



Second International Conference on Internal Control Held in Budapest, Hungary

From May 8 through 11, 2000, the Hungarian State Audit Office hosted the second International Conference on Internal Control. The Conference, a follow-up to the first such Conference, held in Budapest in September 1997, covered the following themes:

- ◆ Management responsibilities in establishing and maintaining adequate internal control systems.
- ◆ The role of internal and external auditing in the assessment and evaluation of internal controls, as well as management methods and techniques.
- ◆ Follow-up on external and internal audit recommendations.
- ◆ The evaluation of control risks in administrative decentralization processes.
- ◆ Revising INTOSAI internal control guidelines.



ICGFM member Jim Bonnell (left) presenting Dr. Arpad Kovacs, President of the Hungarian State Audit Office, with ICGFM's contribution

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Approximately 200 participants from about 50 countries attended the Conference. Dr. Árpád Göncz, President of Hungary, opened the Conference. Dr. Árpád Kovács, President of the Hungarian State Audit Office, made some opening remarks; a message from Dr. Franz Fiedler, Secretary General of INTOSAI was read; and Gene Dodaro, Principal Assistant Comptroller General of the U.S. General Accounting Office, gave the key note address.

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The President's Message



ICGFM President Jim Durnil

I am pleased to report that the Board of Directors of the International Consortium on Government Financial Management, at its annual meeting in Miami last month, voted unanimously to approve the recommendation of the Nominating Committee to designate J. Joscelyne Graham, Auditor General at the World Bank, as President-elect of the Consortium. As President-elect, Joscelyne would serve as President-elect for the remainder of year 2000 and become the President of the Consortium beginning on January 1, 2001. To serve as an independent officer in a professional organization, he must obtain approval of the World Bank to be able to serve in this capacity. Therefore, we have asked Joscelyne to make appropriate inquiries and discuss our request with senior officials at the World Bank.

Since the origin of the ICGFM, the World Bank has been active in its progress through the efforts of key World Bank officials. One of them is Maurice Mould, Financial Advisor and "Dean" of the financial analysts of the World Bank through the 1980's. He served as Secretary General of the ICGFM upon his retirement from the Bank. Randolph Andersen and George Russell, both retired Financial Advisors, served on the ICGFM's Board of Directors while at the Bank. James P. Wesberry, Jr., former Financial Advisor for Latin America and the Caribbean, is a co-founder and past President of the ICGFM. On several occasions the World Bank has sponsored the transcription of the proceedings of the ICGFM conferences. These proceedings have been made available to all participants and others in printed form, on 3 1/2 inch diskettes and on the ICGFM's webpage. There has never been an ICGFM conference at which a member of the World Bank staff was not present as a keynote speaker, panelist or participant.

We at the Consortium deeply appreciate the continued support of the World Bank to the Consortium by providing speakers and participating in our conferences and forums. We also greatly appreciate the membership of the World Bank in the Consortium over the years.

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JAGDISH C. NARANG

UNITED NATIONS FOUNDATION

ICGFM PUBLICATIONS EDITOR

VIRGINIA B. ROBINSON, CONSULTANT

EXECUTIVE PROFILE

JAGDISH C. NARANG

Mr. Jagdish C. Narang is a special advisor to the President of the International Consortium on Governmental Financial Management. He has served in that capacity since becoming a founding member of the Consortium. Since his retirement from the US General Accounting Office (GAO) in October 1998, he has served as an advisor to the United Nations Foundation in Washington, DC.

During his seventeen-year tenure with GAO, he spent the last eight years of his career in the Office of International Audit Organization Liaison (OIAOL) where he worked closely with the *International Journal of Government Auditing* and other International Organization of Supreme Audit Institutions (INTOSAI) programs. Among his many accomplishments was the development of the *Journal's* comprehensive financial management system, which he designed, implemented and managed. The system contributed to the *Journal's* sound financial situation and was used as a model internationally. His work on the improved financial management system contributed to the production of audited financial statements done in accordance with international standards. His development of comprehensive and practical financial management manuals for the International Journal of



Jadish C. Narang

Government Auditing and the INTOSAI General Secretariat led to their adoption by both organizations and as a result of this work, the financial records and reports of these organizations have been systematized and automated. Additionally, he represented the *Journal* at international and regional conferences, most recently in Indonesia for the ASOSAI Congress in 1997. His other responsibilities in OIAOL included working with the International Visitor and International Auditor Fellows Program, the National Inter-Governmental Audit Forum and other professional organizations.

While in OIAOL, he made great contributions to the Consortium. During February 1994 in New Delhi, India and in November 1995 at Lahore, Pakistan, he organized international conferences on Financial Management and Accountability in collaboration with the Accounting and Auditing Departments of the respective governments and the local private sector financial management professionals. As a result of his planning, the international conferences brought together senior executives from many countries and a regional Financial Management Improvement Association in Asia was formed.

In his work in the Accounting and Financial Management Division of GAO, he managed, planned, and conducted the evaluations and audits of various programs and identified the strengths and weaknesses of accounting and financial management systems. He recommended improvements for programs, operations and systems efficiency. He also contributed to the issuance of over 20 reports that were addressed to the US Congress and agencies of the Executive Branch of the Federal Government.

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EXECUTIVE PROFILE

JAGDISH C. NARANG

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Before joining the GAO, he held the following positions: Associate Director, Management and Budget, Council of Chief State School Officers; Audit Officer, Embassy of India, Washington, DC; and Audit And Accounts Officer, Indian Audit and Accounts Department, Government of India.

Jagdish has participated in numerous consulting, teaching and training endeavors, including: the joint United Nations Development Program (UNDP)-INTOSAI publication of SAI-Mandates of all auditors general of the world; the field Mission and the Supreme Audit Institution in Albania to prepare its draft law which will convert the State Control Service into Court of Accounts; and the GAO team which evaluated auditing, accounting systems, approaches and methodologies at the national institutions level in Moscow and Murmansk Oblast to strengthen overall financial management systems in the Murmansk Oblast Region of the Russian Federation. He completed several assignments with the Office of the Auditor General and Ministry of Finance in Nepal.

His teaching experiences have included: serving as lead instructor in a training course—“Performance Evaluation of Public Sector Enterprises” arranged by the Audit and Accounts Training Institute, Lahore, Pakistan; conducting classes in “Accounting Systems” and “Governmental Financial Reporting in GAO’s Training Institute for the International Fellows Program; and

participating as lead instructor in the UN-Inter Regional training program on Accounting and Financial Reporting in Malawi.



J.C. Narang (far right) during an ICGFM event, accompanied by Jim Wesberry from Casals & Associates (left) and Dwight Ink (center)

Jagdish earned a Masters degree in Business and Public Administration from the Southeastern University and a Diploma in National Security Management from the National Defense University, both in Washington, DC. As a Certified Government Financial Manager (CGFM) he has a long-term commitment to continuing professional education (CPE). His CPE has included courses on Internal Controls and Cost and Risk Evaluation, as well as statistical sampling conducted by the GAO Management Development Center. As a long-time member of the ICGFM, Association of Government Accountants, Institute of Internal Auditors, American Association of Public Administration, and American Association for Budget and Program Analysis, much of his CPE has been earned by participating in the conferences and seminars of those organizations.

Jagdish resides with his wife in Silver Spring, Maryland.

-- Virginia B. Robinson
Consultant

Second International Conference on Internal Control Held in Budapest

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As evidenced by the themes covered by the Conference, a great deal of information was presented and exchanged during the Conference—close to twenty presentations were made during the four days. The Hungarian State Audit Office is currently compiling the various presentations and summarizing materials presented at the Conference, including the results of the various workshops. In addition, the U.S. General Accounting Office will be leading a task force to develop a brochure on internal controls for managers.

ICGFM was a sponsor of the first International Conference on Internal Control held in 1997 and helped sponsor this year’s Conference. In addition, the USAID Office of Inspector General provided financial assistance. During the last day’s proceedings, ICGFM’s contribution was presented to Dr. Árpád Kovács by Jim Bonnell and USAID Deputy Inspector General Everett Mosley presented Dr. Kovács with the OIG’s financial contribution.

-- James R. Bonnell
USAID Regional Inspector
General/Budapest, Hungary

The International Consortium on Governmental Financial Management
MEMBERSHIP APPLICATION

Complete the 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 the 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 _____

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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.

IFAC RELEASES LANDMARK STANDARDS TO IMPROVE FINANCIAL REPORTING BY GOVERNMENTS

The International Federation of Accountants (IFAC) has taken an historic step in its landmark Standards Project. Its Public Sector Committee (PSC) has approved for release the first eight International Public Sector Accounting Standards (IPSASs), a new exposure draft ED *Financial Reporting under the Cash Basis of Accounting* and a study *Governmental Financial Reporting: Accounting Issues and Practices*.

There is increasing recognition around the world that good governance in the public sector is the key for promoting social and economic development. The authors of a 1999 World Bank Working Paper conclude that “with new empirical evidence that governance matters, in the sense that there is a strong causal relationship from good governance to better development outcomes such as higher per capita incomes, lower infant mortality, and higher literacy.”¹ Furthermore, speaking at a recent launch of a United Nations Development Program (UNDP) report, a UNDP Administrator stressed that “holding governments accountable to people is a bottom-line requirement for good governance”. Accountability is particularly important in the use of public funds, and this means adequate government financial reporting systems are essential if good governance is to be achieved.

The release of these documents means that, for the first time, there is an authoritative set of independent financial reporting standards for governments. Until now there have been no international accounting standards applicable to the public sector. This lack of standards has contributed to diverse and inconsistent reporting practices by governments around the world. Consequently the quality of the financial information provided by governments has been varied widely and has seriously impaired the ability of the users to interpret and compare governmental financial information. The quality of financial information also limits the quality of decisions in government, and the achievement of social and economic outcomes.

The IPSASs 1 – 8 are the first in a set of accrual-based accounting standards applicable to the public sector, and will contribute significantly to governments providing comparable, relevant and understandable financial information. This information will benefit external users such as international financial institutions, the capital markets and rating agencies, other governments, and voters, as well as the governments themselves.

¹ Kaufmann, D., Kraay, A., and Zoido-Lobaton, P. (1999). *Governance Matters*, Working Paper: The World Bank.

The IPSASs are based on the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC). In developing the IPSASs the Committee’s focus has been to ensure that its pronouncements are consistent with those of the IASC to the extent that the IASs are applicable and appropriate to the public sector.

Over the next 2 – 3 years the PSC will complete a core set of IPSASs based largely on the IASs extant in August 1997. The Committee also intends to develop standards to deal with public sector financial reporting issues that are either not comprehensively dealt with in the IASs or for which IASs have not been developed by the IASC. Examples of these issues include the nature of the governmental reporting entity, and recognition principles for tax revenue.

The PSC recognises that many governments may not yet be in a position to adopt the accrual-based IPSASs. To assist these governments the PSC has also developed an exposure draft *Financial Reporting under the Cash Basis of Accounting*. This ED sets out the requirements for the presentation of the primary financial statement under the cash basis of accounting, as well as the statement’s structure and minimum content requirements. The PSC is also developing transitional guidance to assist governments move from cash accounting to accrual accounting, as the PSC considers that accrual-based information better serves the objectives of financial reporting.

The benefits of improved financial reporting by governments have been recognized by a number of international and regional development organizations including the World Bank, the Asian Development Bank, the International Monetary Fund, and the United Nations Development Program, all of whom have provided funding for the Project.

The IPSASs 1 – 8, the ED *Financial Reporting Under the Cash Basis of Accounting* and the Study are major milestones in the PSC Standards Project and set the foundation for the development of additional IPSASs and guidance for public sector entities. The IPSASs 1 – 8, the ED *Financial Reporting under the Cash Basis of Accounting* and the Study will be published and distributed in May 2000.

-- Ian Ball
PSC Chairman (1995 – 2000)

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International Conference on New Developments in Government Financial Management Miami, March 27-31, 2000

Conference Sparked New Interest In Integrated Financial Management Systems



*Jim Wesberry, Speaker and
ICGFM's Conference Director*

The ICGFM's XIV New Developments Conference on *Integrated Financial Management Systems*, was held in Miami, Florida during March 27-31. The conference was sponsored by the International Consortium on Government Financial Management, the School of Accounting of Florida International University, the Association of Government Accountants, USAID, and the World Bank.

The conference was attended by 400 participants from 50 countries and had simultaneous interpretation to Spanish and French. The participants were a mix of accounting and audit professionals, and practitioners in government financial management and reporting systems. During the conference a delegate from the IMF met with several country delegates who dealt with fiscal reporting for Fund programs, all of whom expressed interest in the *Draft Manual on Government Finance Statistics*. A synopsis of the *Manual* and the overview page showing the path and the hyperlinks to the draft chapters, posted on the Fund's external web page, was provided to the participants of the conference (with a strong demand for this information.

A number of sessions addressed practical considerations of relevance to the design of government management information and statistical systems, most notably the following: Accounting and Performance Measurement in Government; International Accounting Standards for the Public Sector; Accounting for Social Insurance and Pensions; Integrated Financial Management Systems—what we learned so far, and the experience of the Americas; Electronic Commerce in Government; Auditing Integrated Financial Systems; Privatizing Government Operating Systems; and The Role of Audit Institutions in Combating Corruption.



*Dana Farrow, Jim Wesberry, Dr. Dittenhofer,
Bert Edwards, and Jim Durnil*

There was a consensus among the participants on the drawbacks of the cash-based accounting systems. They reported that the focus on cash accounting resulted in unrealistic and non-transparent budget practices, an inability to adopt an international accounting standard, and a failure to recognize costs of pension plans, deferred liabilities, arrears and defaults, and contingent obligations (costs that need to be paid years after they were incurred). A number of developed economies have recently adopted the Generally Accepted

Accounting Principals (GAAP) and the Generally Accepted Auditing Standards (GAAS). These systems are based on accrual accounting which rely on the same principals and practices used in the private sector. The main motivation for changing the accounting systems was the political pressure on governments to achieve transparency. In fact for the large federal system of the US to fully implement the change in the accounting systems it took a number of acts of Congress¹. US officials noted that as adherence to standards gains a solid footing, they expected that in the near future any budgetary transactions involving US domestic programs or international agreements, including foreign aid, will be mandated to adhere to GAAP and GAAS standards to ensure transparency in the use of funds.

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¹ The Single Audit Act (1985, amended 1995); The Chief Financial Officers Act (1990); Government Performance and Results Act (1993), and Government Management Reform Act (1994); and the Federal Financial Management Improvement Act (1996).



*Dr. Dittenhofer, Conference
Director and Ana Estevill,
Conference Coordinator*

International Conference on New Developments . . .

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Jim Wesberry from Casals with Auditors General of Latin America

Transparency was the dominant theme in most of the presentations made by country delegates, particularly those from Central and Latin American countries. Frequent reference was made to the need for audit institutions in these countries to adhere to the IMF's code of good practices on Fiscal Transparency, the necessity for the independence of audit organizations, and the need to adopt sound accounting principals based on internationally accepted standards. These standards and guidelines are currently recommended by the International Federation of Accountants (IFAC) which recognizes only two standards for government accounting: cash and accrual, with accrual systems regarded as standards of "best practice". It was recognized that during migration from cash to accrual systems countries may have modified-accrual systems for a transitional period, but that these could not be recognized as "standards" since they fall short of the full accrual accounting standard.

The case studies of other developing countries (such as Tanzania and Papua New Guinea) illustrated that even with a concerted effort at adopting integrated financial systems which entail modernization and computerization of the accounting, reporting, and control systems, it was difficult to convince donor agencies to disburse through the government budget.

The main reason is that increasing aid agencies have to adhere to GAAP and GAAS standards while government systems currently don't. Thus, to ensure accountability, aid agencies usually insist on off-budget accounting which made it difficult to monitor the overall fiscal position in aid-dependant countries. Furthermore, it was recognized that modernizing the government accounting systems was always costly, both in financial terms as well as in the need to develop human capital through training. Frequently, a strong political will was required to make the decision in favor of accounting and audit reforms in the face of resistance from entrenched vested interest.



Distribution of Conference Certificates

Speakers from the World Bank and USAID also made presentations on transparency issues that called for strengthening government audit agencies and supporting their independence. With regard to World Bank projects, the Bank introduced procedures for public dissemination on the web of project audits and a hot line for anonymous reporting of any corruption associated with the implementation of projects. While the emphasis on anti-corruption measures by the Bank were considered laudable, some speakers strongly criticized the Bank management for the controversial decision to hire Mr. Stern (a brother of one of the Vice Presidents) quoting it as an example of "executive override of controls," one of the key causes of corruption in the public sector.



Carmen Zuleta, Conference Moderator

With regard to the challenges of the 21st Century, several speakers raised concerns with the issues of security of electronic systems as reliance on technology increases. They noted that there was a growing demand for on-line real-time services or information from government agencies. This will require new "data warehousing" software products to produce useful reports, safeguard privacy, and manage the information overload. Internal control and audit systems for electronic transactions involving e-commerce (procurements) and e-government (where services including tax refunds, payment of fees, voting, or applying for drivers licenses, etc. could be provided electronically) were still not well-developed and risk from hackers (cyber corruption) was a real concern for governments and private vendors of computer software. Special internal controls would also be needed if segments of the accounting or audit systems were contracted out.

-- Jim Hamilton



Thursday's Conference Banquet

RESEARCH AND EDUCATION COMMITTEE

The ICGFM's Research and Education Committee, as part of its activities, has been soliciting each year, research articles for the *Public Fund Digest (PFD)*, by means of an advertisement in the *Accounting Education News*, the publication of the American Accounting Association, and through other means, including our own website. We ask for proposals for research articles, which are then selected by our Committee.

Over the years, a number of those articles were published in the PFD as being of considerable value to our members. This year we have selected five proposals from the following persons listed, together with their respective associations and the title of their proposals:

1. Ian Eddie and Janet Lee
School of Accounting, Finance and Entrepreneurship
The University of New England
Armidale, NSW 2351, Australia.

Title: *Regulatory and Reporting Changes in Australian Infrastructure Industries*

2. Dr. Simon S. Gao.
Professor in Accounting and Finance
Simon S. Gao and Morrison Handly-Schachler
Accounting and Finance Cognate Group
Napier University
Sighthill Court
Edinburgh EH11 4BN, Scotland, UK

Title: *Need for Financial Risk Management by the Public Sector: A Challenge for the 21st Century*

3. Michael Maingot
The University of Ottawa
Faculty of Administration
136, Rue Jean-Jacques-Lussier St.
PO Box 450, Stn. A
Ottawa, Ontario K1N 6N5, Canada

Title: *Developing Service Standards as a Means of Monitoring the Public Sector's Performance in Canada*

4. Dr. Lourdes Torres and Dr. Vicente Pina
University of Zaragoza (Spain)
Ftad de CC.EE. y Empresariales
Gran via 2
5005 Zaragoza (Spain)

Title: *Externalization and Outsourcing of Local Government Services: Accounting Tools in the New Public Management*

5. Dr. Wanda A. Wallace
The College of William & Mary
School of Business Administration
P.O. Box 8795
Williamsburg, Virginia 23187-8795

Title: *International Benchmarks*

The articles will be due at the end of August 2000 and are expected to be published in the late fall or early winter edition of the PFD. We look forward to sharing with you in the PFD, the scope and contents of the articles by the respective authors. These envisaged articles are intended to give our members an insight into some of the activities taking place in various areas and countries.

-- Adolf J.H. Enthoven
Director, Center for Int'l. Acct. Dev.
The University of Texas

The President's Message

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The Consortium and the World Bank have been catalysts in promoting good financial management in the international, public financial management community for many years and, as we all know, much more needs to be done to improve financial management in lesser and under developed countries around the world. We certainly do hope that it will be possible that Mr. Graham will be able to accept the office of President-elect, and eventually President.

-- Jim Durnill
ICGFM President

AUDITNET

AuditNet was highlighted as Pro2Net's Featured Site on May 18th. They highlight one Web site each day that benefits the accounting industry and effectively utilizes technology.

The Pro2Net Web site address is:

www.accounting.pro2net.com

Pro2Net is an online publisher of accounting news and research materials, which receives more than 250,000 users to its network each month.

Jim Kaplan
AuditNet Coordinator

Email:
jkaplan@capaccess.org

AuditNet Home Page:
<http://www.auditnet.org>

FORUM CORNER

Relations Between the Government's Surplus/Deficit and Debt

The ICGFM's Washington International Financial Management Forum in April 2000 presented, as guest speaker, Mr. Paul Cotterell, Division Chief, Government Finance Division, Statistics Department, International Monetary Fund. The topic was: *Relations Between the Government's Surplus/Deficit and Debt*.

Mr. Cotterell's Government Finance Division produces a *Government Financial Statistics Handbook* and is in the process of revising the 1986 edition of a *Manual on Government Finance Statistics*. This manual will provide guidance on concepts, definitions, classifications, and accounting rules within an analytic framework. His division also provides technical assistance to member countries through missions, training and seminars.

His division is supportive of the IFAC's new guidelines and international standards for government accounting. He has collaborated with IFAC on their development.

He supports the move toward accrual accounting in government. His division has provided guidance to governments on moving from a cash basis to towards accrual accounting for government financial statistics. These form the basis of the surplus/deficit and debt figures.

He recommended that practitioners refer to the GAO booklet on *Federal Debt: Answers to Frequently Asked Questions – An Update (GAO/OCG-99-*

27), which was handed out by GAO representatives at the meeting.

Issues and Problems

1. Many countries are on the cash basis. Loans are used to increase the cash position. Public offerings treasury backed securities and debt secured through the banks are often not part of the budget. Therefore, the cash position looks good while the liabilities incurred are not disclosed.

2. Contingent liabilities connected with entitlement programs are often not included in the budget or calculations of the surplus/deficit. In general, there are often many off-budget items which by their absence in the calculations of the surplus/debt can materially affect the outcome which is stated for the period or year.

3. Mr. Cotterell is suspicious of the extent to which governments include all the income and expenditures of state and local jurisdictions in their consolidated government financial statistics for the country. He believes that there is under reporting in this area.

4. At times there may be a great deal of "creative accounting" employed in order for governments to arrive at the financial positions they present to the IMF and the world. That is why the implementation and use of IFAC and GFS guidelines and standards are important to the integrity and consistency of the process.

5. Under the EEC Monetary Union Treaty countries are not allowed deficits of over 3 percent of GDP. They are not allowed public debt of more than 60% of GDP. In the last few

years, Germany's public debt has gone from 40% of GDP to 60% of GDP, the limit. The U.S. debt, by comparison, now stands at 40% of GDP.

Since 1998, Mr. Cotterell has held the position of Division Chief of the Government Finance Division at the Statistics Department (IMF) where he oversees work of the division, comprises the development of a revised methodology for compiling fiscal statistics, the conduct of training courses and technical assistance in that methodology, and the collection and publication of fiscal data for all member countries. Mr. Cotterell previously held the position of Deputy Division Chief at the Real Sector Division where he provided advice on national accounts, price indices, and foreign trade statistics. From 1992 to 1995, he was an Economist at the Statistics Department where he reviewed country data, provided training and technical assistance, and undertook research in the fields of national accounts, prices, foreign trade, and balance of payments statistics.

Mr. Cotterell was Senior Tutor at the Australian National University, he lectured and tutored in Economic Statistics as part of a graduate program in development administration, and developed a comprehensive economic database of the South Pacific. He previously completed a professional career at the Australian Bureau of Statistics (1974-1990) working on the national accounts, balance of payments and price statistics.

THE ROLE OF THE WORLD BANK In Accounting, Auditing, and the New International Financial Architecture

During the May ICGFM Forum, Mr. John Hegarty, Regional Financial Management Advisor Europe and Central Asia Region, The World Bank Group, shared his perspective on the Bank's role in accounting, auditing in the new international financial architecture. According to Mr. Hegarty, accounting and auditing are considered an economic fundamental in the context of good governance. He began his talk with a description of the Bank's mission, which is to: (1) promote poverty alleviation and economic development; (2) foster financial transparency and accountability; and (3) leave standard-setting and regulation to others. He mentioned that the Bank prepares its financial statements according to US generally accepted accounting principles (GAAP) and International Standards. So they're receiving as well as giving opinions. They receive about 4,000 reports per year.

In discussing accountancy development initiatives, he emphasized that the bank supports international accounting and auditing standards, but recognizes the non-binding nature of international standards. They have observed resistance by many policy makers and corporate leaders as well as "cultural" resistance to transparency in many countries. The Bank understands that there is a gap between international and national standards and a gap between standards and practice.

Recent activities of the bank have included: speaking out on occurrences such as BCCI; fostering a coalition for change; financing/requiring accountancy reform,

development and institution building; supporting international standard-setting; and enhancing diagnostic work. Mr. Hegarty indicated that interactions with an international forum for accountancy development facilitates improvements. A few of the organizations mentioned as cooperating in the reform and improvement efforts are the World Bank, the International Monetary Fund (IMF), Organization for Economic Cooperation and Development, the International Federation of Accountants, the International Accounting Standards Committee, The International Organization of Supreme Audit Institutions and the "Big 5" accounting firms.

He concluded his remarks by emphasizing the importance of focusing on country financial governance. The key elements he mentioned were: public sector accounting, internal control and reporting, auditing and legislative oversight; private sector accounting, reporting and auditing; fighting corruption in both sectors; corporate governance, supervision of financial institutions; capital markets regulation; insolvency regime; fiscal policy framework; and trade and investment policy.

Among the questions asked during the lively question and answer session was: How does the World Bank work with the IMF to avoid duplication and overlap? The audience seemed pleased with his response when he said the Bank makes extra efforts to make sure their requirements are compatible with those of IMF thereby avoiding special requirements from the bank.

Mr. Hegarty was born in Sligo, Ireland. He was educated at Newbridge College and University College, Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland. He joined the World Bank in August 1999. His responsibilities at the Bank include improving accounting, auditing, and other areas of financial management at the level of individual projects which the Bank finances as well as borrower countries as a whole. He is closely involved in the Bank's corporate governance, anti-corruption, and civil service reform initiatives. Prior to his position at the Bank, he was the Secretary General of the Association of European Accountants. He was also a delegate to the Council of IFAC and to the European Union's Accounting Advisory Forum and Committee on Auditing.

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Ron Points, a speaker at the Conference, with Jim Wesberry as moderator



Bert Edwards, Conference speaker

UPCOMING EVENTS

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Please send all items to:

Dolores D. Padgett

Newsletter Editor

2996 Westhurst Lane

Oakton, VA 22124, USA

E-mail to dolores.padgett@irs.gov

Tel: (202) 622-5495 (daytime)