



CLAES NORGRÉN
Auditor General

Dr. Josef Moser
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Date Dec. 18, 2012
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Your Date
Your Ref.

Dear colleagues,

I would like to take this opportunity correspond to you in a matter of strategic importance, in line with the Bornholm letter from the Nordic AGs to INTOSAI.¹ Since then, INTOSAI has developed an emerging issues capacity and I would like to draw your attention to the following matter.

The IMF has presented a paper on Fiscal Transparency, Accountability and Risk,² highlighting the importance of fiscal transparency as a critical element of effective fiscal policymaking and risk management. However, the ongoing crisis has drawn attention to the need of improving fiscal reporting standards, practices, and monitoring. Given that the IMF report explicitly addresses the role of SAIs in fiscal transparency, I believe that the INTOSAI community should consider engaging in the debate. IFAC has already commented on the report.³ Let me share my impressions of the report, identifying the following:

- IMF underlines that public corporations need to be part of any comprehensive analysis of public finances since their debts are often implicitly or explicitly government-guaranteed. Examples are shown through Fannie May and Freddie Mac. Arguments are also presented for the inclusion of Central Banks, since they might have implicit liability obligations.
- Fully accounting for the fiscal implications of government's crisis-related interventions requires not only comprehensive

¹The Bornholm letter of 2010-07-07:

http://www.riksrevisionen.se/Global/shared_icons/20100707%20to%20Dr%20Moser%20from%20Nordic%20AGs.pdf

² International Monetary Fund (IMF), Fiscal Transparency, Accountability, and Risk, August 7, 2012

<http://www.imf.org/external/np/pp/eng/2012/080712.pdf>

³ IPSASB Welcomes IMF Paper Supporting International Public Sector Accounting Standards, December 5th, 2012

<http://www.ifac.org/news-events/2012-12/ipsasb-welcomes-imf-paper-supporting-international-public-sector-accounting-standards>



- balance sheet data but also a more sophisticated approach to the treatment of contingent liabilities.
- Furthermore, standards for accounting, such as IPSAS are highlighted, and pointing at the need for organizations, such as the UN, IMF, Eurostat, and IPSASB, to increase efforts to harmonize reporting standards for budgets, statistics, and accounts.
 - The IMF report specifically addresses the role of SAIs in fiscal transparency. The report states that “*SAIs ... play a central role in scrutinizing government financial information, but are also not always fully empowered to meet their obligations.*” Problems described relate to timing of reports, obligations to report and opinions on governments’ accounts.⁴

Conclusions in the IMF report

The IMF report point out that the last decade and a half has seen determined efforts to develop internationally accepted standards for fiscal transparency. Still, the understanding of governments’ underlying fiscal position and risks remains inadequate. The report concludes into the following. Firstly, fiscal transparency standards need to be updated to address gaps in and inconsistencies between those standards. Secondly, the reports states that IMF needs to adopt a more modular, analytical, and calibrated approach to evaluating country compliance with fiscal transparency standards. Finally - national, regional, and international institutions need to strengthen incentives for improvements in fiscal transparency practices by fostering national and regional constituencies for transparency, such as supreme audit institutions, national statistics agencies, fiscal councils etc.

Conclusion for the INTOSAI community

From a principle point of view, it is of great importance that SAIs partakes in promoting fiscal transparency, contributing to the credibility and performance of a country’s fiscal position. For this reason, it is most encouraging that the IMF underlines the importance of SAIs, although pointing at some deficiencies in the role and mandates of SAIs. There are good reasons to further communicate INTOSAI efforts and achievements, such as initiatives on independence, capacity building, and standards, in relation to the ongoing debate on fiscal transparency.

By engaging in the debate, SAIs can contribute to this strategic issue together with other stakeholders, showing the value and benefits of SAIs. There is a risk, if not engaging in the debate, that standards and institutional frameworks, and acceptable reporting frameworks are discussed and handled without proper input from INTOSAI.

⁴ Bullet 41, p.32 of the IMF report



From my perspective, there is a need for INTOSAI to develop a suitable position and response from a strategic standpoint, both in a short term perspective as well as a long term perspective. Furthermore, it could be of interest to analyze if there is acceptable reporting frameworks and if there is a need to develop guidelines on how to assess acceptable reporting frameworks.

Yours Sincerely,

A handwritten signature in blue ink, which appears to read 'Claes Norgren', is positioned above the printed name.

Claes Norgren