadership is handling. All are designed to promote the ICGFM and its memberd. We should soon see the fruits of this effort.

*-- J. Graham Joscelyne  
ICGFM President*

### OFFICERS

#### HONORARY CHAIRMAN EMERITUS

*ELMER B. STAATS*

FORMER COMPTROLLER GENERAL OF THE UNITED STATES

#### PRESIDENT

*J. GRAHAM JOSCELYNE*

THE WORLD BANK

#### VICE PRESIDENTS

*MORTIMER A. DITTENHOFER*

FLORIDA INTERNATIONAL UNIVERSITY

*RAYMOND EINHORN*

THE AMERICAN UNIVERSITY

*ADOLF J.H. ENTHOVEN*

CENTER FOR INT'L ACCOUNTING DEVELOPMENT,  
UNIVERSITY OF TEXAS AT DALLAS

*JAMES R. HAMILTON*

*VIRGINIA ROBINSON*

CONSULTANT

*LINDA L. WEEKS*

U.S. GENERAL ACCOUNTING OFFICE

#### SECRETARY GENERAL

*AUDREY B. DYSLAND*

#### DIRECTORS

*PETER ALIFERIS*

USDA GRADUATE SCHOOL

*RANDOLPH A. ANDERSEN*

THE WORLD BANK

*PATRICK J. BARRETT*

AUDITOR GENERAL, AUSTRALIA

*FRANK CAROPRESO*

U.S. AGENCY FOR INT'L DEVELOPMENT

*VICTOR ENRIQUE CASO LAY*

COMPTROLLER GENERAL OF PERU

*CHARLES W. CULKIN, JR.*

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

*HARRY C. DORCUS*

U.S. AGENCY FOR INT'L DEVELOPMENT

*JESSIE W. HUGHES*

OLD DOMINION UNIVERSITY

*RICHARD D. JOHNSON*

STATE AUDITOR, IOWA

*RONALD J. POINTS*

PRICE WATERHOUSE LLP

*B. PRESTON RICH*

FINANCENET, NATIONAL SCIENCE FOUNDATION

*A. GEORGE RUSSELL*

THE WORLD BANK

*HOMERO SANTOS*

BRAZILIAN COURT OF AUDIT

*DAVID A. SHAND*

THE WORLD BANK

*V. K. SHUNGLU*

COMPTROLLER & AUDITOR GENERAL, INDIA

*WILLIAM L. TAYLOR*

INTER-AMERICAN DEVELOPMENT BANK

*CORNELIUS TIERNEY*

GEORGE WASHINGTON UNIVERSITY

*RELMOND VAN DAMIKER*

NAT'L ASSOC. STATE AUDITORS, COMPTROLLERS  
& TREASURERS

#### ADVISOR TO THE PRESIDENT

*JAGDISH C. NARANG*

UNITED NATIONS FOUNDATION

#### ICGFM PUBLICATIONS EDITOR

*VIRGINIA B. ROBINSON, CONSULTANT*

## EXECUTIVE PROFILE

### RAYMOND EINHORN Vice-President & Chairman of ICGFM Forums

**R**aymond Einhorn is Vice-President and Chairman, ICGFM Forums. He has held this position since shortly after inception of the forums. He also serves as General Chair and Program Chair of the Accountants Roundtable. His other professional memberships include the Association of Government Accountants (AGA) and the Institute of Internal Auditors. In 1957, he was President, Washington Chapter, AGA and in 1960, he served as the National President of that Association.

**F**rom 1939 – 1942, Raymond Einhorn was Assistant Professor Accounting, Mississippi State University. Following that tour of duty, he served at the Office of Price Administration as the Head of Food Accounting (Cost Accounting for the food industry). At the U.S. Atomic Energy Commission, he was the first Director of Audits from 1947 – 1950. He was the first Director of Audits for the Office of Foreign Operations (predecessor of the U.S. Agency for International Development) from 1950 – 1954. While serving in that agency, he was tapped to serve on a Special Task Force known as the Cooper Committee to review audits in the Department of Defense.

**A**fter that special assignment, he moved to the General Accounting Office (GAO) as the Assistant Director, Accounting Systems



*Raymond Einhorn*

Division. In that capacity, he reviewed audit reports for the Division, 1954 – 1956. From 1956 – 1960, he was the Assistant Director, Accounting Policy, GAO. While he was responsible for general supervision of all nine titles of the GAO Manual for Guidance of Federal Agencies, he was developer and editor of Title 2, Accounting Standards and the part of Title 3 that pertained to audits.

**F**rom 1960 to 1971, he served as the first Director of Audits, National Aeronautics and Space Administration (NASA). From 1971 to 1973, he continued his tour at NASA as Advisor on Accounting and Auditing. He returned to the academic world as Associate Professor of Accounting at The American University in 1973. In 1975, he was instrumental in

establishing the Institute for Applied Public Financial Management there. This was a Joint Project of the School of Business and the School of Government. It was established for middle management officials in federal, state and local governments. He was ably assisted by colleagues in the Department of Agriculture, GAO, and the Joint Financial Management Improvement Program in developing and promoting the program. ICGFM founding member and Past President, Jim Wesberry also worked with Ray in developing the Institute.

**I**n the late 1980s, he returned to full-time teaching and eventually part-time. Among his professional distinctions are: the Lifetime Research, Distinguished Leadership and Robert W. King Award from AGA. The Washington, DC Chapter of AGA established the Einhorn/Gary Award in his honor and that of his colleague Jack Gary. The National Organization followed the lead of the Washington Chapter and established the National Einhorn/Gary Award. He has received honors from Beta Alpha Psi and continues his role as advisor and mentor to students and to professionals in federal, state and local governments as well as the private sector.

*-- Virginia B. Robinson  
Consultant*

## XV INTERNATIONAL CONFERENCE ON NEW DEVELOPMENTS ...

(Continued from Page 1)



*David Walker, US Comptroller General during his presentation in Miami*

clear and accurate concept of opacity and its effects, and is intended to provide sound estimated measurements of opacity that can guide businesses and governments towards greater transparency. The first report on the Opacity Index, measuring the O-Factor in 35 countries, was released in January of 2001. Other reports will follow at regular intervals. The second release, scheduled for September 2001, will expand the assessment to 100 countries.



*Dominican Republic Delegation during the XV International Conference's Reception*



*Eduardo Flores, Jim Wesberry, and Pablo Fonte from the Americas' Accountability/Anti-Corruption Project*



*Participants enjoying the banquet night in Miami*

Claudio Orrego, former Minister of Housing and Urban Development in Chile spoke on the status of e-government in his country. In his presentation, Orrego noted that technology has played a significant role in Chile's management reform, which has in turn helped improve public sector services and the effectiveness of government policies. According to Orrego, Singapore's e-citizen ([www.ecitizen.gov.sg](http://www.ecitizen.gov.sg)), Mexico's Compranet ([www.compranet.gob.mx](http://www.compranet.gob.mx)), and Chile's own recently privatized Compraschile ([www.compraschile.cl](http://www.compraschile.cl)), demonstrate how Internet-based government services and acquisitions systems promote efficiency and savings. These initiatives also foster transparency and limit the opportunities for corruption.

Juan Oscar Luna, Director of the National Contracting Office of Argentina, described the tools designed and implemented by this government agency to promote transparency in government acquisitions. These include SIBYS (*Sistema de Bienes y Servicios*), SIPRO (*Sistema de Proveedores*) and *Transparencia*. The first one (SIBYS) is a national database that catalogues goods and services purchased by the government in order to uniform purchasing criteria and identify common requirements, while the second (SIPRO) is a national registry where government purchasing units can obtain information on government contractors and suppliers. *Transparencia* is an Internet site where all documents related to a procurement process are made public (request for proposals, bidding conditions, pre-qualification documents, comparative tables of proposals, the assessment decision, purchasing orders, etc.).



*Marvin Taylor, Comptroller, Central American Bank for Economic Integration*

(Continued on Page 5)

**XV INTERNATIONAL CONFERENCE ON NEW DEVELOPMENTS ...**

*(Continued from Page 4)*



*Presentation by William Allan, IMF*

William Allan, senior economist at the Fiscal Affairs Department of the International Monetary Fund (IMF), outlined the IMF's work in the development and implementation of fiscal standards and codes, namely the Code of Good Practices on Fiscal Transparency (also known as the Fiscal Transparency Code). He explained that the Fiscal Transparency Code defines the main dimensions of fiscal transparency under four general principles: 1) clarity of roles and responsibilities, 2) public availability of information, 3) open budget preparation, execution and



*Jim Hamilton and other participants enjoying the Reception*



*Participants attending the ICGFM Conference held at the Radisson Mart Hotel in Miami, Florida*

reporting, and 4) independent assurances of integrity. Delving into detail, Allan discussed the structure of the code, its relationship with international accounting and statistical standards, and the IMF's experience with its implementation. Allan explained that to assess a country's progress in the implementation of fiscal standards, the IMF prepared Reports on the Observance of Standards and Codes (ROSCs). The reports' findings suggest that there are widespread problems of basic data quality in developing and transition economies and that few countries report adequately on contingent liabilities, tax-expenditures or quasi-fiscal activities.



*The Peruvian Delegation during the XV International Conference in Miami*

The XV ICGFM Conference included a series of three optional workshops where participants reviewed such issues as resource planning and management systems, procurement and contract auditing and Integrated Financial Management systems for municipalities. In addition, the Internal Controls Committee of the International Organization of Supreme Audit Institutions (INTOSAI) also held a meeting during the event.

The conference concluded with a closing ceremony where Graham Joscelyne, the World Bank's Auditor and ICGFM's President, presented participants with certificates and invited them to attend the next ICGFM conference, scheduled for this fall.

To obtain more information on this conference, visit the International Consortium on Government Financial Management (ICGFM) website at [www.financenet.gov/financenet/inter/icgfm/icgfm.htm](http://www.financenet.gov/financenet/inter/icgfm/icgfm.htm).

*– Eduardo Flores  
Casals & Associates*



*David Walker, U.S. Comptroller General and Arpad Kovacs, Hungarian Chairman Committee*

**The International Consortium on Governmental Financial Management  
MEMBERSHIP APPLICATION**

**Complete this application and return it to: International Consortium on Governmental Financial Management (ICGFM), P.O. Box 8665, Silver Spring, MD 20907-USA, Tel: (301) 681-3836, Fax: (301) 681-8620.**

Enclosed are annual dues for calendar year \_\_\_\_ (indicate following year if applying after August) for membership indicated below. Membership entitles you to the Consortium Newsletter, *Government Financial Management World*, and an annual subscription to our journal, the *Public Fund Digest* as well as the annual Compendium on Proceedings of the Washington International Financial Management Forum and proceedings of conferences (in English and Spanish) and research papers as they are published. Membership also entitles all persons within the member organizations to special rates for Forum luncheons and other Consortium functions and activities.

Organizations may optionally attach names and mailing addresses of up to four additional persons designated to receive Consortium mailings in the official language (English). Addresses and titles should be concise.

Organization Name \_\_\_\_\_

Responsible Individual Name \_\_\_\_\_

Title \_\_\_\_\_

Mailing Address \_\_\_\_\_

City \_\_\_\_\_ Province/State \_\_\_\_\_

Country \_\_\_\_\_ Postal Code/Zip \_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Internet E-Mail \_\_\_\_\_ Cable \_\_\_\_\_

Type of membership and dues (check one only):

	<b>REGULAR DUES</b>	<b>*DEVELOPING COUNTRIES DUES</b>
<input type="checkbox"/> Major Professional Organization . . . . .	US \$800	US \$400
<input type="checkbox"/> National Organization . . . . .	US \$130	US \$ 30
<input type="checkbox"/> International Organization . . . . .	US \$130	US \$ 30
<input type="checkbox"/> Governmental Organization . . . . .	US \$130	US \$ 30
<input type="checkbox"/> Private Organization or Firm . . . . .	US \$130	US \$ 30
<input type="checkbox"/> Educational Institution . . . . .	US \$ 65	US \$ 15
<input type="checkbox"/> Regional Country Group . . . . .	US \$130	US \$ 30
<input type="checkbox"/> Individual . . . . .	US \$ 50	US \$ 20
<input type="checkbox"/> Optional **Organization . . . . .	US \$1,000	

**Amount remitted with this application:** US \$ \_\_\_\_\_

\*A special discount is offered to developing countries, countries with economies in transition, and regional groups of such countries to encourage their participation. This discount is available to all countries other than Australia, Canada, China, Egypt, European countries (except transition economies), India, Iran, Israel, Japan, Kuwait, Libya, Mexico, New Zealand, Nigeria, Oman, Saudi Arabia, United Arab Emirates, USA, Russia, and Venezuela.

\*\*Optional membership (instead of or in addition to regular dues rates) for the support of Consortium programs and publications.

## FORUM CORNER

### Government in Transition: Challenges and Opportunities



*Mr. Gene Dodaro, speaker at the March Forum, with Peter Aliferis (left) and Abu Bangura (right)*

On March 7<sup>th</sup>, 2001, Mr. Gene Dodaro of the U.S. General Accounting Office made a presentation at the ICGFM Forum Luncheon on “**Government in Transition: Challenges and Opportunities.**” He is the Chief Operating Officer of the United States General Accounting Office. He was introduced by Mr. Graham Joscelyne, Auditor General, World Bank and President of the International Consortium on Governmental Financial Management (ICGFM). In his introduction of the speaker, Mr. Joscelyne pointed out As the Chief Operating Officer of the U.S. General Accounting Office (GAO), Mr. Dodaro assists the Comptroller General in providing leadership for the GAO. He is responsible for day-to-day management to ensure that GAO effectively accomplishes its mission of assisting the Congress and working to improve government for the benefit of the American people.

Prior to assuming his current responsibilities in May 1999, Mr. Dodaro was the Assistant Comptroller General for GAO’s Accounting and Information Management Division and was responsible for a wide range of audits and studies.

Significant accomplishments during his tenure include providing leadership to help the Government confront the Year 2000 computing challenge. Mr. Dodaro conceived GAO efforts to produce landmark guides to help organizations address this critical issue and has worked with the Congress and the President’s Y2K Conversion Council. He directed the first comprehensive audit of financial statements covering all Federal department and agencies for fiscal year 1997—one of the largest and most complex audits in history.

Mr. Dodaro has extensive experience appearing before the Congress, having testified at dozens of hearings on an array of management issues. He has worked closely with the Congress and various administrations over the years on major management reform initiatives. The most recent legislation includes: (1) the 1994 Government Management Reform Act, which expanded the Chief Financial Officers Act; (2) the revised 1995 Paperwork Reduction Act and the Clinger-Cohen Act of 1996, which require agencies to implement modern management practices for information technology management; and (3) 1996 refinements to the Single Audit Act,

which outlines requirements for audits of federal assistance to state and local governments.

Mr. Dodaro shared his views on major management challenges and opportunities facing the 107th Congress and the new Administration. He divided his presentation into two major sections:

#### ✓ **Government transition to the new century**

- Improperly attended issues
- GAO’s recommendations to Congress, looking to the long-term as well as the short-term

#### ✓ **Fiscal challenges**

- Government moving from deficits to surpluses
- What’s in store for the next 10 years and beyond?

#### **Government Transition to the New Century:**

The Federal Transition Act of 1963, for the first time, provided public funding for the process of presidential transitions. Recent amendments admonish the new administration to seek outside advice (including GAO’s).

On its website, at <http://www.gao.gov>, GAO lists the challenges for each major agency of government with hotlinks to GAO reports and GAO contact points. GAO provides overview reports for each Department and Agency of Government.

#### **Points emphasized by GAO in its overview reports:**

- 1. Reforms of the 1990’s** – keep up the good work. Planning, performance

*(Continued on Page 8)*

## FORUM CORNER

### Government in Transition

(Continued from Page 7)

management and accountability need continuing attention. Financial management reforms were quite effective at Department of State, the Internal Revenue Service and other key agencies, but were due largely to the heroics of a few key people in each agency. They could easily be undone, if they are not institutionalized and closely monitored in the future.

**2. Information Technology** – Much of the necessary infrastructure is not in place for the new century. The public sector is behind the private sector in planning for the upcoming demand.

**3. Human Capital Management** – Cutbacks in personnel for budget purposes have hurt human resources capabilities. Downsizing was not done well. For example, 70 percent of those in the Senior Executive Service will be eligible for retirement in the next year. Experience has shown that 50 percent will take advantage of this and retire.

**4. Keep up with attack on waste, fraud and abuse in government.** Since 1990, on half of the items on the list of concerns have been dropped, due to successful actions taken.

**5. Recognize that government structures are outdated** – not prepared to deal with a knowledge management based economy.

#### **Fiscal Challenges – Surplus/Deficit Situation:**

There is a trend for governments to move from deficits to surpluses, but this must be monitored carefully and constantly.

1. For example, from 1969 to 1999, the U.S. experienced 30 years of deficit spending at the federal level. Now, the Congressional Budget Office (CBO) projects annual surpluses continuing for the next ten years. But this projection is based on key assumptions including discretionary spending remaining at or below the annual inflation rate increases. Note of caution: last year discretionary spending grew at twice the rate of inflation or cost of living index increase. Other assumptions are on the revenue side: (a) No change in the alternative minimum tax and (b) Current tax year credits not being extended.

2. At the end of the 10-year CBO projections, there is a distinct expected

curve in the road that should reverse the annual surplus experiences and turn them into deficits: (a) 2009 – Medicare and healthcare systems will go negative (more outlays than revenues) and (b) 2015 – Social Security System turns negative.

3. In 1965, federal health care expenditures accounted for one percent of the budget. Now, they account for 43 percent of the national budget's outlay.

4. In 1950, there were 16 people working to pay for each social security retiree. By 2025, there will be only two people working to pay for each social security retiree.

5. Other industrialized countries are going through the same process. GAO lays out for the Congress and Administration a framework of current and future challenges in this area of fiscal accountability.

**M**r. Dodaro answered a number of questions from those attending the luncheon and was applauded for his excellent presentation.

– *Jim Hamilton  
Consultant*

### The Opacity Index: “What Do Our Behaviors Cost?”

**T**he speaker for the April Washington Forum was Jacquelyn L. Williams-Bridgers, of Financial Advisory Services, PricewaterhouseCoopers LLP. She spoke on the topic: *The Opacity Index: What Do Our Behaviors Cost? -- Measuring the effects of corruption and opacity on the cost and availability of capital in countries worldwide.*

**M**s. Williams-Bridgers opened by explaining the framework of her presentation. She indicated that opacity is the lack of clear, formal, accurate, reliable, and widely accepted practices in the world's capital markets. Opacity leads to added costs of doing business in a country. PwC has recently produced the Opacity Index, a new measure of the adverse effects of opacity in five areas that affect capital markets: corruption, legal systems, economic policy,

accounting and corporate governance, and regulatory consistency. The Opacity Index demonstrates that high levels of opacity in any of these areas increases the cost of doing business and diminishes the availability of investment capital. The PwC study results indicate that opacity imposes significant costs on investors, in the form of a hidden surtax that may ultimately dissuade investment. Similarly, countries

(Continued on Page 9)

## FORUM CORNER

### The Opacity Index: "What Do Our Behaviors Cost?"

(Continued from Page 8)

may pay a risk premium when they borrow in the international market by issuing bonds, a premium that could be avoided by reduction of opacity.

She provided a handout of her PowerPoint presentation slides to each of those attending. Among the points she made were:

1. **Corruption eats away at economic development** – adding costs, which slow or even stop the process of development.
2. **Who should care?**
  - a. Executives
  - b. Government officials
  - c. Diplomats
  - d. Regulatory authorities
  - e. Leaders of finance
  - f. Business journalists
  - g. The common citizen who looks to his or her country for economic progress
3. **The causes of opacity:**
  - a. Corruption
  - b. Legal system opacity
  - c. Economic and fiscal policy opacity
  - d. Accounting standards opacity
  - e. Regulatory opacity

She coined the acronym "CLEAR" as a way to keep in mind the multiple aspects of opacity/transparency in capital markets.

PwC Endowment assembled a team of senior economists, survey professionals, analysts, and distinguished advisors to explore the development of a worldwide Opacity Index. They developed a formula



*ICGFM Forum speaker, Jacquelyn L. Williams-Bridgers, PricewaterhouseCoopers LLP*

to arrive at an index applied to 35 countries surveyed. It was an attempt report estimates on the adverse effects of opacity on the cost and availability of capital in each of those countries. The opacity index was not intended to be a ranking of those countries. But the country with the lowest degree of estimated opacity was used as the baseline country in each region of the world for purposes of analysis and discussion.

She led a discussion on how these factors affected the degree of opacity in these countries region by region, which proved very interesting and instructive. Some countries were rated better in some areas of the "CLEAR" components but lower in other areas. Those that appeared equal in the overall index had quite different profiles. For example, Japan and Columbia were equal in the overall opacity index, but this proved misleading since Columbia had more opacity in the corruption category but less in the

accounting category. So the value of the opacity index lies more in looking closely at each of the "CLEAR" factors, rather than the overall index.

Why is reducing opacity better than tax incentives for attracting capital investment to a country? A tax incentive, has the effect of reducing government revenues, through tax concessions. On the other hand, reducing opacity attracts capital investment without sacrificing tax revenues.

The Opacity Index is a project of the PricewaterhouseCoopers Endowment for the Study of Transparency and Sustainability. One can review the results at their website: [www.opacityindex.com](http://www.opacityindex.com). The next study results are being released at the end of April on the same 35 countries. In the fall of 2001, results will be released on an additional 35 countries, bringing the total to 70 countries as part of the research universe.

Ms. William-Bridgers answered a number of questions from those attending and was applauded for her excellent delivery of the topic and the interest it elicited from the group. She joined PricewaterhouseCoopers LLP in February 2001 to lead a practice designed to assist governments around the world build capacity to advance their ethics, public integrity and anti-corruption programs and efforts. Her practice is designed to help clients create or reform legal and regulatory frameworks, internal control and public reporting mechanisms, and organizational structures for entities with mandates to ensure integrity, transparency and effectiveness in government operations.

(Continued on Page 10)

## FORUM CORNER

### The Opacity Index

(Continued from Page 9)

Prior to joining PwC, Ms. Williams-Bridgers was appointed by the President and confirmed by the U.S. Senate in 1995 to serve as Inspector General of the U.S. Department of State and the Broadcasting Board of Governors. She was responsible for audits, inspections and investigations of the Department of State and international broadcasting, as well as oversight of security at all U.S. diplomatic posts, domestically and overseas. She has testified before the U.S. Congress on all aspects of State Department operations. Ms. Williams-Bridgers began her federal at the U.S. General Accounting Office and served at the U.S. Department of Housing and Urban Development's Office of Inspector General. A recipient of numerous awards and honors, most recently the Association of Government Accountants honored her with the Distinguished Federal Leadership Award in 2000, for her visionary leadership in the federal community. Ms. Williams-Bridgers is a graduate of Syracuse University and its Maxwell School of Public Affairs and Citizenship and the recipient of an Honorary Doctorate of Humane Letters from Southeastern University for her contributions to the foreign affairs community.

-- **Jim Hamilton**  
Consultant

### A Perspective on International Auditing



*William Taylor, speaker at the May Forum*

At the May 2 Washington International Financial Management Forum Luncheon, Mr. Jim Wesberry, Director of the Americas' Accountability/Anti-Corruption Project was pleased to present William Taylor, Auditor General of the Inter-American Development Bank (IDB) as the guest speaker. He shared with the attendees his views on the audit approaches undertaken at the IDB to evaluate the Bank's projects while improving efficiency and effectiveness and maintaining a satisfactory level of risk.

During his presentation, Bill Taylor outlined the transformation that project cycles within the Bank have encountered due to new technologies, leading to simplification and modernization of lending procedures. He pointed out the elements of the Internal Control Structure:

- Control environment
- Risk assessment
- Information systems
- Control activities
- Supervision

Mr. Taylor discussed the mission and objectives of the Institute of Internal Auditors (IIA), a professional association that he formerly chaired. IIA is organized on a worldwide basis and dedicated to the promotion and development of the practice of Internal Auditing. This organization was founded in 1941 in New York City and currently has over 70,000 members worldwide, an increase of 80% in the last 10 years.

The Institute of Internal Auditors (IIA) new Code of Ethics was approved by the IIA Board of Directors in June 2000. Its main purpose is to promote an ethical climate in the global profession of internal auditing and relies on the following principles: Integrity, Objectivity, Confidentiality, and Competency. This code applies to individuals and entities that provide internal auditing services and is based on: a) principles that are relevant to the profession and practice of internal auditing and b) rules of conduct that describe behavior norms expected of internal auditors.

Bill has been a member of Institute of Internal Auditors for 19 years. He was elected Chairman of the Board for the IIA for 1995-96. As the IIA's highest elected official, he presided over the International Board of Directors, Executive Committee, and Nominating Committee. He also served as the chief spokesperson for The Institute and the internal auditing profession. Currently, Bill serves as Chairman of the IIA District Representatives Committee, member of the IIA Board of Directors, and Chairman of the IIA International Conference to be held in Washington, D.C. in 2002. He has represented the IIA on the Board of the International Consortium on Governmental Financial Management for many years. Mr. Taylor holds a bachelor's degree in Accounting from the University of Maryland and is a Certified Public Accountant (CPA) and a Certified Government Financial Manager (CGFM).

## UPCOMING EVENTS

**OCTOBER 5, 2001**

**“INCREASING FINANCIAL TRANSPARENCY  
THROUGH USE OF TECHNOLOGY”**

*SYMPOSIUM Sponsored by ICGFM  
Arlington, VA, USA*

*For more details, visit: <http://www.financenet.gov/icgfm.htm>*

**AUGUST 7-9, 2001**

*Treasury's Center for Applied Financial Management, 11th Annual Government Financial Management Conference*

*Hyatt Regency Bethesda*

*Bethesda, MD, USA*

Website: [www.fms.treas.gov/center](http://www.fms.treas.gov/center)

**AUGUST 18-22, 2001**

*NASACT Annual Conference*

*Hosted by The National Association of State Auditors, Comptrollers and Treasurers*

*Coeur d'Alene, ID, USA*

**Contact:** Pat O'Connor

Phone: 859-276-1147

Info: <http://www.nasact2001.org>

**SEPTEMBER 5-7, 2001**

*Fraud Conference, hosted by IIA*

*Las Vegas, NV, USA*

Website: [www.theiia.org](http://www.theiia.org)

**OCTOBER 15-17, 2001**

*The IIA/MIS Control and Audit of Information Technology Conference*

*Boston, MA, USA*

**Contact:** The Institute of Internal Auditors

Website: [www.theiia.org](http://www.theiia.org)

Phone: +1-407-830-7600, Ext. 1

**OCTOBER 29-30, 2001**

*AGA's State and Local Government Leadership Conference*

*Phoenix, AZ, USA*

**Contact:** Jennifer Root

Phone: (800)AGA-7211

E-mail: [jroot@agacgfm.org](mailto:jroot@agacgfm.org)

**THE IIA'S NEW SEMINARS FOR GOVERNMENT AUDITORS:**

- *Assessing Risk in the Public Sector*
  - *Evaluating Public Sector Controls Using the COSO Approach*
- AUGUST 6-8, 2001, Los Angeles, CA, USA  
SEPTEMBER 17-19, 2001, Albany, NY, USA
- *Performance Auditing in the Public Sector: Roles and Responsibilities*

AUGUST 6-9, 2001, Los Angeles, CA, USA

SEPTEMBER 17-20, 2001, Albany, NY, USA

**Contact:** The Institute of Internal Auditors

Phone: +1-407-830-7600, Ext. 1

Website: [www.theiia.org](http://www.theiia.org)



Please Visit our Internet Web-site at  
<http://www.financenet.gov/icgfm.htm>

Also, send an e-mail to our Secretary General,  
Audrey Dysland at: [icgfm@aol.com](mailto:icgfm@aol.com) -- your name  
and address will be added to our e-mail list.

## 2001 NEWSLETTER DEADLINES

September 2001 Issue -- August 1, 2001  
December 2001 Issue -- November 1, 2001

*Please send all items to:*

**Dolores D. Padgett**  
**Newsletter Editor**  
2996 Westhurst Lane  
Oakton, VA 22124, USA

E-mail to [dolores.padgett@irs.gov](mailto:dolores.padgett@irs.gov)  
Tel: (202) 622-5495 (daytime)



THE INTERNATIONAL CONSORTIUM  
on GOVERNMENTAL FINANCIAL  
MANAGEMENT

P.O. Box 8665 / Silver Spring, MD 20907  
U.S.A