The annual conference was very successful with several interesting observations.

1. The focus for many countries has evolved to performance reporting reflecting inputs and outputs. Financial and compliance reporting has not been replaced but an increasing number of countries are reporting on performance.

2. A topic closely tied to the performance reporting is the emphasis on moving from cash basis accounting to accrual, or at least, modified accrual accounting. Several countries are interested in learning how others have implemented this change. Moving to accrual will make performance reporting easier since cost information will be more accessible.

3. While there was considerable discussion about the problem of corruption, it is clear that there are tools available to assist countries in dealing with corrupt practices. To provide some information about this issue, the ICGFM will undertake a survey dealing with Anti-Corruption. The survey will develop information about the facets of corruption; document the perception of finance managers from around the world; analyze and report on the findings and suggest practicable recommendations. The timeline on this project is to have a final report available for the annual conference in 2005.

4. While each country thinks that the issues they have are unique to them, the discussion suggests that the problems are similar worldwide. The networking and interaction of the conference participants is one of the primary benefits of attending our conference. I hope that each of the attendees took something away from the meeting that was immediately useful to their job. I know that I was able to use the performance reporting information as well as the cash versus accrual discussion. I look forward to the information available from the conference next year.

The Executive Committee of the ICGFM recommended that there should be a search for a part time Executive Director to handle the administrative aspects of the association. Lin Weeks has agreed to accept the position on an interim basis until a suitable candidate can be found. The Committee also agreed to develop a Strategic Plan for the association. This plan would then be submitted to the sponsoring organizations to seek financial support for the continued operation of the association. This plan is expected to be completed by September 1st and given to the various organizations hoping for responses by the end of the year. The hope is that funding can be obtained from the organizations to provide for some permanent part-time staff. While the volunteer members have provided significant support for many years, the future of ICGFM requires more attention than the past and some staff is necessary. As the strategic plan is developed we will provide for comments from the members.

I look forward to working with each of you to maximize the contribution that ICGFM can make for international financial management by governments throughout the world.
International Consortium on Governmental Financial Management: 2004 Conference and Training

During the last week in April, public and private sector representatives from around the world gathered in Miami, Florida to discuss strategies for “Promoting Development by Eradicating Corruption, Enhancing Security, Improving Transparency and Strengthening Accountability.” During the conference and in the training program, leaders in governmental financial management shared their experiences and expertise, responded to the participants’ questions, and discussed strategies to promote and strengthen good governance. The delegates from Argentina, Barbados, Bolivia, Bosnia-Herzegovina, Cameroon, Canada, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Hungary, India, Macedonia, Mexico, Mongolia, New Zealand, Nicaragua, Pakistan, Paraguay, Peru, Philippines, Slovak Republic, St. Kitts, Tanzania, Trinidad and Tobago, Uganda, United Kingdom, and the United States also enjoyed informal opportunities to exchange ideas with their colleagues. The presentations can be viewed by downloading pertinent files from the www.icgfm.org website.

18th Conference on New Developments in Governmental Financial Management

ICGFM President, Dr. Relmond Van Daniker’s opening remarks highlighted the continuing attention directed toward combating fraud and corruption and the role governmental financial managers play in promoting transparency and enhancing good governance. Speakers, representing all disciplines within the financial management arena, reflected this theme in the presentations throughout the three-day conference.

During the conference, presenters from several national audit offices examined a variety of accountability and transparency issues. Dr. Paul Posner, from the U.S. General Accounting Office (USGAO), spoke about transparency in the budget process. Dr. Arpad Kovacs, President of the Hungarian State Audit Office, focused on attention on government contracting. Dr. Generao Matute, Comptroller General of Peru and chair of the International Organization of Supreme Audit Institution’s Money Laundering Task force, opened an afternoon session exploring approaches to “Stopping Money Laundering, Combating Corruption” that included a panel presentation moderated by USGAO Director, Ms. Davi D’Agostino.

In another session, Pakistan’s Deputy Auditor General, Mr. Muhammad Mohsin Kahn, discussed anti-corruption strategies in his country, and keynote speeches delivered by Dr. Nijemoun Mama, Auditor General of Cameroon, and Ms. Jacque Williams-Bridgers of the USGAO, delved into evolving strategies being implemented by their offices.

Other speakers directed attention to initiatives undertaken by development and finance institutions and non-governmental organizations. Monday’s keynote speaker, Mr. Stephen Zimmerman, representing the Inter-American Development Bank, highlighted several social and institutional reform projects. In opening programs on the second day, Mr. Fred Shieck, Deputy Administrator of the U.S. Agency for International Development spoke of links between USAID projects and poverty reduction and democratic reforms. Later in Tuesday’s program, Mr. Andy Wynne, of the Association of Chartered Certified Accountants in the United Kingdom, described projects and new approaches associated with Transparency International and the United Nations Development Program.

In another session, Mr. Albert Hrabak, from International Business and Technical Consultants, Inc., described evolving best practices in poverty-reduction programs. Mr. David Nummy presented details about the new Millennium Challenge Corporation and its strategy to provide assistance to countries that rule justly, invest in their people and encourage economic freedom.

Tuesday afternoon sessions examined several specific programs in Central and South America. Ms. Luz Marleny Ospina R. a presented an internal control model being introduced in Colombia, and Mr. Miguel Garcia Gosalvez discussed recent experiences introducing a control self-assessment model in El Salvador, Mexico, and Colombia. These presentations were followed by a panel discussion moderated by Mr. Patrico Maldonado from Casals and Associates’ America’s Accountability/Anti-corruption Project. The panelists explored integrating financial management systems at the municipal level in Central America. Mr. Jose Antonio Perez described the work done by the Federation of Municipalities of the Central American Isthmus (FEMICA) to promote integrated financial management systems in the region, and Mr. Juan Elvir Martel described his experiences introducing an integrated financial management system in Santa Rosa de Copan, Honduras.

Standards, technology and developing trends were central themes on Wednesday. Mr. Richard Chambers, the acting President of the Institute of Internal Auditors, discussed the role of internal auditors and the newly revised “International Standards for the Professional Practice of Internal Auditing.” Mr. John Radford, President of the National Association of State Auditors, Comptrollers, and Treasurers in the United States, moderated the discussion on implementing accounting standards that included presentations by Mr. Luvsan-Ochir Dondog, President of Mongolia’s Institute of Certified Public Accountants and Mr. Gert VanderLinde from The World Bank. Mr. Luvsan-Ochir Dondog later joined Mr. Luc Ladouceur, Director of the Guyana Economic Management Program, to report on projects using technology to measure performance, improve technology, and strengthen accountability in a session chaired by FreeBalance’s President, Mr. Bruce Lazenby. One of the concluding presentations by Dr. Van Daniker and Mr. Dick Willett, from Grant Thornton, encouraged delegates to participate in an ICGFM sponsored study to document efforts to fight corruption and enhance transparency.

For the first time at the Miami conference, the program included a luncheon speaker. On Tuesday, former U.S. Ambassador Sally Shelton-Colby shared her observations about strategies to involve citizens in building cooperative international partnerships to promote economic development.

In comments about the conference, attendees remarked that they also benefited from informal discussions with colleagues. During breaks, at lunches and during the banquet hosted by Casals and Associates delegates could be seen engaging in lively and animated debates and discussions.
Building a Strong Financial Management Framework: Putting the Pieces Together—Part 2 in the ICGFM’s Three-Year Training Program

On April 22-23, 100 participants from 29 countries remained in Miami to participate in the second part of an innovative 3-year training program. The training last year highlighted budgeting and accounting; participants in this year’s training learned more about tools, techniques and best practices in building financial management systems. The third session, to be offered next year, will direct attention to auditing and accountability.

The ICGFM and the Graduate School, USDA’s Government Audit Training Institute co-sponsor the training. In his opening remarks, Mr. Peter Aliferis, USDA’s Dean of Curriculum for Government Auditing, Accounting, Budgeting and Financial Management at the Graduate School, encouraged participants to take advantage of the training to learn from each other as well as from the experts leading the training. He also suggested that they share the training materials with others in their offices—in essence to take what they learn and teach others.

Dr. Jesse Hughes, the ICGFM Training Coordinator, developed the training program, brought in expert lecturers and practitioners, and guided the discussion sessions. After reviewing key points from the 2003 training, Dr. Hughes introduced Dr. Michael Parry, Chair of International Management Consultants, Ltd. Dr. Parry set out the basis for subsequent discussions. As he spoke about “Establishing a Conceptual Foundation: Why Governments Need Integrated Financial Management Systems,” in later sessions, Mr. Scott Vickland introduced a case study from Bosnia-Herzegovina to highlight issues in “Strengthening Financial Management through Accounting Reform.” Mr. Toni Dimovski (Budget) and Mr. Mende Micevski (Treasury) presented additional application experiences from the Ministry of Finance in Macedonia. Mr. Lionel Vareille, described the French experience in moving to an accrual-based government accounting approach.

During three discussion group sessions, participants exchanged ideas and experiences as they responded to questions related to the formal presentations. The language-based “breakout” groups of 10-40 persons promoted free flowing discussions. A facilitator was designated for each breakout group, and at the conclusion of their discussions a “reporter” shared the group’s thoughts and conclusions with the entire assembly. Facilitators included: Mr. Miguel Luíña (Bolivia), Ms. Lorena Segura de Aguilar (Honduras), Mr. Hugh Stephenson (Nicaragua), Ms. Carmela S. Perez (Philippines), and Ms. Blandina Nyoni (Tanzania).

Participants were extremely enthusiastic about the discussion group sessions and the translated training materials provided in English, Spanish, and French. They expressed great interest in next year’s concluding session on auditing and accountability. If regional groups are interested in providing training on governmental financial management issues, speakers can be arranged by contacting ICGFM at ICGFM@yahoo.com.

Interim Executive Director

Mrs. Linda L. Weeks has been named as the interim Executive Director for the ICGFM to manage the Consortium’s day-to-day operations while the Executive Committee works to identify an individual to assume this role on a permanent basis. She will be working part-time in space provided by the National Association of State Auditors, Comptrollers and Treasurers, at 444 North Capitol Street, NW – Suite 234, Washington, DC 20001, USA. Lin may be reached at +1-202-624-5651, or via email at ICGFM@yahoo.com (please note, ICGFM must be entered in upper case letters).
Conference delegates enjoyed opportunities to informally exchange information and ideas during the coffee breaks. Pictured here, Alberta Ellison, Program Manager for the U.S. General Accounting Office, chats with Mohammed Mohsin Khan, Deputy Auditor General of Pakistan.

Ms. Beatriz Casals, pictured above, introducing the special luncheon speaker also hosted Tuesday evening’s banquet.

Casals and Associates, an ICGFM Sustaining Member, supported the Miami conference in many ways. Prior to the conference Ms. Sylvia Rodriguez, Casals’ Governance Programs Manager, directed conference registration for the Spanish speaking delegations. During the conference Ms. Mariela Lanzas, an associate with Casals, staffed the registration desk and assisted delegates and speakers. Mr. Patrico Maldonado, Director of Casals and Associates’ America’s Accountability/Anti-corruption Project is pictured above introducing panelists for the session he moderated.

In the two-day training program presenters shared their experiences introducing integrated financial management systems and participants also had opportunities to meet in small groups to share their own experiences. Pictured above, left-right, Toni Dimovski, from the Budget Office in the Ministry of Finance in Macedonia, shares his observations from a budgeting perspective. Sitting are Dr. Jesse Hughes, ICGFM Training Coordinator, and Mende Micevski, from the Treasury in the Ministry of Finance in Macedonia.

The discussion group pictured here included representatives from Argentina, Bolivia, Columbia, the Dominican Republic and Peru. Miguel Luin a, at the far left facilitated this group’s conversations.

Miami Sights & Scenes
# ICGFM Membership Application

1. Enclosed are dues for calendar year 2004. These dues are in payment for membership as a (please check appropriate category):
   - Sustaining Member ($1,000)
   - Organization Member ($250)
   - Organization Member ($150)*
   - Individual Member ($100)
   - Individual Member ($50)*

   * A special discount is offered to members in developing countries, countries with economies in transition and regional organizations in 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.

2. Organization:

3. Name and Title (individual member or the contact person for sustaining and organization member):

4. Mailing Address:

   Street/Post Box
   City
   Province/State    Postal/Zip Code and COUNTRY

5. Telephone:   Fax:

6. Email/Internet:

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Signature

Return this form with a check, money order, or VISA/MasterCard authorization for payment in US dollars to:

International Consortium on Governmental Financial Management • 444 North Capitol Street, Suite 234 • Washington, DC 20001 USA
ICGFM to Explore Expanding Training Options

Professional development was a major topic discussed at the April 19, 2004, Board of Directors’ meeting, and the Board agreed to explore options for expanding ICGFM-sponsored training.

The ICGFM and the Graduate School, USDA training programs have been well received and may be expanded. Participants were enthusiastic about 2003 program that examined issues in budgeting and accounting. The training received very positive feedback, and 100 persons registered for the 2004 training exploring challenges in establishing financial management systems. The Graduate School, USDA’s Government Audit Training Institute (GATI) has agreed to continue its partnership with the ICGFM and co-sponsor a third training program in conjunction with the 2005 Miami conference. This session will direct attention to auditing and accountability. At the Board meeting, GATI agreed to discuss additional future opportunities to partner with the ICGFM to provide additional financial management training programs.

During the Board meeting, Directors also discussed the possibility of co-sponsoring training or conferences with other organizations. Several Directors suggested cooperating with IFAC in presenting programs in conjunction with meetings of IFAC’s Public Sector Committee, and Dr. Jesse Hughes and Mrs. Lin Weeks are pursuing the possibility of working with colleagues in India to deliver a program there in November.

If you have suggestions or ideas about future professional development programs, please send your comments to Dr. Hughes and Mrs. Weeks at the new email address ICGFM@yahoo.com (note: ICGFM must be in upper case letters).

A Special Note of Appreciation

Throughout the year the National Association of State Auditors, Comptrollers, and Treasurers provides administrative support to the International Consortium on Governmental Financial Management. They played a critical part in assisting ICGFM in preparing for and delivering the 18th International Conference. Special appreciation goes to Ms. Cornelia Chebinou, Ms. Tanya Grayson, Ms. Kathleen Howard, and Ms. Glenda Johnson for their exemplary contributions to the conference.
In accordance with the Act and with MCC’s “Criteria and Methodology for Determining the Eligibility of Candidate Countries for the Millennium Challenge Account Assistance in FY 2004,” submitted to the Congress on March 2, 2004, selection was based on a country’s overall performance in relation to three broad policy categories: Ruling Justly, Encouraging Economic Freedom, and Investing in People. The Board relied on sixteen publicly available indicators to assess policy performance as the predominant basis for determining which countries would be eligible for assistance. Where appropriate, the Board also considered other data and quantitative information as well as qualitative information to determine whether a country performed satisfactorily in relation to its peers in a given category, including performance with respect to investing in their people, particularly women and children, economic policies that promote private sector growth, the sustainable management of natural resources, and human and civil rights, including the rights of people with disabilities. The Board also considered whether any adjustments should be made for data gaps, lags, trends, or strengths or weaknesses in particular indicators.

The following countries were selected because (i) they performed above the median in relation to their peers on at least half of the indicators in each of the three policy categories, (ii) they performed above the median on corruption, (iii) they did not perform substantially below average on any indicator, and (iv) the supplemental information available to the Board supported their selection: Armenia, Benin, Ghana, Honduras, Madagascar, Mali, Mongolia, Nicaragua, Senegal, and Vanuatu.

Three of the countries performed above the median in relation to their peers on at least half of the indicators in each of the three policy categories and above the median on corruption, though they were substantially below average on one indicator: Cape Verde, Lesotho and Sri Lanka. The following is some of the information that was available to the Board in making its eligibility determinations that suggested that each of these countries was taking measures to address these shortcomings:

**Cape Verde**—Although Cape Verde received a low score on the “Trade Policy” indicator, its score did not capture improvements resulting from a recent shift to a Value Added Tax that reduced Cape Verde’s reliance on revenue from import tariffs. Cape Verde is also making good progress in its efforts toward World Trade Organization accession.

**Lesotho**—Although Lesotho scores substantially below the median on the “Days to Start a Business” indicator, it recently established a one-stop shop to facilitate new business formation. It also performs very well overall in the “Economic Freedom” category and the other categories. Lesotho also performs well on other measures of starting a business; for example, it costs 68% of per capita income to start a business in Lesotho, versus a sub-Saharan average of 256%, and Lesotho’s minimum capital requirement for new businesses is only a tenth of the sub-Saharan average.

**Sri Lanka**—Although Sri Lanka’s score on the “Fiscal Policy” indicator falls substantially below the median, the deficit has declined each year since 2001, reflecting a positive trend over the past several years. Additionally, Sri Lanka’s non-concessional borrowing in 2004 is expected to be less than half of the 2002 level.

Finally, three countries were determined by the Board to be eligible despite the fact that they (i) were not above the median in relation to their peers on at least half of the indicators in one of the three policy categories and/or (ii) were at or below the median on the corruption indicator. The Board made a positive eligibility determination on these countries in light of the notable actions taken by their governments and positive trends contained in supplemental information available to the Board. The following is some of the information that was available to the Board that suggested the policy performance of each of these countries was better than was reflected in the indicator data:

**Bolivia**—Bolivia is right at the median on the “Corruption” indicator and is above the median on all of the other indicators in the “Ruling Justly” category; however, its current score on the “Corruption” indicator does not reflect changes made since President Mesa assumed power in October 2003. For instance, President Mesa has created a cabinet-level position to coordinate anti-corruption efforts as well as establishing an office to provide for the swift investigation of police corruption.

**Georgia**—Although Georgia is at or below the median on more than half of the “Ruling Justly” categories, including the “Corruption” indicator, this data does not capture the substantial progress made by the newly elected Georgian government in only three months time. The Government of Georgia has, among other things, created an anti-corruption bureau, a new bureau to investigate and prosecute corruption cases, a single treasury account for all government revenue to ensure transparency and accountability, and has started revamping procurement legislation to ensure an open and competitive process.

**Mozambique**—The trends and supplemental information that filled in data gaps for Mozambique’s “Investing in People” indicators demonstrated Mozambique’s progress and achievement that were not reflected in the indicators. Primary education completion rates, for example, have been steadily rising in Mozambique, and this positive trend is backed by the fact that enrollment rates have increased to over 90% in 2000, from 60% in 1995. Girls’ primary school enrollment rates increased by 60% between 1995 and 2000. Although Mozambique scores above the median in four of the six “Ruling Justly” categories, it falls below the median on the World Bank’s anti-corruption indicator. However, certain indications suggest that this data is lagged and that Mozambique is making significant progress to fight corruption. Mozambique has passed new legislation to fight corruption and has created a special Anti-Corruption Unit that is conducting numerous investigations. These recent improvements on corruption are in fact reflected in another source—Transparency International’s anti-corruption index—a more up-to-date indicator, in which it scored well above the median (74th percentile).

MCC will closely monitor the continued progress of these countries in these and other policy areas between the time of this report and the presentation to the Board of any proposed MCA Compact, and anticipates continued performance and improvement in these areas will be part of the Compacts themselves.

**Selection for Compact Negotiation**

The Board also authorized the MCC to seek to negotiate an MCA Compact, as described in Section 609 of the Act, with each of the eligible countries identified above that develops a proposal that justifies beginning such negotiations. MCC will initiate the process by inviting eligible countries to submit program proposals to MCC. MCC has posted guidance on the MCC Web site (www.mcc.gov) regarding the development and submission of MCA program proposals, and will soon begin outreach visits to each of the eligible countries where this and related information on developing their proposals for MCA assistance will be discussed.

Submission of a proposal is not a guarantee that MCC will finalize a Compact with an eligible country. MCC will evaluate proposals and make funding decisions based on the potential for impacting economic growth and other considerations. The quality of the initial proposal— including how well the country has demonstrated the relationship between the proposed priority
Extracts from IFAC E-Newsletter:

5. IFAC Explores Issues Pertaining to the Implementation of International Standards

The IFAC Board has requested that Peter Wong from Hong Kong (a former IFAC Board member) lead a project to obtain the views of individuals and various groupings of professional accountants and other stakeholders on the extent to which they have seen challenges and successes in the implementation of International Standards on Auditing (ISAs), issued by the IAASB, and International Financial Reporting Standards, issued by the International Accounting Standards Board.

IFAC leadership and management are in the process of conducting a series of focus groups and interviews with members of regional accounting organizations as well as with professional accountants from different backgrounds (large firms, medium-sized firms, small firms, members in business, national accounting and auditing standard setters), as well as regulators, users and other interested parties. Individuals who would like to provide input should send an email to implementationstandards@ifac.org.

6. Latest International Auditing and Ethics Pronouncement Available in Several Formats

The 2004 Handbook of International Auditing, Assurance, and Ethics Pronouncements, featuring all pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) and the Ethics Committee through December 31, 2003, is now available in print and in a new fully searchable, interactive electronic format. The pronouncements in this new edition of the handbook have been restructured by the IAASB to better reflect the services covered by them. Additions to this year’s handbook include the new audit risk standards, assurance standards, assurance framework, and an interpretation to IFAC’s Code of Ethics for Professional Accountants.

7. Compendium of International Public Sector Accounting Standards Now Available

The 2004 Handbook of International Public Sector Accounting Pronouncements is available at no charge in a downloadable PDF and print format. It features International Public Sector Accounting Standards (IPSASs) 1-20, along with a glossary of terms, summary of occasional papers and studies, and a selected bibliography. For information about Public Sector Committee (PSC) activities, view the latest PSC Update, which is available in English, French and Spanish.

8. IFAC Addresses Anti-Money Laundering and the Role of Accountants

Governments, regulators and the global business community are increasingly calling on accounting practitioners to contribute to the battle against money laundering. A new IFAC paper, Anti-Money Laundering 2nd Edition, addresses the increased expectations of legislators and regulators with respect to the profession’s role in detecting money laundering and the implementation of controls and safeguards against it.

This paper and other documents mentioned above may be downloaded at no charge from the IFAC website: www.ifac.org.
PSC Update 11

The PSC Update is prepared by staff after each meeting of the PSC with the aim of providing a timely report on the progress of PSC projects. The views expressed in this document may not necessarily reflect the final views of the Committee or of individual members.

1. Introduction

The Public Sector Committee (PSC) met in Buenos Aires, Argentina in March 2004. This Update summarizes the major features of the meeting. Background papers for this meeting are available on the PSC page of the IFAC web-site. In conjunction with this meeting, the PSC and the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) jointly hosted a seminar which was attended by approximately two hundred public sector accountants from Argentina and Latin America. Mr. René Ricol, President of IFAC and Dr. Ian Ball, Chief Executive of IFAC, attended part of the PSC meeting. Mr. Ricol addressed the PSC, noting the significant contribution the PSC makes to the mission of IFAC.

2. Chair and Membership of the PSC

This was the first meeting under new Chair Philippe Adhémard, the PSC member from France, and Vice Chair Mike Hathorn, the PSC member from the United Kingdom. New members attending their first meeting were Wayne Cameron (Australia), Zvi Chalamish (Israel), Ryoko Shimizu (Japan) and Greg Schollum (New Zealand).

3. PSC External Review and Funding

The PSC received a report on the status of the review of its operations. It was noted that to date 142 responses had been received to the questionnaire issued by the Review Committee and those responses indicate strong support for the PSC and its activities. The Review Committee is still developing its final report. When completed, the report will be circulated to PSC members for discussion at the PSC meeting in July and submitted to the IFAC Board.

4. PSC Consultative Group

The PSC met with its Consultative Group and key Latin American constituents to discuss the operations of the Consultative Group, strengthening PSC liaison with Latin America and the PSC work program. The Consultative Group recommended that it continue to operate in its current form, but that for each meeting the PSC identify the specific issues on which Consultative Group input is sought.

5. Work Program

Draft papers related to the following projects were considered by the PSC at this meeting.

Budget Reporting

Dr. Jesse Hughes made a presentation to the PSC on the Research Report he was preparing and outlined his conclusions on the key research questions including:

- whether establishing requirements for budget reporting was within the mandate of the PSC; and,
- if it was, issues to be addressed in developing such requirements.

Dr. Hughes noted that he had had valuable input from Steering Committee members and others in the development of the Research Report but, the recommendations made in the report were his alone. Members commended Dr. Hughes on the work completed, thanked Steering Committee members for their contribution and agreed to provide further input to Dr. Hughes as he finalized the Research Report. The PSC agreed that the Research Report should be finalized by Dr Hughes and made publicly available from the PSC’s web page. The PSC also noted that it was to be made clear that the Research Report and its recommendations were those of Dr. Hughes, and not the PSC. The PSC agreed to discuss in detail Dr. Hughes’ recommendations at the next PSC meeting in July 2004, and at that time determine whether to proceed to develop requirements on budget reporting, and the nature of those requirements.

Accounting for Development Assistance Under the Cash Basis of Accounting

Mr. Ian Mackintosh, Chair of the Project Advisory Panel (PAP) and Mr. Charles Coe, consultant, were present at the meeting. Mr. Mackintosh advised the PSC that PAP members had had only limited time to consider the Key Decisions Questionnaire distributed in late 2003. The PSC considered responses to the KDQ received so far from PAP members and the key components of an Exposure Draft (ED) identified by Mr. Coe. The PSC agreed that a draft ED reflecting issues and approaches identified by Mr. Coe updated to reflect PSC comments thereon, is to be developed and provided to PAP members for comment.

That draft, together with PAP comments and any subsequent revisions, is to be presented to the PSC for consideration at its meeting in July 2004.

Impairment of Assets

The PSC undertook a preliminary review of responses to Exposure Draft (ED) 23 Impairment of Assets. The PSC noted that there was considerable support for the development of an International Public Sector Accounting Standard (IPSAS) based on the ED, but that a significant number of respondents raised concerns about the definition of cash-generating assets and whether:

- property, plant and equipment carried at fair value in accordance with IPSAS 17 Property, Plant and Equipment should be excluded from the scope of the proposed IPSAS; or
- a decline in market value should be excluded from the list of minimum indicators of impairment; and
- it was necessary to identify the depreciated replacement cost, restoration cost and service units approaches to measurement of value-in-use as different approaches.

The PSC agreed to amend the definition of cash generating assets and to strengthen the explanation of the PSC’s views in the Basis for Conclusions, particularly where it was proposed that the IPSAS differ from International Accounting Standard 36 Impairment of Asset (IAS 36). The PSC directed that a first draft IPSAS based on the proposals in ED 23 be prepared for review at the next meeting. That review will include consideration of any amendments to the treatment of impairments in the revised IAS 36 soon to be issued by the IASB, and the relationship between the measurement of an impairment loss in ED 23 and guidance on the measurement of fair value in IPSAS 17.

Harmonization with International Financial Reporting Standards (IFRSs) issued by the IASB

The PSC agreed to update the IPSASs based on IASs that had been amended as part of the IASB’s recently completed Improvements Project, and commenced the review of the first three of those proposed revised IPSASs. The PSC also considered a number of pervasive issues that would need to be dealt with in any revision including:

- adopting the principle of “equal authority” of all provisions of an IPSAS and clarifying the intent of the PSC by the use of appropriate language such as “shall” or “may”;
- inclusion of a Basis for Conclusions in all IPSASs and deletion of unnecessary definitions;
• the extent to which an IAS/IFRS should be relied on in selecting accounting policies in the absence of an IPSAS; and o the need to update the Preface to International Public Sector Accounting Standards.

Members agreed that it was important to develop and make public the PSC’s policy for updating IPSASs currently on issue and for dealing with IASs/IFRSs for which an IPSAS had not yet been issued. Members also agreed that it was important to identify and make public the anticipated timing of issue of proposed updated or new IPSASs, included those translated into French and Spanish. This would enable constituents to plan implementation of IPSASs in an informed and orderly fashion. A strategy paper is to be developed for consideration at the next PSC meeting.

Convergence of IPSASs with GFS and ESA 95

Mr. Ian Mackintosh, Chair of Working Group I of the Task Force on Harmonization of Public Sector Accounts, provided a report to the PSC on the February 2004 meeting of the Task Force. He also outlined the recommendations of Working Group I, which included that the PSC should:

• encourage or allow note disclosure of financial information about the general government sector as defined by the Government Finance Statistics Manual 2001 (GFSM 2001); and
• activate a project directed at developing a comprehensive report of financial performance which distinguishes between transactions and other economic flows as defined in GFSM 2001.

The PSC agreed to activate these projects subject to resource availability. The PSC also noted that issues encompassed by the performance reporting project may be broader than those reflected in a decision to harmonize with statistical reporting bases and that a separate project proposal should be developed and discussed as a first step. Mr. Mackintosh noted that the Working Group also recommended that the PSC require or allow:

• the adoption of current values in IPSASs, including adopting IAS 39 Financial Instruments: Recognition and Measurement; and
• inventories to be valued at current replacement cost when all other assets are valued at fair value. The PSC noted that these recommendations impacted on their IASB harmonization strategy already in progress and agreed to consider them and/or raise them with the IASB as the harmonization strategy was further progressed.


For further information please contact: Paul Sutchiffe, PSC Technical Director (psutchiffe@ifac.org) or Jerry Gutu, PSC Technical Manager (jerrygutu@ifac.org).

7. PSC MEMBERS 2004

FRANCE—Philippe Adhémar (Chair), Conseiller Maître à la Cour des Comptes.
UNITED KINGDOM—Mike Hathorn (Vice Chair), Partner, Moore Stephens, United Kingdom.
ARGENTINA—Carmen Giachino Palladino, Consultant InterAmerican Development Bank.
AUSTRALIA—Wayne Cameron, Auditor-General, State of Victoria.
CANADA—Rick Neville, Vice-President and Chief Financial Officer, Royal Canadian Mint.
GERMANY—Norbert Vogelpoth, Partner, PwC Deutsche.
ISRAEL—Zvi Chalamish, Deputy Accountant General, Israeli Ministry of Finance.
JAPAN—Ryoko Shimizu, Partner, PwC Japan.
MALAYSIA—Mohd. Salleh Mahmud, Deputy Accountant-General, Malaysia.
MEXICO—Javier Pérez Saavedra, Subdirector de control de Calidad, Petroleos Mexicano.
NETHERLANDS—Peter Bartholomeus, Director, Government Audit Policy Department, Ministry of Finance.
NEW ZEALAND—Greg Schollum, Chief Financial Officer, Greater Wellington Regional Council.
NORWAY—Tom Olsen, Partner, PwC Norway.
SOUTH AFRICA—Terence Nombembe, Deputy Auditor-General of South Africa and CEO of the Office of the Auditor-General of South Africa.
UNITED STATES OF AMERICA—Ron Points, Manager, Financial Management for East Asia and Pacific Region, World Bank.

8. PSC OBSERVERS 2004

Don’t Miss the DC Forum—Mark Your Calendars for this Fall

On the first Wednesday each month, the International Consortium on Governmental Financial Management hosts a DC Forum in Washington, DC. Attendees at the luncheon events at The Brookings Institution enjoy the opportunity to network with colleagues and engage in discussions with guest speakers. Although the DC Forum “adjourns for the summer,” regular meetings will resume on Wednesday, September 1, when Dr. Howard E. McCurdy, Professor of Public Affairs and Chair of the Public Administration Department at American University, will be our speaker.

Mark your calendars now for DC Forum luncheons on:

- September 1
- October 6
- November 3
- December 1

Email announcements with details about the topic and the speaker are sent out 2-3 weeks before each event. If you have not been receiving the email announcements, and you would like to be added to the email listing, please send a message to Tanya Grayson at tgrayson@nasact.org.

If you have suggestions for topics or speakers, please send an email to Mrs. Lin Weeks at ICGFM@yahoo.com.

June DC Forum

Megan Elder, Student Intern
Taylor University, Indiana

W “Bill” Broadus Jr. spoke to members of the Consortium at the DC Forum on June 2, 2004 regarding China’s economic future. “It’s a very exciting time in China,” Broadus said. “We must be proactive.”

Consortium members discussed the goals for China’s economy over lunch at The Brookings Institution. Broadus led the discussion and presented his efforts to install improved financial management programs in China with funding from the World Bank and help from the Association of Government Accountants (AGA).

AGA is helping the Chinese to establish an organization in China similar to AGA. It will provide training, internships and resources inside of China and will operate as a separate entity from AGA. The two will operate as “sister organizations,” Broadus said.

The organization, to be based in Beijing, has 1.8 million potential members, Broadus estimated. He speculates possible chapters in Shanghai and Hong Kong, but the overall umbrella in Beijing must first be established. Other countries are interested in launching a similar program, specifically Vietnam. China will be the prototype for further involvement.

Another AGA goal is establishing a full-time South East Asia training center in Honolulu, Hawaii. It will address the financial management needs of 11 countries.

For the endeavor to be successful, Broadus and his associates learned the country must have an interest, he said. He also learned the importance of patience. “In China, they do things very fast or they do things very slow,” he said. Although the effort to establish an organization similar to AGA is progressing, it is not moving as fast as had been desired.
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