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Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those which deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies or details on audit training programs. Articles that deal primarily with theory would not be appropriate.

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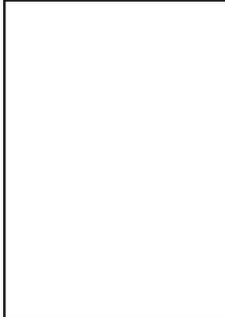
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Future Challenges: Reflections After 10-years as Auditor General of Canada

By Denis Desautels, Auditor General of Canada



Mr. Denis Desautels

As I take my leave after 10 years as Auditor General of Canada, I wanted to use this opportunity to identify some of the challenges facing our office—and, I think, many SAIs in the 21st century. In particular, I want to discuss the need for accountability and audit practices to keep pace with public sector reforms.

Challenges we have identified for our Office include the following:

- rapidly changing information technology, requiring new skills and new tools for auditors;
- recruitment, retention and development of human resources in audit offices;
- changing demands on the auditing profession as globalization becomes a reality;
- appropriate funding for audit offices; and
- the impact of new delivery arrangements on the audit and accountability of government.

I want to expand a little on the last point.

For many years, governments used traditional means to deliver services and programs: namely, direct delivery through government ministries, departments and agencies. For the most part, accountability structures matched these traditional government structures, as did audit office mandates. As a consequence, accountability reports to legislatures and audit coverage by SAIs provided quite complete coverage of the activities of government and hence of the expenditures and authorities provided to governments by their legislative bodies.

Over the last 10 to 15 years, however, many governments, including Canada's, have moved away from the more traditional forms of delivery and established a wide array of alternative approaches. These include delivery through contracting out to the private sector, delivery through arm's-length entities, and delivery in collaboration with other levels of government or non-governmental entities.

These types of public sector reform are widespread now in many countries. Many believe that they have resulted or will result in more effective and efficient delivery of services to citizens. SAIs in many countries have carried out audit work

related to these new delivery arrangements. However, what I and others have observed is that these changes in public sector structures are not always matched by corresponding changes in accountability structures and in the mandates of SAIs.

These non-governmental and other entities are doing what, until recently, had been done by government bodies that were subject to government accountability practices and structures and fell under the SAI's mandate. Public moneys and authorities are still being used in the public interest to serve some public purpose. It seems to me that there is no reason why legislative oversight should cease or be significantly curtailed just because of a change in the form of government delivery used. Yet in Canada, and in a number of other jurisdictions I have visited—especially where SAI mandates do not include some form of “follow the dollar”—SAIs are seeing their ability to help legislatures scrutinize these new arrangements reduced because the scope of their audit activity is limited to traditional forms of service delivery. At the same time, traditional forms of reporting to legislatures do not apply to many of these new arrangements. All of this is not necessarily the intent of public management reforms, but it is a clear result of them.

Mandates of SAIs and accountability structures always seem to be topics of discussion, and are issues in constant need of attention even in well-established national audit offices. SAI mandates are important: they directly impact on our ability to serve our legislatures. Over the past 10 years, we have seen some attempts by governments to reduce or limit the mandates of several SAIs. These attempts are well-known and have been monitored with great interest by INTOSAI members. But there is another, more insidious, danger facing SAIs in many countries. Their mandates are being reduced or limited not by direct action but, indeed, by inaction—by failing to update mandates as the forms of government evolve. Governments have changed the way they deliver services, moving service delivery farther away from direct scrutiny by legislatures; SAI mandates often have not kept pace. Furthermore, effective new structures for accountability often have not been introduced to ensure adequate legislative scrutiny.

There is a need, I believe, to find the ways and means to adapt the mandates of SAIs and accountability structures to new forms of government. There are no doubt a number of ways this could be done. The recent Sharman review of the arrangements in the United Kingdom for the audit and accountability of government in the 21st century is one such attempt to deal with this problem.

(Continued on page 7)

News in Brief

China

SAI Reports on Fraud and Corruption

In October 2000, China's SAI reported that they had discovered more than \$11 billion in mismanaged funds in China's government offices and businesses. These findings on the results of recent audits, identified during a campaign to ferret out corruption were reported in the state media in Beijing.

As part of the anti-corruption campaign, the SAI auditors have so far examined 42,000 Communist Party and government officials and 15,000 state enterprise managers. While the auditors found that individual officials and managers misappropriated or embezzled \$71 million, that was only a fraction of the \$11.6 billion mismanaged or embezzled by offices and firms.

The audit reports did not provide details on how the funds were misused or who was involved. But in reports issued during the preceding 18 months, the SAI had criticized officials for diverting government subsidies and spending lavishly on offices and stock speculation, among other abuses. Auditors had turned more than 1,010 cases over to prosecutors.

"In recent years, the phenomenon of corruption among officials has not been stamped out," the People's Daily quoted Wang Zhongyu, chief secretary of China's Cabinet, as telling the meeting. Wang said the audits, mainly concentrated on county-level or lower officials and leading state companies and banks, would gradually be expanded.

For more information, contact the National Audit Office of the People's Republic of China (CNAO), 1 Beiluyuan, Zhanlan Road, Xicheng District, Beijing 100830, China; e-mail: cnao@public.east.cn.net.

European Union

1999 Annual Report of the European Court of Auditors

The reform program set in motion by the European Commission under President Romano Prodi is a positive response to weaknesses in financial management and control, in the European Union (EU), the European Court of Auditors reported in its annual report for budget year 1999. However, the Court also found that the reforms have yet to be implemented.

The reform's program was designed to improve internal control systems, increase the focus on results and performance measurement, and overhaul the framework of financial rules for the EU. These reforms are all in line with key recommendations addressing weaknesses the Court has reported over many years. For the reforms to work, however, changes are needed in the Commission's management culture, the Court said, a process that will take time. Nevertheless, the Court encouraged the Commission to proceed as quickly as possible. Only when the new procedures and systems are in place and functioning will the Court be able to assess their impact.

The Court of Auditors found that without reforms in place, an unacceptable incidence of errors affected the legality and the regularity of payments for various programs. Most of these errors occurred in areas of the budget managed by Member States, constituting about 80 percent of the European Union budget. Weaknesses in accounting systems and procedures have in some cases led to incorrect or incomplete information. Problems in management and control systems continue to give rise to a significant number of errors, mainly at the level of final beneficiaries. The Court is,

however, able to give positive assurance on the revenue, commitments, and staff expenditures.

The level of errors is not an indication of the level of fraud, the Court emphasized. Most of the errors that the Court found concerned matters such as small overpayments to farmers and payments for expenditures by public authorities that are not eligible for EU cofinancing. Few of the breaches of regulations have justified further investigation.

Weaknesses in controls on the use of funds persist, the Court found. In the agricultural and structural funds, the Member States still have much to do to improve their controls on EU financed and cofinanced measures. In direct contracts with, for example, organizations undertaking research activities or non-governmental organizations carrying out projects in developing countries, the Commission needs to strengthen procedures for checking declared expenditures and for ensuring adequate documentation.

The Commission's response to previous findings and observations of the Court has been mixed. The Commission has acted in several areas, notably the South African aid program, reforms to the measures for the subsidized use of skimmed milk for animal feed, and some revenue matters. In other areas, the response has been slow or partial. The Commission has not responded adequately, for example, to the need for reform of the wine market organization, to errors or irregularities concerning the Regional Fund, or to the recovery of arrears regarding imports of milk products at a preferential rate.

In addition to the 1999 annual report, the Court also published 24 special reports containing the results of audits focusing on issues of financial management in a wide range of specific areas.

For more information, please contact: the External Relations Department of the European Court of Auditors, 12, rue Alcide de Gasperi, L-1615 Luxembourg, telephone: +352-4398-45410, fax: +352-4398-46430, e-mail: euraud@eca.eu.int, internet: www.eca.eu.int.

Finland

SAI Announces Core Values and Personnel Strategy

A key element of the new Finnish State Audit Office personnel strategy is a statement of the organization's values. The strategy, which was prepared last year, outlines the direction and nature of personnel policy, personnel management, and internal procedures so that personnel resources, operational objectives, and financial possibilities can be harmonized in a long-term and sustainable manner. The values are intended to form the basis of office operations, guiding its activities and ensuring the quality of its work.

The statement of values places strong emphasis on expertise and effectiveness, and objectivity is key. Expertise that is based on objectivity, cooperation, and courage leads to results. The statement describes a staff working in accordance with these core values.

Expertise is reflected in effectiveness. The vision of the office is to audit the state economy with top expertise, achieved in the sum of all staff skills. Staff must cooperate in developing, sharing, and directing their expertise. Achieving the highest level of expertise requires specialization, continuous learning, and networking.

Objectivity is the cornerstone, and the reliability of the office is built on it. Objectivity means reliability, neutrality, impartiality, and fairness. Staff members adjust to changes in their environment, external challenges, and organizational problems. They base their auditing and decision-making on facts, and their activities and communications are open, transparent, and ethical.

Cooperation combines the expertise of the staff members to achieve their common goals. Their cooperation is based on openness, respect for the individual, and mutual esteem and trust. They work with interest groups and with the organizations they audit, and they appreciate the expertise that these groups and organizations can contribute. Each member of the staff is responsible for shaping the image of the office.

Courage is reflected in high self-esteem, professional pride, respect for colleagues, and the development of activities. Staff members have the courage to fully exercise their authority and to take responsibility for their audit results. They have the courage to face challenges, make changes, and commit themselves to change.

Guided by these values, the staff is always goal-directed, effective, and responsible. Staff members maintain high standards and, through their audits, add value to their customers' operations. They set concrete and realistic objectives and monitor their success in achieving these objectives. They focus resources on core areas of basic activities and promote effectiveness through the proper division of responsibility, cooperation, and incentives.

Work to develop the office's management and personnel strategies received ongoing emphasis in 2000, aimed at greater effectiveness and an improvement in the internal working environment. The process has required a great deal of effort and commitment from the entire staff of the State Audit Office, especially the personnel strategy development group, without which the project could not have been carried out.

A current report on the State Audit Office, which also includes financial statements, briefly describes how effectively the office carried out its task in 1999.

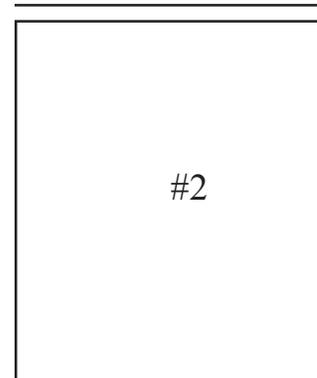
For further information, please contact the State Audit Office, Annankatu 44, 00100 Helsinki, Finland, telephone: 358-9-2285-4275, fax: 358-9-2285-4220, e-mail: kirjoamo@vtv.fi.

Iran

Reelection of SAI President

Mr. Syed Kazem Mirvalad, President of the Supreme Audit Court of Iran, was unanimously reelected for another 4-year term on September 27, 2000.

In the first term, Mr. Mirvalad accomplished the national and international plans and objectives of the Supreme Audit Court. He brings to the job a rich variety of experiences from other state positions, which include: Central Bank of Iran; the National Cash Reserves; Advisor to the Minister of Energy and Managing Director of the Energy Investment Company; Member of the First Cultural, Social and Economical Development Plan Commission (1988–1996), Member of Parliament, Observatory Member of the Committee on the Appropriation of Public Funds; Governor General of Ilam Province (1985–1988); Deputy Governor General of Hormozgan and Kermanshah Provinces (1981–1985); Consulting Engineer of power station and electricity posts and also of transferring lines, Department of Consulting Engineers Company.



Mr. Seyed Kazem Mirvalad

Mr. Mirvalad is also President of the Economic Cooperation Organization of Supreme Audit Institutions (ECOSAI). He has served in that position since May 1997.

Mr. Mirvalad received his B.Sc. in Civil Engineering from Tabriz University and his M.A. in Public Administration from the Public Administration Training Center.

Iranian Delegation's Trip to China

A delegation led by Mr. Mirvalad, participated in working discussions on central auditing in China during a visit to the country August 10-17, 2000. The delegation learned about China's audit systems, the functions and mandate of the Chinese National Audit Office (CNAO), the staff system, training activities, performance auditing, audits of government companies, legal actions taken against violations, and other technical subjects of mutual interest.

The delegation also learned about local organization, training, and audit activities in visits to the Yunnan Provincial Audit Office, Huairou Training Center, and Dalian Municipal Audit Office. The participants were able to broaden their view of China by touring some of the nation's economic and cultural centers.

Visiting at the invitation of Mr. Li Jinhua, Auditor General of CNAO, Mr. Mirvalad was also accompanied by Mr. Lotfollah Atabaki, Public Prosecutor, and Mr. Abbas Mohseni, Deputy Auditor General of the Supreme Audit Court.

In recent years, the Supreme Audit Court of Iran has greatly expanded its relationship with the CNAO. Its efforts are in accordance with its policy of developing international relationships and increasing cooperation with other SAIs, especially members of ASOSAI and ECOSAI.

For further information, please contact the Supreme Court of Audit, No. 99, West Part of Behjat Abad Park, Karim Khan Zand Ave., Tehran, Iran, telephone: 98 (21) 890 20 20, fax: 98 (21) 890 04 04.

South Africa

Annual Report Highlights Accomplishments

According to the 2000 annual report of the South African Office of the Auditor-General, many significant events have recently taken place both within the office and the region. The office was awarded two international audits—for the World Health Organization and the United Nations. In June 2000, Terence Nombembe was appointed deputy auditor general and chief executive officer. And, in October 1999, the office hosted the 17th Commonwealth Auditors-General Conference.

The report noted that the office continues to take a lead in the activities of the Southern African Development Community Organization of Supreme Audit Institutions (SADCOSAI) and the Regional Training Committee (RTC) of the English-speaking African SAIs. During 2000, the RTC focused on training to enhance the auditing of supreme audit institutions (SAIs) in the region and offered twelve training programs on different types of auditing,

management, and administrative responsibilities. Currently, the RTC is planning and negotiating with donors to fund additional projects for the next 3 years. For more information on these projects, see www.idirtc.co.za.

The office views implementation of the new Public Finance Management Act as a great challenge. Its legislation on government institutions will have far-reaching effects upon financial management and accountability at the national and provincial government levels as well as on the office itself and on the Standing Committee on Public Accounts (SCOPA).

As part of its strategic planning, the office is developing and implementing a new integrated audit approach in which performance auditing will be part of regularly auditing in the future in order to add value to the auditing process. Furthermore, the office has begun a change management program as part of a transformation initiative. This will help to ensure successful implementation of the employment equity bill and the affirmative action programs. In all its efforts, the office is continually striving to promote value-added auditing and good governance.

For more information, please contact: Office of the Auditor General, P.O. Box 446, Pretoria 0001, Republic of South Africa, telephone: 27-12-217593, fax: 27-12-323-7389, e-mail: debbie@agsa.co.za, internet: www.agsa.co.za.

Turkey

Court of Accounts Issues Annual Report

The Turkish Court of Accounts (TCA) submitted its year 2000 report at the end of October, and received great interest of both the Parliament and the media. The first report of its kind for Turkey, it is designed to give a clear overview of the national financial system, focusing on issues of accountability, financial discipline, and transparency.

Prepared at the request of the TCA General Assembly, the report took 2 years to complete, with 5 years spent on

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High ranking members of the Supreme Audit Court of Iran visit National Audit Office of the People's Republic of China.

related topics. Since its submission to the Parliament, the report has been the subject of more than 50 articles in daily newspapers. The report's conclusions include the following.

The general budget does not cover all activities of central government. Many public funds, foundations, special accounts, and other financial entities are not covered. These entities exist outside the control of the Parliament and TCA auditing, and their total expenditures are almost equal to those in the general budget.

The government spends large amounts of public funds without recording them adequately. These expenditures are covered neither in the general budget nor in the budget of any other public entity. Sometimes called quasi-fiscal transactions, these unrecorded expenditures reached US\$116 billion for the years 1970–1999.

Public debt figures in official documents are incomplete. The total amount of public debts remains hidden from the public and the Parliament.

Concerns about fiscal risks and contingent liabilities include issues involving state guaranties, private sector debt, build-operate-transfer and build-operate-own projects under the treasury guaranty system, and insurance for deposits in the banking system.

For more information, contact: the Turkish Court of Accounts, Sayistay Baskanligi, Ulus-Ankara 06100, Turkey, telephone: 90-312-311-2328, fax: 90-312-310-6545, e-mail: saybsk3@turnet.net.tr.

Community of Portuguese-Speaking SAIs

The fourth meeting of the Community of Portuguese-Speaking SAIs took place in Brasília, Brazil, from September 4-7, 2000. The meeting was organized by the Brazilian Court of Accounts. In addition to representatives of the Brazilian court, the presidents and other members of the SAIs of Cape Verde, Guinea-Bissau, Mozambique,

Portugal, and São Tomé and Príncipe attended the meeting. Two officials from the Fiscal Authority of East Timor also attended as observers.

The Community of Portuguese Speaking SAIs held its first meeting in June 1995 in Lisbon, Portugal. During that meeting, the SAIs of Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal, and São Tomé and Príncipe signed a Memorandum of Understanding. The seven member SAIs range from those that are 100 years old (Portugal and Brazil), to those established 20 years ago (Cape Verde, Guinea-Bissau, and Mozambique), to others that were established very recently. The varied experience levels make for rich debates and exchanges of ideas.

Since 1995, Community members have promoted several cooperative initiatives, including exchanging technical material, creating and participating in training courses, assigning auditors to work with other SAIs, and meeting to discuss technical themes. Their previous three meetings were held in Lisbon in 1995, in Cape Verde in 1996, and in Mozambique in 1997.

The fourth meeting of the Courts discussed two technical themes chosen by the participating SAIs as well as specific issues related to the progress of cooperation among them. The themes related to (1) the development of information technology and its use in financial management systems and (2) the relationships of SAIs with their parliaments. These themes were discussed during 2 days of working meetings, during which each SAI made a presentation. While these are important themes for any SAI, they are particularly pertinent to the more recently established SAIs.

At the meeting, the SAIs also discussed providing technical assistance to East Timor, a former Portuguese colony that recently became independent of Indonesia. In November 1999, the courts had submitted an offer to the Chief of the United Nations'

Transitory Administration in East Timor to provide technical assistance for the nation's efforts to implement an external audit system at the time its government considered it appropriate. During the Brasilia meeting, that offer of assistance was made directly to the East Timor delegation. At the same time, Minister Adhemar Ghisi, the Community's Acting Secretary-General of the Committee on Technical Cooperation of the Courts of Accounts, extended an invitation for East Timor's SAI to join CPLP.

Members made two other decisions during the fourth meeting. First, they again selected the Brazilian Court of Accounts to remain as the headquarters of the General Secretariat as it has since 1995. Second, they decided to hold their fifth meeting in Lisbon in 2001.

In addition to the working meetings, representatives attended a presentation given by Professor António de Sousa Franco, the President of the Court of Accounts of Portugal from 1970–1995, and Minister of Finance of Portugal from 1995–1999. They also visited the headquarters of the Brazilian Court of the Brazilian Senate, and an exhibition entitled "Brazil 500 Years." They met the President of the Federal Supreme Court, attended a military parade celebrating the National Day of Brazil, toured places of interest in Brasília, and saw an exhibition on the work of Brazilian architect Oscar Niemeyer.

The proceedings of each meeting of the Community of Portuguese-Speaking SAIs held since 1995 are posted on the Community's website, <www.tribunaiscplp.gov.br>. The site also provides information about the seven member courts of accounts, the minutes of the Committee on Technical Cooperation's meetings, and the annual reports of the General Secretariat of the Committee and other related information.

For further information, contact the Tribunal de Contos, Setor de Administracao Fed. Sul Lote 01, 70042-900 Brasilia – DF, Brazil, telephone: 55-61-223-5314, fax: 55-61-322-5290, e-mail: sergio@tcu.gov.br, internet: www.tcu.gov.br. ■

The Role of Pakistan's SAI in Promoting Good National Governance

By Manzur Hussain, Auditor General of Pakistan

Editor's Note: The article is based on a presentation and comments the Auditor General of Pakistan made during the 8th Assembly and Symposium of the ASOSAI held in Chiang Mai, Thailand, from October 9-15, 2000.

Governments have traditionally focused on national defense, maintenance of law and order, and administration of justice. Recently, they have also paid increasing attention to economic growth and development. Over the last decade, the world community has placed increased importance on the concept of promoting good national governance—the rule of law, transparency, accountability, participation, efficiency and effectiveness, institution-building, sustainable development, alleviation of poverty, empowerment, and giving a voice to the marginalized sectors of society.

To be meaningful, the concept of good national governance must be relevant to the needs of the common people, especially in developing countries where, even today, many people lack access to basic necessities: primary education, basic health care, potable water, sanitation facilities, and other measures that promote the common welfare. Addressing these needs and focusing on the content of democracy rather than its form are key elements of good national governance that many countries have ignored in the past.

This was true of Pakistan in the past. With abundant foreign aid flowing into the country in the 1960s, Pakistan was a model of development for many countries. This aid, however, was not properly used to promote the general welfare; in fact, its injudicious use resulted in mismanagement, corruption, and, consequently, an alarming level of indebtedness.

In the early 1990s, the government of Pakistan realized it needed to pay additional attention to primary education, basic health care, potable water, sanitation, and the overall welfare of its population, and it began to move toward the concept of good national governance. In 1993, the government initiated a 5-year, US\$6 billion Social Action Program (SAP) funded primarily by multilateral and bilateral donors. The program focused on alleviating poverty by addressing the five basic areas of need mentioned above, and it improved the quality of life for the poor. To ensure its ongoing success, the government has initiated a second 5-year phase of the program and is providing more than 80 percent of the US\$10 billion in funding. Despite certain implementation difficulties, the program has largely been a success. Throughout the implementation of SAP, the donors have emphasized institution-building and enhancing and sustaining institutional capacity.

The SAI of Pakistan has assumed a new role in the SAP implementation: third party validation (TPV) of SAP projects. It has undertaken TPV in addition to compliance and performance audits. TPV covers such areas as physical sites selected for primary schools, basic health units, water supply schemes, sanitation works, and activities promoting the welfare of the population, as well as procurement of supplies and recruitment of SAP staff. In carrying out the TPV/audit function, the SAI has identified many cases of improper site selection, ghost employment, employment of people not qualified to undertake the assigned tasks, employee absenteeism, and irregularities in procurement of materials and supplies, among other problems.

By carrying out TPV concurrently with the implementation of SAP, the SAI not only helps to ensure the success of SAP but also serves as a partner in development while maintaining its independence. With this approach, TPV can bring problems to light now, instead of many years after the wrong has been done. Thus, TPV is carried out in the context of a cooperative relationship between government departments, donors, and the SAI. The departments involved in implementing SAP have come to appreciate the SAI's oversight function and are initiating action on TPV/audit findings. This has helped the government improve program delivery and avoid wasting scarce resources. The reports of the Auditor General have also helped the donors who, in many cases, have withheld disbursements until the irregularities have been set right. As a result, both the people and the donors exert pressure on government departments to implement SAP effectively.

The government has implemented a "devolution plan" starting in December 2000 aimed at decentralizing federal and provincial authority to the district level, and empowering the disenfranchised, particularly women, to have a greater say in local, regional, and national affairs. This plan will move power centers to the places they should be and give people the necessary structures and mechanisms to solve most of their problems locally. It will also free the provincial and federal governments to pay greater attention to regional and national problems. Because the devolution plan is designed to give greater financial and administrative autonomy to district governments, it will have far-reaching implications for the SAI, which has not previously been responsible for auditing at the local government level. Now it will need to audit the major chunk of federal and provincial revenues going to district governments. This will place very high demands on the SAI in terms of financial and human resources, the quantity and quality of output required, and training and quality control. However, this enhanced role will enable the SAI to contribute to the national development effort on a larger scale.

The SAI also has an important role in providing access to public information and decisions, another aspect of promoting good governance. For centuries, government rulers and leaders have enjoyed the fruits of secrecy and successfully kept state matters hidden from the public eye. Although the advent of democracy gave parliaments the right to demand information on government policies and decisions, governments have used various mechanisms to successfully conceal important information from public representatives.

However, the situation is rapidly changing. At present, governments acknowledge that they should disclose more information on their operations and on decisions by public officials. Accordingly, many governments have enacted laws that grant citizens greater access to public decisions and information. The government of Pakistan is currently considering a similar piece of legislation and has invited public comments before the law is enacted.

SAIs can play an effective role in ensuring that information provided by governments is adequate, true, and fair. Recent reports of the SAI of Pakistan have informed the public that some extra-budgetary resources of the government have not been used for the purposes for which they were intended. In some cases, funds created for specific, legitimate purposes have not been presented to the legislature for necessary

authorization. For example, sale proceeds of some privatized units were kept outside the main books of account and no public information on the use of these proceeds was disclosed. Similarly, a public sector corporation constructed a sports stadium in the province of Sindh on the verbal orders of the then-Prime Minister, and the Capital Developmental Authority built a polo ground at the Prime Minister's residence. The SAI reports also pointed out that the government provided some undisclosed (and unjustified) benefits worth millions of dollars to a private power producer.

In conclusion, it can be said that public auditors play an important role in promoting good national governance through compliance audits, performance audits, and third-party validation. Their work may take the form of audits of extra-budgetary resources, audits of public debt, audits of privatization efforts, environmental audits, or social audits. In all these cases, we need to ensure that our work provides helpful information that taxpayers, executive managers, and legislators can use to improve the operations of government.

For more information, contact: Office of the Auditor General of Pakistan, Constitution Avenue, Audit House, Islamabad, Pakistan, telephone: 92-51-922-4080, fax: 92-51-922-4085, e-mail: Saipak@comsats.net.pk. ■

Editorial

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We in the SAI community can well recognize direct challenges to the scope of our mandates. We need to be equally aware of the less direct threats, especially where traditional accountability structures that support legislative scrutiny are also threatened. Otherwise, we will be unable to carry out our duties to assist legislatures in their scrutiny of public moneys and authorities.

Let me close by saying that I have found my involvement with INTOSAI to be personally and professionally rewarding. My colleagues and I have derived much satisfaction from the work we have done and the contributions we have made to INTOSAI and its various activities. I want to wish INTOSAI continued success in the future. I am sure that the organization will only continue to prosper and be even more useful to its members over the coming years. ■

ASOSAI Assembly Addresses Governance Issues

Thirty-three Asian Supreme Audit Institutions gathered in Chiang-Mai, Thailand to attend ASOSAI's 8th Triennial Assembly and Symposium from October 9 – 15, 2000. Participating countries were Australia, Azerbaijan, Bangladesh, Bhutan, Brunei Darussalam, China, Cyprus, India, Indonesia, Iran, Israel, Japan, Korea, Kuwait, Malaysia, Maldives, Mongolia, Myanmar, Nepal, New Zealand, Oman, Pakistan, Papua New Guinea, Philippines, Russian Federation, Saudi Arabia, Sri Lanka, Thailand, Turkey, United Arab Emirates, Vietnam and Yemen. Joining the 120 delegates from these countries in their deliberations on the subject of "The Role of the SAIs in Promoting Good National Governance" were observers from the INTOSAI General Secretariat, the INTOSAI Development Initiative, the International Journal of Government Auditing, and the Asian Development Bank.

Inaugural Ceremonies Set the Stage

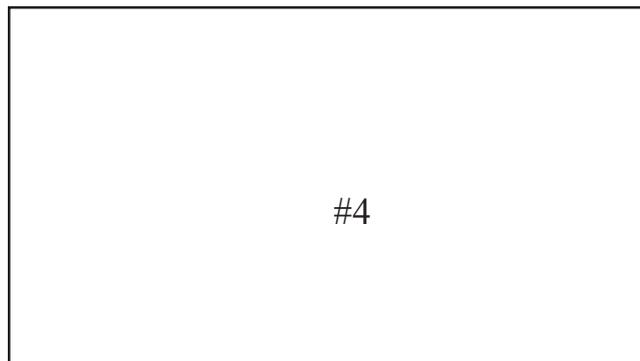
The Assembly was officially inaugurated by the President of the Senate of Thailand, Mr. Sanit Vorapanya, who stressed the importance of the conference theme of good governance when he said, "At the time of the present financial and economic crisis causing great hardship to our nations and peoples, good governance in the government administration and state finances is a necessity. We must not, therefore, let our countries and peoples suffer even more by the hands of corruption. The theme of this 8th Assembly and Symposium is certainly appropriate for the present day situation that requires transparency, accountability, and responsibility."

Mr. Vorapanya's remarks were echoed by the outgoing ASOSAI chairman, Mr. Satrio Budihardjo Joedono, who reflected on ASOSAI's role in promoting good governance. "Throughout the world," he said, "and particularly in certain parts of the Asian region, there is an increasing need for good governance, sound management, and a responsiveness to the needs of government's many stakeholders. Supreme Audit Institutions (can support this) by fostering a shared appreciation and common approaches to professional practices in public sector accounting and auditing." Mr. Joedono concluded his welcoming address by turning the chairmanship over to Dr. Panya Tantiyavarong, Chairman of the Audit Commission of Thailand and host of the Assembly.

Dr. Tantiyavarong welcomed participants to Thailand and expressed the hope that the Assembly would promote further cooperation and collaboration among ASOSAI members and other institutions represented in Chiang Mai. He also reflected on the timeliness of the good governance theme when he said, "The Asian economic crisis has led us to take tougher measures to ensure compliance with the rule of law, to improve the

efficiency and accountability of the public sector, and to seriously tackle corruption."

The inaugural program also included greetings sent by the Secretary General of INTOSAI, Dr. Franz Fiedler, who emphasized INTOSAI's long-standing commitment to good governance and support of ASOSAI in its efforts to promote good governance in the region. Dr. Fiedler, who was represented in Chiang Mai by Mr. Reinhard Rath, noted that INTOSAI has devoted much attention to good governance over the decades. The Lima Declaration of Guidelines on Auditing Precepts, adopted by INTOSAI in 1977, supports accountability and contains the very principles — particularly independence — that enable SAIs to contribute to good governance.



ASOSAI officers from Japan, Indonesia and Thailand preside at the Opening Ceremony of the 8th ASOSAI Assembly and Symposium.

Symposium on Governance

For the first time in its history, ASOSAI used a new format — a symposium — for technical discussions. In introducing this new format, outgoing Secretary General Kaneko said that ASOSAI had decided to replace the traditional international seminar with a one-day symposium as a "more productive and speedy" approach to discussing issues of importance to members. The theme of the role of SAIs in promoting good governance in the public sector was presented and discussed using a keynote address by Dr. Bhokin Bhalakula, Vice-president of the Administrative Court of Thailand; a special report on governance by Mr. Pat Barrett, Auditor General for Australia; and a panel discussion chaired by Mr. Songkram Grachangnetara, Thailand Development Research Institute and featuring Mr. Shoji Mishimoto, Asian Development Bank; Datuk Hadenan bin Abdul Jalil, Auditor General of Malaysia; Mr. Manzur Hussain, Auditor General of Pakistan; and Mr. Pat Barrett.

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A panel discussion featuring expert speakers from regional SAIs and development banks and institutes were an important part of the Symposium on good governance.

Mr. Bhalakul began his keynote address by identifying a number of definitions of governance one developed by UNDP: “Governance is the exercise of political, economic and administrative authority in the management of a country’s affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences.” Mr. Bhalakula then expanded the definition by presenting five essential characteristics of good governance in the public sector: rule of law; transparency; participation; accountability; and, effectiveness and efficiency.

To illustrate how institutions are central to implementing and sustaining good governance, he cited Thailand’s State Audit Commission and Administrative Courts. Mr. Bhalakula concluded his remarks, which are available by contacting the State Audit Commission (see address below), by telling delegates that as they strive to promote good governance back home, to “have the necessary courage and be confident that you are doing the right thing.”

The second part of the symposium was a special report by Mr. Barrett, “Governing Corporately in the Public Sector within a National Governance Framework.” Mr. Barrett’s presentation identified and discussed some important and emerging issues associated with the governance of ASOSAI member countries including the management and operation of government agencies and businesses at a time of significant transformation of the public sector and delivery of public services. His comprehensive report addressed three specific areas: governance in the broad sense and the place of the SAI as an essential element of good governance; corporate governance, including identification of major components and developments of relevance to SAIs; and, implications of corporate governance for the performance of SAIs.

Mr. Barrett emphasized that the success of SAIs derives largely from three equally valuable sources: independence, knowledge of the public sector, and people. External factors

can sometimes impact on SAIs’ ability to enhance and maintain these core assets, and a particular challenge continues to be recruiting, retaining, and motivating our staff in a more competitive market place.

“In managing ourselves,” Mr. Barrett, “we are continually looking to the future, in particular, the medium to long-term public sector reform issues and other challenges that face auditing and SAIs in developing suitable strategies to successfully deal with those issues and challenges. A major challenge is to create and maintain a breadth and depth of public sector knowledge and skills, complemented by outside expertise and information systems, which will be capable of delivering the required outputs and outcomes efficiently, effectively and ethically. This will largely depend on SAI management providing an environment conducive to that result, including the professionalism and commitment of our staff and a positive relationship with our stakeholders. Such an environment is central to an SAI’s corporate governance framework with its primary focus on leadership and results.”

He concluded by encouraging member SAIs to “lead by example to help demonstrate sound corporate governance frameworks aimed at contributing to and enhancing our overall national governance arrangements for the common good of not only the citizens of our particular countries by also of those of our Asian region.” Mr. Barrett’s many speeches and papers on the subject of governance can be found on the Internet at www.anao.gov.au.

The panel discussion that concluded the symposium brought the wide and rich experiences of the panelists to bear on the subject of governance, with delegates hearing experts with expertise in public administration, economics, banking, strategic planning, budgeting, taxation and auditing. It was clear from the panel discussion and question and answer period that, as reforms in the business of government are put in place, the concepts of good governance will need to be re-examined and changed. This is particularly true with respect to privatization and the participation of the private sector in the delivery of certain public services. It was noted that the SAI’s mandate as an independent external auditor is essential to safeguard public interest, and will continue to fulfill a major role in promoting good governance.

IDI Report

Auditor General of Norway and President of the INTOSAI Development Initiative (IDI) Bjarne Mork-Eidem reported to the Assembly on recent changes and new directions for IDI. With the transfer of the IDI Secretariat from Canada to Norway on January 1, 2001, there has been much activity in both countries. As the IDI Secretariat completed its last year of operations in Canada, things were put in place for a smooth transition of roles and responsibilities to Norway. The new IDI Secretariat in Norway was established in August 1999, and two Canadian IDI staff members will continue to work for the IDI Secretariat in Norway for a couple of years. This will contribute to continuity of operations and further transfer of competence and experiences.

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The Assembly offered many opportunities for informal discussions among ASOSAI colleagues; pictured here from left to right are the Auditors General of Thailand, Malaysia, and Indonesia.

The 1999 Annual Report of the INTOSAI Development Initiative was distributed to all member SAIs of ASOSAI in August 2000, and it highlights the Long Term Regional Training Program (LTRTP) in ASOSAI which was launched in 1997 and completed in July 2000. The aim of the program was to establish a sustainable audit training infrastructure in the region, and 27 participants successfully completed the Course Design and Development Workshop and the Instructional Techniques Workshop and were awarded the IDI diploma for Training Specialists. This specialist pool forms the core of the new ASOSAI training infrastructure.

This new training infrastructure has since been tested successfully through the design and delivery of four Regional Workshops by the training specialists themselves, and has made a significant impact on training in the region. As of October 2000, all but 1 of 27 training specialists remain in their respective SAIs and are in a position to fully utilize the acquired course design and delivery capability both for ASOSAI and for their respective SAIs.

One of the first challenges for the IDI Secretariat in Norway has been the development of a new strategic plan. The drafting started in late May 1999 in cooperation with IDI/ Canada. Fundamental to the planning is that the LTRTP be completed in all regions and that IDI will gradually change its role. When a regional training infrastructure is in place, and as the regional training capabilities increase, the role and activities of IDI should be adjusted to meet the new situation. A major element of the new strategic plan would therefore be to build further on the results of the LTRTP, taking into consideration the various training needs of the SAIs of the regional working groups.

A key element of the planning was a world-wide survey that was conducted in December 1999. SAIs were invited to rate the importance of five proposed goals, suggest additional goals and objectives, and offer comments on needs, concerns and issues specific to the SAI or the region. A total of 110 SAIs, which is 81 percent, responded to the survey, demonstrating a high degree of support and commitment to the work of IDI. This input has provided an important basis for establishing IDI's new strategic plan and shaping its agenda for the coming years.

The new IDI Strategic Plan for 2001-2006 was approved by the IDI Governing Board, and then endorsed by the INTOSAI Governing Board at its 47th meeting in May 2000. The strategic plan points out five broad goal areas, and the new IDI Secretariat is now in the process of preparing concrete projects to achieve the goals and objectives of the strategic plan. This demands extensive contact with the regional training committees and the regional secretariats in order to really meet the needs of each region and have appropriate coordination of activities. One of the goals of the new strategic plan is to establish and strengthen the network for IDI Training Specialists. Central to this goal will be an International Symposium in Norway in June 2001, which will bring together all the graduates from the LTRTP from all regions. This Symposium will add to the skills and knowledge of the Training Specialists, and will provide an important forum in which needs and priorities can be identified and discussed. Invitations to attend the Symposium were recently sent to the Heads of all SAIs having Training Specialists who graduated from the LTRTP.

For more information about IDI, contact: IDI Secretariat, c/o Riksrevisjonen, Pilestredet 42, N-0032 Oslo 1, Norway.

ASOSAI Business

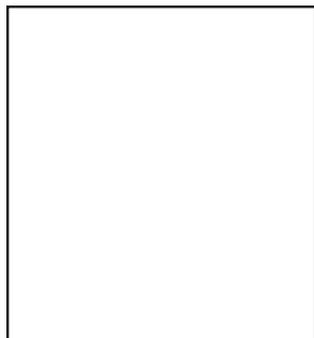
Among the many business items addressed during the Assembly were the presentation and adoption of the Secretary General's annual report, including the budget for 2000-2002, and a comprehensive report of the region's many training activities since the last Assembly in Jakarta. It was also reported that, since the 1997 Assembly, ASOSAI membership has grown from 30 to 35 with the admission of Azerbaijan, Bhutan, Iran, Maldives, and Oman as members. Members accepted the transfer of the ASOSAI General Secretariat from Japan to India, and expressed deep thanks to Japan for hosting the Secretariat. A new Governing Board was elected through open voting, and the new Board consists of Thailand, Indonesia, India, China, Korea, Pakistan, Bangladesh, and Kuwait. In separate voting, Nepal and Turkey were elected to serve as the Audit Committee. The triennial ASOSAI Journal Award was presented to India, and the Assembly endorsed ASOSAI's most recent research publication, "Performance Auditing Guidelines" prepared jointly by a research team from the SAIs of Australia, India, New Zealand and Malaysia. Looking to the future, the Assembly accepted the Philippines' offer to host the next Assembly in 2003.

Delegates were unanimous in expressing their sincere appreciation to Dr. Panya Tantiyavarong, commissioners and staff of the Thai State Audit Commission for their hospitality, organization and commitment to ensuring a successful and enjoyable Assembly and Symposium, as well as a cultural program that provided many opportunities for delegates to develop new friendships and strengthen existing ones.

For more information about the ASOSAI Assembly and Symposium, contact: State Audit Commission, Soi Areesampan, Rama IV Road, Bangkok 10400, Thailand (e-mail: int_rela@oag.go.th), and visit ASOSAI's internet site www.asosai.org. ■

5th Triennial CAROSAI Congress

By Benjamin Ross, U.S. General Accounting Office



“Towards Greater Accountability, Good Governance and the Use of Information Technology in the 21st Century” was the theme of the 5th Triennial Congress of the Caribbean Organization of Supreme Audit Institutions (CAROSAI) which convened in the country of St. Kitts and Nevis, from November 19-25, 2000. The Congress drew

representatives from the following countries: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Bermuda, Cayman Islands, Dominica, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago, and the Turks & Caicos Islands. A number of observers and official representatives were also present, representing INTOSAI, the INTOSAI Development Initiative (IDI), the United Kingdom National Audit Office, the Organization of American States (OAS), the Association of Certified Chartered Accountants (ACCA), and the International Journal of Government Auditing (IJGA). Congress host, Mr. Albert Edwards, Auditor General of St. Kitts & Nevis, took note of the presence of the many international organizations attending the Congress, and stated that their presence “signaled not only the truly international dimension of the CAROSAI Congress, but the commitment to foster and build sustainable relationships with CAROSAI.”

Opening Ceremony

The opening ceremony was held at the Eastern Caribbean Central Bank (ECCB) Auditorium at Bird Rock. The ceremonies included a cultural showcase of music and dance, and remarks by Ms. Jocelyn Thompson, CAROSAI Secretary-General, Mr. Albert Edwards, and Mr. K. Dwight Venner, Governor of the ECCB, who gave the keynote address. In his address and declaration, Prime Minister Dr. Denzil L. Douglas took note of the Congress theme and stated that “there really isn’t any viable alternative for Caribbean countries than to ensure that our public sectors become modernized, responsive, accountable, and that each individual in the public sector, from clerks to ministers of Government, understand that quality service is of vital importance in the performance of duties, and that the people come first.”

CAROSAI was organized in 1988, and the 5th Triennial Congress of CAROSAI celebrated its 12th anniversary.

Approximately 22 nations throughout the Caribbean are represented in CAROSAI. According to Secretary-General, Jocelyn Thompson, twelve years has been “time enough for all Governments to know about CAROSAI and to take a positive supportive stand for us.” Over the years there have been several activities of support, such as the Inter-American Development Bank’s (IDB) funding of training programs and workshops from 1995-1998. However, as Ms. Thompson pointed out, “more support is needed, especially from the governments.”

Congress Program and Theme Discussions

The week long program included three technical sessions and several presentations by experts on various subjects. The topics presented and discussed during the technical sessions were:

1. Theme I— Information Technology and the Audit Process

The lead paper was prepared by the SAI of Trinidad & Tobago, with country papers filed by Bermuda, Cayman Islands, Jamaica, St. Lucia, and Turks & Caicos Islands. There were six sub-themes related to Theme I:

- Automating the Audit Process
- Methods of Auditing Computer Systems
- Applications of Computer Assisted Audit Techniques (CAATS)
- Experiences in the use of Internet Sites related to Auditing
- Developments in IT Auditing
- Reporting on Year 2000 (Y2K) Compliance and Readiness issues

During the discussions of Theme I, several factors were mentioned for consideration as they relate to improving the state of technology in the audit offices. These factors included, the efforts of the audit offices to keep up with the ever-changing world of technology, as well as the cost and benefits associated with technology. Along these lines, the attendees discussed the cost of computer hardware, and pre-start up costs. In addition, there was much discussion about the costs to train the audit staff to be competent in today’s technological environment.

In addition to costs, several benefits were also highlighted. These included the ability to provide in-depth analysis and process data faster. Congress participants commented that SAIs need persons skilled at working with computers as well as with a sound knowledge of accounting principals. Often the SAIs have problems when their governments make changes to their accounting systems, and the SAIs are not informed of the changes. This presents a problem for the SAIs because they cannot conduct the necessary audit when they are not knowledgeable of the government's computerized accounting system. SAIs must learn to work with computers, and not work around computers.

2. Theme II — Institutional Strengthening of the Supreme Audit Institution

The lead paper was prepared by the SAI of Guyana with country papers by Antigua & Barbuda, Barbados, Bermuda, Cayman Islands, Grenada, Jamaica, St. Lucia, and Turks & Caicos Islands. There were nine sub-themes related to Theme II:

- The Legislative Framework
- Audit Mandate and Staffing
- Staff Development through Training
- Funding, Management and Administration of the Audit Office, including fee for service
- Auditing Standards

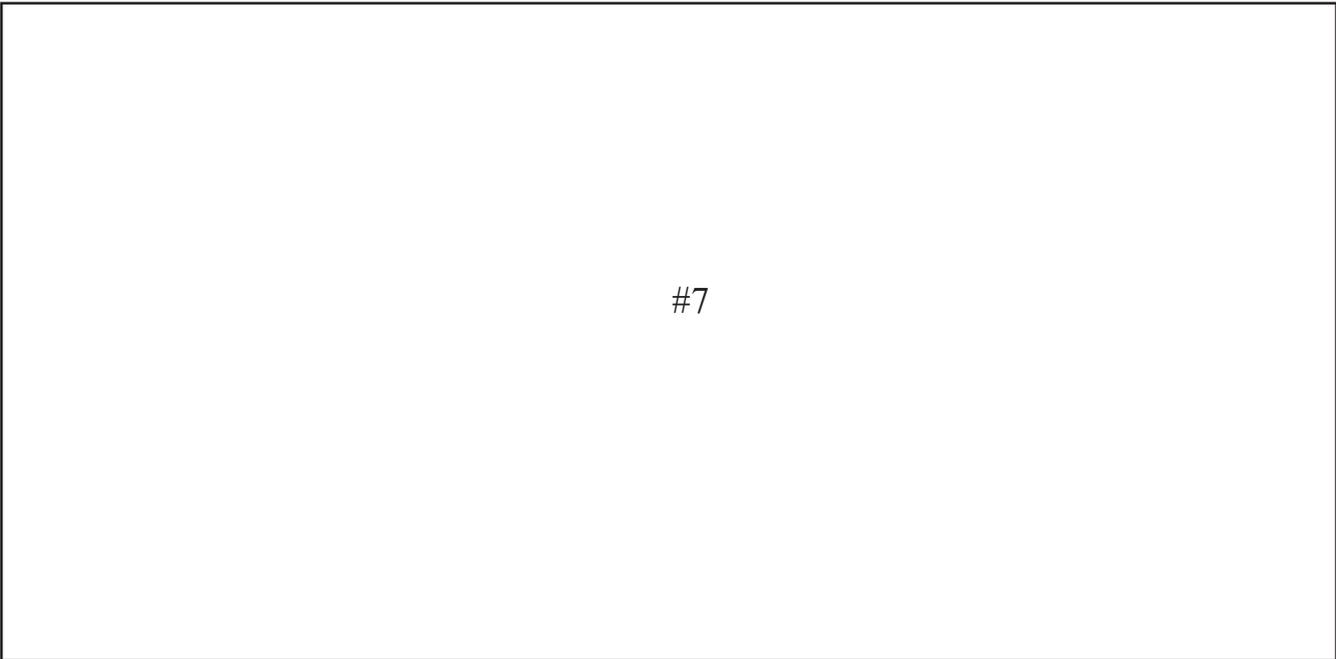
- Use of Analytical Procedures in Auditing
- Computerization as an Audit Tool
- Securing action on Audit Report Recommendations
- Exchange of Information and Resources among SAIs

Of the nine sub-themes mentioned above, three of these dominated the spirited discussion. These were the legislative framework, the audit mandate and staffing and securing action on audit report recommendations. It was generally agreed that SAIs already have in place constitutional or other legislative provisions which seek to give some measure of autonomy to the heads of SAIs. These provisions included the tenure of office, the level of salary, and the ability of SAIs to not be subject to the direction or control of any authority in the exercise of their functions. The areas that were seen as undermining the independence of the SAIs were the inability to appoint and remunerate staff, the lack of access to adequate financial resources, and deficiencies in the legislative mandates which restrict the areas in which the SAIs can investigate.

3. Theme III — The Accrual Basis of Accounting

The lead paper was prepared by Turks & Caicos Islands, with country papers by Bermuda, Cayman Islands, and Trinidad & Tobago. There were three sub-themes related to Theme III:

- Cash-Based vs. Accrual based accounting systems
- Implementation plan for the Public Service
- Transition Procedures and Associated Costs



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Delegates and observers of the 5th Triennial Congress pose for a group photo.

During this afternoon discussion, four models for cash and accrual accounting were presented: cash, modified cash, modified accrual, and accrual basis. Several options were presented for and against the cash versus accrual bases of accounting. The cash basis is simple to apply and easy to understand. It also is objective in its nature and very useful for assessing compliance with cash budgets and monitoring cash resources. However, the cash basis fails to show a complete picture of performance and is often manipulated. On the other hand, the accrual basis offer an opportunity to improve management of assets and liabilities and is helpful when focusing on management by results and resources. However, the accrual basis is more complex to understand and requires a greater level of expertise to implement its principles.

In adopting its Accords, the Congress approved the following recommendations:

- SAIs must have a legal mandate to submit the Auditor General’s Annual report directly to Parliament.
- SAIs should encourage clients to appoint specific persons within their agencies to be responsible for ensuring that recommendations made by the SAI are acted upon.
- SAIs, where possible, should garner media support in bringing to public attention audit findings, conclusions and recommendations for the purposes of increasing public awareness and interest as well as improving public accountability.
- SAIs should take their own steps to be seen to be independent of the Executive, and take steps to have an independent budget and autonomy and flexibility with respect to staff recruitment, remuneration, and other related matters.
- SAIs should ensure that their decision to undertake an audit assignment falls within their legal mandate and does not compromise their independence of professional ethics.
- SAIs should take steps to automate their offices and the audit process to ensure that their offices are operating efficiently, and be able to audit computerized accounts of the government.
- SAIs are advised to ensure that proper security arrangements are in place to protect the integrity of their systems and confidential data.
- SAIs should endeavor to develop in-house Information Technology (IT) expertise, but may consider out-sourcing for more complex IT matters.
- CAROSAI should take immediate steps to establish a website so that society is informed of the work of the SAIs.
- SAIs should encourage the Public Accounts Committee to hold its meetings in public.

- SAIs should encourage their Governments to migrate from the cash based system of accounting to the accrual basis of accounting to remain abreast of global activities.
- CAROSAI would actively pursue the objectives of agreements of cooperation sign with the Organization of American States (OAS) and foster more relationships with other international organizations and audit offices.

Presentations by Observers

Other discussions included presentations by representatives from the INTOSAI Development Initiative (IDI), the United Kingdom National Audit Office (NAO), the Organization of American States (OAS), the Association of Certified Chartered Accountants (ACCA), and the US General Accounting Office (GAO). Ms. Michaela Ott-Spracklin offered greetings from the Secretary-General of INTOSAI. In her remarks, she stated that “INTOSAI has devoted much attention in recent years to good governance.

Already the Lima Declaration of *Guidelines on Auditing Precepts* adopted by the 9th INTOSAI Congress in 1977 contains those very principals, which should enable SAIs to make their contribution to the good governance principle. Most prominently, this contribution includes the call for independent government auditing. It is stated in the Lima Declaration that SAIs can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence.”

Signing of OAS Agreement

One of the special activities that occurred during the CAROSAI Congress was a presentation by Ms. Linda Fealing, Inspector General of the Organization of American States (OAS), which was followed by the signing of the Agreement between CAROSAI and the OAS. In her comments, Ms Fealing stated that auditors and auditing agencies “must not underestimate our role to the governments we serve. We are expected to be objective and report in accordance with our professional standards even though our findings may not always be pleasant to the auditees.”

Technical Assistance and Training Programs

The need for training and technical assistance for CAROSAI was a prominent topic of discussion among all the participants. Three presentation of interest were made by representatives of INTOSAI Development Initiative (IDI) and the US General Accounting Office (GAO). Mr. Richard Gagne, IDI-Canada, gave an update on the IDI Long-term Regional Training Program (LTRTP) for SAIs of the Caribbean Region. In his overview and up-date of the program, Mr. Gagne stated that since the inception of the program, 83 workshops have been conducted, with over 2900 participants representing 155

countries. The need for more training, as well as the need for more people to be trained, was a predominant subject during these discussions. As a result, the idea of satellite or regional programs was presented as an effort to expand training programs to SAIs. The notion of this idea, would be that SAIs would have their governments help fund this initiative, with workshops being sponsored by several SAIs in the same region.

Following Mr. Gagne's presentation, Ms. Kirsten Astrup, Director General in the Office of the Auditor General of Norway and IDI-Norway addressed the Congress. Ms. Astrup stated that the main objective of IDI is to help developing nations to improve their audit capacity by effectively addressing emerging audit issues through training, information sharing, and the provision of technical assistance to the regions of INTOSAI. She informed the Congress that IDI will move from Canada to Norway beginning in January 2001, and that a smooth transition is currently underway. She stated that members of IDI-Norway have already been visiting various regions to introduce themselves and establish contacts, and that they are in the process of exploring several funding sources to finance programs and activities in cooperation with the regions. Ms. Astrup stated that the Strategic Plan for the period 2001-2006 was approved by the IDI Governing Board and cited the following 5 goals of the plan: secure and strengthen the training capacity in INTOSAI regions, establish and/or strengthen the network of training specialists, cooperate with INTOSAI Standing Committees and Working Groups, expand IDI's Information Program, and, explore the potential of Distance Learning Programs.

Benjamin Ross of the US General Accounting Office (GAO) addressed the Congress by offering an overview of GAO and the activities of the International Auditor Fellowship Program. Mr. Ross described the 4 ½ -month Fellowship Program, and indicated that to date, over 300 persons had graduated from the program representing over 80 countries.

CAROSAI Business

During the 5th Triennial Congress, several CAROSAI business activities were conducted. CAROSAI welcomed the SAI of Antigua & Barbuda as a new member of the Executive Council, and elected the SAI of the Bahamas as CAROSAI's auditor. By a unanimous vote, and with obvious admiration

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Mrs. Jocelyn Thompson, Secretary General and Mrs. Linda Fealing, Organization of American States (OAS) conduct the signing agreement between OAS and CAROSAI.

for Ms. Jocelyn Thompson and her staff, the delegates agreed that the General Secretariat should remain in Trinidad & Tobago. The host of the next Triennial Congress is the SAI of Bermuda.

Mr. Anand Goolsarran, Auditor General of Guyana, is the outgoing chairman of CAROSAI. In his remarks, he reflected on the Congress's theme, by saying, "I believe the theme chosen is very relevant to our situation in the Caribbean. Not only does it reflect our motto, Towards Greater Accountability, which as SAIs we strive to achieve on a continuous basis, but it also speaks for good governance. The latter can only be achieved through openness, transparency and greater public accountability. However, the advances in information technology are such that, if advantage is not taken of them, then our efforts to improve accountability and good governance are unlikely to achieve the desired results."

For more information, contact the CAROSAI General Secretariat at the Office of the Auditor General, Eric Williams Financial Complex, Independence Square, P. O. Box – 340, Port-of-Spain, Trinidad and Tobago, Telephone No: 868-627-9675; 625-4255 (DL), Fax No: 868-625-5354; or the CAROSAI Chairman at the Office of the Auditor General of St. Kitts and Nevis, P. O. Box – 19, Basseterre, St. Kitts and Nevis, Telephone No: 869-465-2521 Ext.1051, Fax No: 869-466-8510, E-mail: audioffskn@caribsurf.com. ■

Audit Profile: State Audit and Inspection Committee of Mongolia

By B. Batbayar, Secretary General, State Audit and Inspection Committee of Mongolia

History

The modern history of Mongolia can be divided into two parts: from 1921 to 1990—the period of socialist system with centrally planned economy and ruled by one political party; and from 1990 till now—the period of transition to market economy in a democratic society with multi-party system.

In accordance with the new Constitution of Mongolia adopted in 1992, new institutions of democratic government started to emerge. One of them is the State Audit and Inspection Committee (SAIC), established in 1995 by the Law of Mongolia on State Auditing and Inspection.

However it should be noted that during the previous regime there was a control organization whose history starts from 1922 with the establishment of the Inspection division within the People's Government of Mongolia and ends in 1990 with the abolishment of the Committee on People's Control. In its history the Control Organization of Mongolia changed its mandate, status, scope of functions and name ten times.

Main Functions and Scope of Authority

According to the Law on State Auditing and Inspection, the main functions of the State Audit and Inspection Committee are to audit the collection of the state central budget revenue, allocation and utilization of the budget assets, to audit the exercise of control over the utilization, disposal, maintenance and protection of the state property assets, and to inspect and make appraisal on whether code of ethics of civil servants has been violated by high ranking officials set forth in the Law.

The Law determined the scope of audit authority of the SAIC. The SAIC has the right to audit the State Great Khural (The Parliament), the President, Constitutional Court, Government Cabinet, and their Secretariats, Court and Prosecutor's Secretariat, ministries, Government regulatory and implementing agencies, Central Bank, other organizations financed by central budget as well as accounts of state joint-stock assets. The Chairperson and inspectors entrusted by the Parliament shall audit the expenditure of budget funding for the intelligence agency, armed force and police operational service. The SAIC shall audit government special funds, utilization of foreign aid, including both loans and grants, and results of state budget investment. In short, the SAIC has the right to audit expenditure of state central budget at all related agencies.

The SAIC also conducts an audit of internal control over the utilization, disposal, maintenance and protection of the state property assets in respective agencies.

The SAIC has the right to make an appraisal on the execution of state budget for the previous year, to make a proposal on draft budget for the coming year and recommendations on increasing revenue and efficiency of budget assets, and submit them to the Parliament.

The one specific function of the SAIC, which may differ from that of other SAIs, is to inspect and make appraisal on whether code of ethics of civil servants has been violated by high ranking officials. The list of officials subject to inspection is set forth by the Law and it includes among others such high ranking posts as Cabinet Ministers, heads of Central Bank, Government Administrative Service Council (Civil Service Commission), Government Regulatory and Implementing agencies, State Secretaries (Permanent Secretaries) of the ministries, Governors of provinces, and Ambassadors.

Independence

The SAIC is the Supreme Audit Institution of Mongolia established by the State Law. It is answerable before the Legislature and independent from the Executive. The Parliament shall appoint and remove the Chairperson and members of the SAIC. Their tenure is 6 years. Except few cases the chairperson and members cannot be removed from their duty. In case if he/she asks the Parliament for resignation due to health problem and other respectable reasons, then the Parliament accepts the resignation. In case if he/she failed to perform the duty properly or breached law, then the Parliament removes him/her from the duty.

The SAIC is functionally independent. Usually the SAIC decides which entities and issues to be audited. It also conducts some audits on the request of Parliament and on the information received from citizens and organizations. It has full access to records necessary for auditing and there is no restriction in this regard. The SAIC has a right to approve its organizational structure, rules and regulations on organization of its activities, and to involve experts into the audit work upon the agreement with the expert's organization.

The personnel management system of the SAIC is independent from the Government Administrative Service Council (Civil Service Commission). When recruiting new

employees Government administrative organizations have to select from the candidates who passed the civil service entrance examination and were proposed by the Government Administrative Service Council. However the SAIC can recruit its inspectors on its own.

However, there is a need to ensure the independence of SAIC in terms of funding. Although the Law on State Auditing and Inspection stipulated that the budget of SAIC should be approved by the Parliament, so far this provision has not been implemented properly. It is not secret that at the moment the SAIC does not have sufficient staff and budget necessary to effectively carry out its functions. We realize that the main reason of such situation is economic difficulties of transition period and big budget deficit.

Organization

The SAIC consists of chairperson and eight non-staff members. By rank, the Chairperson of SAIC is equal to Cabinet Minister and he/she attends Parliament sessions as well as Cabinet meetings with advisory right. The Secretary General performs the duty to organize audits and manage the auditing and administrative units under the supervision of the SAIC. At the moment, the SAIC has two audit and inspection departments and they differ from each other by entities and issues to be audited. The administration division is responsible for administrative affairs.

There are 22 local Audit and Inspection Committees (AIC) in the Capital City and 21 aimags (provinces) of Mongolia. The local AIC consists of chairperson and six non-staff members. The Chairperson is appointed and removed by the SAIC, the members by the provincial Citizens Representatives Khural (local Parliament). The AIC has its own staff. The local AICs perform the similar to SAIC's functions but within their provincial territories and mainly focus on local budget money.

The SAIC provides the local AICs with professional and methodological guidance and has a right to request local AICs to conduct audits on behalf of the SAIC.

Types of Work

At the moment, the SAIC mainly conducts traditional financial related audits. The main focus of these audits is to ensure the compliance of budget execution with existing laws and regulations.

Apart from this the SAIC is preparing to introduce methods and techniques of performance audit into its activity. The Draft Law on Public Sector Management and Finance, which is prepared on the basis of New Public Management concept and the New Zealand model of public administration, is currently before the Parliament. In case of its approval, the SAIC would be requested to conduct a certification audit of financial statements of the Government, ministries and agencies. The pilot project to introduce this reform has been started and the SAIC is the one of five pilot agencies.

Reporting

The SAIC reports to the Parliament annually. The report of the SAIC is discussed in the General Session of Parliament after having been discussed in the meetings of Standing Committees on Budget and State Structure. During the year, the SAIC keeps the Parliament informed about the results of individual audits. If necessary the SAIC informs the President, Prime Minister and respective Ministers and other officials about the audit results.

Individual audit reports are discussed in the meeting of SAIC which is usually open for the press. The SAIC issues press release on the audit results and mass media makes it public. Also the SAIC publishes its annual report and quarterly newspaper as an attachment to the one of national daily newspaper.

Local AICs report to their respective Citizens Representatives Khural and informs the SAIC about the results of their activity.

Future challenges

The SAIC is currently facing objectives to further improve its work methods so as to bring them to the level of SAIs of developed countries, to strengthen organizational capacity and to ensure its independence. For this purpose the SAIC deems it necessary to define especially in the Constitution of Mongolia the mandate of SAIC to ensure its legal and financial independence, and to introduce methods and techniques of performance as well as financial statement audits.

For more information, please contact the State Audit and Inspection Committee of Mongolia, Government Building No.4, Baga Toiruu – 6, Ulaanbaatar – 46, Mongolia; Telephone: (976-1) 322071; Facsimile: (976-1) 323266; E-mail: batbayar_b@saic.pmis.gov.mn. ■

Reports in Print

The International Monetary Fund (IMF) has published two new booklets in its series on Economic Issues. Written by Andrew Berg and Catherine Pattillo, *The Challenge of Predicting Economic Crises*, presents issues related to predicting economic crises (such as the 1994 Mexican crisis, and the Asian crisis of 1997) through early warning systems. Research by a number of institutions, including the IMF and the U.S. Federal Reserve, show that some models are useful in predicting economic crises, but more work needs to be done to better understand their causes. The second booklet, written by Thomas Wolf and Emine Gurgen, is entitled *Improving Governance and Fighting Corruption in the Baltic and CIS Countries*. This publication examines how the 15 independent states that emerged from the dissolution of the former Soviet Union began their transformation into market-based economies and reviews the connections between governance and corruption and the high economic costs corruption exacts. It also highlights IMF work with the Baltic and CIS countries to achieve macroeconomic stability and pursue critical structural reforms.

Also from the IMF is the new book called *AFRICA: Adjusting to the Challenges of Globalization*, edited by Laura Wallace. Pointing out that sub-Saharan Africa needs much faster economic growth and more effective economic, financial, and social policies if it is to make up for lost ground and reduce the number of people living in poverty, the publication presents the proceedings of a May 1998 seminar organized to discuss ways to accelerate Africa's growth in our increasingly globalized world. IMF publications are available from **IMF Publications Services, 700 19th Street, NW, Washington, DC 20431, USA (tel++202-623-7430; fax++202-623-7201) E-mail: publications@imf.org.**

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Internal control guidance is a subject that has attracted a great deal of interest in recent years and, *Journal* readers may be interested in obtaining the new book by Steven J. Root, *Beyond COSO-Internal Control to Enhance Corporate Governance*. *Beyond COSO* unravels the complexities of the COSO Report while providing clear-cut guidelines on how to implement various internal controls. It builds on the COSO framework to provide a rigorous system that can be used to transform the internal control function into a valuable strategic tool for leveraging corporate strengths and improving performance. **Published in English by John Wiley & Sons, 605 Third Avenue, New York, New York 10158, USA. (tel++212-850-6336). \$34.95.**

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Copies are now available of the proceedings from the first Euro-American Conference of Supreme Audit Institutions (SAIs) held in Madrid on February 17th and 18th, 2000 with representatives from EUROSAI and OLACEFS. The conference served as a study forum for the exchange of knowledge and experiences on the subject of integration and globalization. Three primary themes were discussed: (1) The SAI in the Processes of Integration and Globalization; (2) Experience of Co-Operation by the SAIs in the Present Processes of Integration in the Scope of EUROSAI and the OLACEFS, and (3) Perspectives for the Future in Auditing and Co-operation Between the SAIs in the Scope of EUROSAI and the OLACEFS. The conference was held under the auspices of the Spanish Supreme Audit Institution. For a copy of the proceedings (in English and Spanish) write to the **Spanish Court of Audit, Presidente del Tribunal de Cuentas de Espana, Fuencarral 81, Madrid, Spain 28004 (tel++011-34-1-445-8112; fax++011-34-1-446-7600).**

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Preventing corruption continues to be a major concern for audit offices around the world. *Corrupt Cities, a Practical Guide to Cure and Prevention* offers examples of anti-corruption strategies, and offers suggestions concerning implementation in difficult settings that may be characterized by political indifference, bureaucratic inertia, and citizen support not yet mobilized. Using two examples, Hong Kong — 1970 and La Paz — 1980, the book draws on both theoretical and practical contributions to preventing corruption. To obtain a copy in English, contact **ICS Press Institute for Contemporary Studies, P. O. Box 578 Jim Thorpe, PA 18229 (tel++1-800-326-0263 or fax++510-238-8440).**

Fighting Corruption in Developing Countries and Emerging Economies: The Role of the *Private Sector* was the theme of a Washington Conference on Corruption held in Washington, DC. The objectives of the conference were to (a) understand the widespread problem of corruption in developing countries, (b) highlight the experiences of businesses that are active against corruption, (c) disseminate information to organizations, agencies, and business to assist them in their actions against corruption, (d) lay the groundwork for successful partnerships, and (e) identify steps to help curb corruption in developing countries and emerging economies. For a copy of the final report, contact **INTERCOM-Washington Conference Organizers, 1101 30th Street, NW, suite 500, Washington, DC 20007 (tel++202-887-1887 and fax++202-887-1888.) ■**

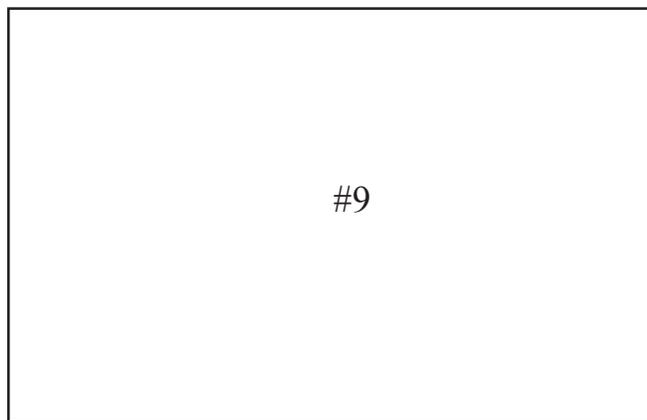
Inside INTOSAI

The IDI Secretariat moves from Canada to Norway

January 1, 2001, was a remarkable day in the history of INTOSAI Development Initiative (IDI). After 15 years of operations from Canada the IDI Secretariat was transferred to Norway. At the XVI INCOSAI in 1998, the General Assembly of INTOSAI entrusted the SAI of Norway to take over the responsibility of the IDI Secretariat from the beginning of 2001.

The Norwegian preparations to assume this new role included mainly participation in and familiarization with the programs and activities of IDI, and the establishment of a new IDI organisation in Norway.

The Norwegian SAI established the IDI Foundation in 1999 as a separate legal entity according to the laws of Norway. The Auditor General of Norway is Chairman of the IDI foundation, and the Auditors General of Canada, the Netherlands and United Kingdom are members of the Board. So are three senior staff members from the Office of the Auditor general of Norway. The Secretary general of INTOSAI is observer at Board meetings.



The staff of the new IDI Secretariat in Norway per September 2000. From left: Ms. Fida Geagea (Canada), Mr. Ulf Christiansen, Ms. Nina Ostlund, Ms. Marit Berge, Ms. Else-Karin Kristensen (Deputy Director General), Mr. Magnus Borge (Director General), Mr. Richard Gagné (Canada).

The new IDI Secretariat in Norway started on a small scale in 1999 and has gradually grown during the last year. By January 1, 2001 it comprises a staff of eight members. Two of them have been working with IDI in Canada, and will continue to work with the new IDI Secretariat in Norway for a period of two years. That will contribute to the smooth transfer of

responsibilities, and it will bring valuable knowledge and experience to the new Secretariat. During 2001 more staff members will be recruited, mainly to take care of program activities.

During 1999 and 2000 Norwegian representatives have participated as observers in IDI training activities, especially workshops of the Long Term Regional Training Programme (LTRTP) and meetings of the training committees of INTOSAI regional working groups. The high professional level of the Canadian IDI Secretariat, as organizer of training activities and facilitator of meetings, has been demonstrated. The new IDI staff has learned a lot, and it will definitely be a challenge for the new Secretariat to live up to the high standards that are set.

The development of a new strategic plan was an important activity for the new IDI Secretariat in 2000. The IDI Strategic Plan 2001-2006 was approved by the IDI Foundation Board in March 2000, and endorsed by the INTOSAI Governing Board at its 47th Meeting in Seoul, Korea, May 23-25, 2000. The plan is aiming at consolidating the results of the LTRTP, which has been implemented in most regions of INTOSAI. This includes providing continued support to the various regional training committees and the 150 or so IDI-certified training specialists who are positioned to provide local and regional training courses to member SAIs.

The plan also calls for considerable expansion of IDI's information exchange program and for the exploration of ways and means to expand training and other capacity-building activities in cooperation with INTOSAI standing committees and working groups. The operationalization of the plan started in 2000, through consultations with INTOSAI regional working groups and by exploring various funding sources for the program activities.

A new development during the last year has been the growth of a more extensive cooperation between EUROSAI and IDI. Under the current French EUROSAI chairmanship new contacts are established, and it is decided to start preparations for the delivery of the LTRTP to SAIs of Central, Eastern and South-Eastern European countries. To this end a Strategic Planning Workshop was held in Oslo, Norway on December 11-13, 2000 with representatives from 19 SAIs and other institutions.

For more information, contact: Office of the Auditor General, Riksrevisjonen, Pilestredet 42, Postboks 8130 Dep, 0032 Oslo, Norway, telephone: 47 (2) 224 10 00, fax: 47 (2) 224 10 01, e-mail: riksrevisjonen@riksrevisjonen.no.

Munoz Appointed President of Madrid Audit Office

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Mr. Ramon Munoz Alvarez has been appointed to be the first President of the newly established Regional Audit Office for Madrid. Mr. Munoz is well-known in the INTOSAI community, having been an active member of that organization for many years. His leadership in INTOSAI goes back to 1974 when Spain hosted the VIII International

Congress of Supreme Audit Institutions, and continued through service on a variety of INTOSAI projects such as the task force that revised the organization's Statutes in 1992.

Prior to his appointment as President of the Regional Audit Office for Madrid, Mr. Munoz capped a distinguished career with the Court of Audit of Spain by serving nine years as a member of the Court as Director for Community and Regional Affairs.

The Journal joins Mr. Munoz' many colleagues around that world in wishing him every success in his new position. Mr. Munoz can be reached in his new office: Camara de Cuentas de la Comunidad de Madrid, Avda. de los Madronas 29, 28043-Madrid, Spain, telephone: 34-91-759-9767, fax: 34-91-721-8837.

Mr. Ramon Munoz Alvarez

New ASOSAI Secretariat—India

At the 8th ASOSAI Assembly held in Thailand in October 2000, the Office of the Comptroller and Auditor General of India took over the secretariat of ASOSAI from the Board of Audit of Japan, which served as secretariat for nine years since 1991.

The contact address of the new ASOSAI Secretariat—India is as follows: Office of Comptroller and Auditor General of India, 10 Bahadur Shah Zafar Marg, New Delhi, 100002, India, Telephone: 91-11-323-1613, fax: 91-11-323-5446, e-mail: asosai@cag.delhi.nic.in, internet: www.asosai.org.

2001 Calendar of INTOSAI Events

January

April

ARABOSAI Congress
Morocco
April 24-27

July

October

XVII INCOSAI
Seoul, Korea
October 22-27

February

Seminar—Use of IT in Auditing
Golawice, Poland
February 20-21

May

3rd IT Performance Audit Seminar
Slovenia
(date to be announced)

Environmental Auditing Seminar
Oslo, Norway
May 14-16

EUROSAI Madeira Conference
Madeira, Portugal
May 31-June 1

August

November

March

XXIII EUROSAI Governing Board Meeting
Slovenia
March 29-30

June

IDI Training Specialist Symposium
Oslo, Norway
June 4-9

September

AFROSAI Board of Directors Meeting
Libya
(date to be announced)

OLACEFS Congress
Panama
(date to be announced)

December

Editor's Note: This calendar is published in support of INTOSAI's communications strategy and as a way of helping INTOSAI members plan and coordinate schedules. Included in this regular Journal feature will be INTOSAI-wide events and region-wide events such as congresses, general assemblies, and Board meetings. Because of limited space, the many training courses and other professional meetings offered by the regions cannot be included. For additional information, contact the Secretary General of each regional working group.

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