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BEFORE THE II SEMINAR OF THE  
SENIOR GOVERNMENT AUDITING AGENCIES

MAY 13 - 16, 1980

MEXICO CITY, D.F.

AUDITING IN THE AMERICAS:  
WHAT THE FUTURE HOLDS

I am pleased to participate in the Second Seminar of the Senior Government Auditing Agencies, and commend you for your efforts to enhance Government accountability by improving the mechanisms used to control and audit Government revenue and expenditures. Just as there are many ways to do this, there are many approaches to be taken in a speech addressing this topic. I have chosen a theme which pervades most of the Seminar's objectives--the need for better professional development opportunities for accountants and auditors in developing countries. More specifically, I would like to discuss the urgent need for the more developed countries and international organizations to share their financial management knowledge, skills, and resources with less developed nations of the world.

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While this subject has been a popular one for several years, not nearly enough effective communication is taking place. When information is shared, it is often limited to formal classroom training. The U.S. General Accounting Office (GAO) has conducted two recent studies on the training provided to nationals of countries receiving U.S. development assistance. The first study concentrated on five Latin American countries and the second focused on several Asian and African nations. The results were remarkably similar.

- First, there is a serious shortage of trained accountants and financial managers in governments of countries that were studied. While this is caused primarily by lack of adequate training, other factors such as the low stature given to the accounting profession, low salaries and other personnel problems in civil service systems, and the low priority given to upgrading the financial infrastructure are major problems.
- Second, the so-called "brain drain" causes an incredibly high turnover of trainees in most projects. Often, as soon as auditors receive additional training or education, they are offered better positions in the private sector or, perhaps, in another country.
- Third, there is a reluctance of major donors-- international organizations and the developed

nations--to mount a full-scale effort to provide the resources necessary to improve financial management in the absence of evidence that the governments themselves are prepared and willing to make the necessary reforms.

With respect to the developing countries, our observation is that the resources devoted to training in the field of financial management are not being most effectively used. Substantial resources were used to provide training in accounting and auditing that was not very useful. For example, training in advanced auditing techniques involving ADP equipment is not of great value in a country where an accounting system is still dependent on journals and ledgers.

In many parts of the world, training in general financial management and auditing has been a neglected area of education. For years, accounting and auditing positions in many governments have been staffed primarily by high school or technical graduates. Curricula and textbooks are woefully out of date. What is being taught in the field is often not applicable to the public sector. In most cases, career or job-oriented training generally appear to be more effective than the courses offered by universities.

The training of government financial managers may be the greatest challenge that we face today. Audit standards can be adopted but if no audit capability exists, standards are meaningless. For many countries, the standards of

training and professionalism which are adopted by supreme audit institutions also become the yardstick for subnational audit institutions, internal government auditors, and private accounting firms.

Although it is equally important, one area we, as auditors, sometimes do not deal with is the need to improve the entire financial management process. Well-trained auditors cannot work without a good set of records to audit. For example, I recently spoke to someone in an African nation who said its government auditors found that local governments they were to audit did not have books that were auditable. In such cases, the national auditor must help the local auditor set up the books before they can be audited-- not a good example of objectivity. Although I am certain that both auditors did everything honestly, the potential for fraud is certainly heightened. We have been fortunate in the United States in that Accounting Standards published by the General Accounting Office and the American Institute of Certified Public Accountants have been adopted by other levels of Government. Our nationwide network of inter-governmental audit forums (composed of Federal, State, and local auditors) also promote formal and informal exchange of information.

Given the obvious financial management needs in less developed countries, the question becomes: How do we mount

a coordinated effort to address the problem? I see four major ways to approach this. First and foremost is a need for a government's executive and legislative branches to recognize the importance of upgrading financial management capabilities. This recognition must be accompanied by a willingness to devote necessary resources to these efforts. Secondly, in addition to supporting national efforts, individual countries need to support regional organizations in their efforts to provide training and serve as a focal point for sharing information and experiences. Third, developed nations which are able to provide direct assistance should make every effort to provide it in the areas in which it is most needed, rather than predetermining the type of assistance or delivery mechanism. And fourth, international organizations should recognize the importance of strengthening financial management capabilities, and design assistance programs to meet these needs.

In discussing the need for efforts within each country, I do not need to remind this audience that this entails commitments at many levels. At the very top, chief executives and legislative leaders must make it clear that they truly want independent auditors to fully examine the accounts and operations of government and government-funded organizations. They must support auditors in these efforts, even to the extent, for example, of taking

appropriate actions when government funds are misspent. Another way to demonstrate full support is to try to upgrade the status of auditors and their organizations. A key to this is to adequately staff audit organizations and pay auditors salaries which are close to those offered in the private sector. Mexico obviously recognized this in passing recent legislation strengthening audit responsibilities.

These individual government commitments broaden when we discuss regional organizations. Financial support for groups such as the Latin American Institute of Auditing Sciences (ILACIF) is essential. These efforts to unselfishly share experiences with one another through regional bodies are essential.

ILACIF was the first of the regional audit organizations to begin regional training efforts. These efforts are commendable in and of themselves, and yet I find it equally laudable that as Dr. Hidalgo emphasized in the 1976-78 report, "training is not the objective of ILACIF, it is a way to achieve the objective of performing professional audits in Latin America." I think everyone in this room recognizes ILACIF's achievements, while simultaneously acknowledging there are ways to make it more effective. Not the least of these might be establishing a permanent secretariat, which would avoid the inevitable "start-up time" when ILACIF changes countries every 3 years.

I am certain you have heard the expression that imitation is the highest form of flattery. ILACIF can indeed feel complimented at the formation of other regional organizations such as the Asian Organization of Supreme Audit Institutions (ASOSAI), the African Organization of Supreme Audit Institutions (AFROSAI), and the Organizations of Supreme Audit Institutions of the Arab States and the South Pacific Countries. ASOSAI has been particularly effective. It holds regular seminars, many of which are in a workshop format to permit very practical learning and information exchanges. ASOSAI's work has been strongly endorsed by the Philippines' Acting Chairman of Audit, Mr. Francisco Tantuico, and the German Foundation for International Development. Together, the Philippines Audit Office and the German Foundation have sponsored seminars. ASOSAI's efforts are reinforced by the willingness of Acting Secretary General Tantuico to allow its members to use the Philippines' audit training facility, the State Accounting and Auditing Center.

It is difficult to separately discuss the efforts of the larger developed countries and the international organizations. I say this for several reasons. They provide similar assistance and, not unexpectedly, there are similar problems with some of this aid. For instance, financial management assistance programs may not fully consider

the recipient's needs but, instead, may be geared to those areas the donor country or organization believes are most appropriate. Donors need to realize that their knowledge or technology cannot be directly transferred to less developed countries. It must be adapted to meet the needs of the recipient. As if these problems were not sufficient, the assistance may conflict with other programs of the donor country or organization. As you know, these problems are not limited to financial management assistance.

I would like to highlight some positive indications which have been appearing in the last year or two. One is the United Nations Economic and Social Council's July 1979 resolution recognizing the important role of public accounting and auditing in effectively managing national development programs and in international cooperation in general. As you know, the resolution requested that the U.N. Secretary General convene a workshop on accounting principles and auditing techniques, and asked that the United Nations Development Program and other U.N. organizations sponsor some technical cooperation projects in public accounting and auditing.

The Fifth Meeting of Experts on the U.N.'s Program in Public Administration and Finance, held in New York last January, strongly recognized and endorsed the role of accounting and auditing in improving overall financial management and promoting national economic and social

development. In early April, the Report of the Secretary General on the major recommendations of the meeting was presented to the U.N. Economic and Social Council. I was pleased to see that this Report clearly noted the need for a new international development strategy to train people to improve financial management and to make finance systems more responsive to the growing demands of development. The experts felt so strongly about the need to improve financial management that the Report recommended the establishment of an International Center for Accounting and Auditing for Development.

I have been a strong advocate of the need for international organizations to devote more of their resources to attaining an effective capability to provide training in accounting, auditing, budgeting, and program review and evaluation. I urge all of you to solicit the support of your governments in the international organizations in which they are members for programs and projects of such organizations toward this objective.

Many of you are also familiar with programs, sponsored by the United States General Accounting Office and the Canadian Comprehensive Auditing Foundation, designed to provide training to auditors in developing nations.

The General Accounting Office program is a Fellowship Program which permits auditors from developing nations to devote up to 6 months with us learning how our Organization

does its work. The Program provides a combination of classroom training and practical experience. The participants learn about the techniques we use in our auditing and evaluation work, and how the General Accounting Office evolved from an Organization which did primarily voucher examinations and financial auditing to one which is concerned more with oversight of financial management and the effectiveness of Government programs. The Program also offers information on GAO's internal administration. We found that the 1979 participants' interest in how the General Accounting Office organized to do its work was almost as great as their interest in the work itself. Based on the information received from the 14 auditors selected to participate in the 1980 Program which commences in early June, we believe their interests are similar.

The Canadian Comprehensive Auditing Foundation will also offer fellowships to auditors from developing nations. In addition, it will sponsor a technical assistance program through which auditors from Canada's public and private sectors would visit developing countries to provide "on-the-job" advice and assistance. The Foundation was formally incorporated earlier this year, and is actively working to organize its programs.

Because of the geographic proximity of Canada and the United States, I am more aware of the Canadian programs than those sponsored by some other countries. However, I know

other have also done so, such as the Office of the Auditor General of Australia, which has sponsored auditor exchange programs, and the Philippines, which has established a Center for Government Accounting and Auditing.

I need not, of course, spend much time describing INTOSAI or its work. It pleases me to see it taking a more active role in promoting and conducting training for auditors throughout the world. INTOSAI's publication, The International Journal of Government Auditing is published jointly by Canada, the United States, and Venezuela. Its availability in English, French, and Spanish makes it possible for the Journal, which tries to emphasize sharing practical information, to reach a wide audience.

A newer group is the International Consortium on Governmental Financial Management. Its organizational meeting in 1977 was attended by representatives of organizations from many Latin American countries, the United States, England, Canada, and the Philippines. Although it got off to a slow start, it has formally incorporated in Washington, D.C., and has just published its first newsletter. Its first project will be to compile a listing of world organizations which do work or sponsor training in the financial management arena. The Consortium's objectives are broad enough to undertake many types of activities, including training,

information dissemination, and research. It is perhaps in the potential role of a "clearinghouse" that the Consortium could offer its greatest service to financial managers. Sometimes I believe half our problems would be solved if we could just catalog the wealth of information and training material scattered throughout the world.

I do not believe, however, that we can wait for other organizations to begin to compile this information or attempt to coordinate the various efforts designed to enhance the role of financial management in government and the professional development of those who work in this arena. INTOSAI obviously has a role to play here, but I think we recognize that these efforts must take place at different levels.

I call your attention to the proposal of Sr. Montoya, of Peru, which advocates a strong Interamerican Organization. As many of you are aware, Sr. Montoya would like the VI CLADEFS to consider establishing an organization which would include all American auditing organizations. He envisions an Interamerican regional organization with four basic components: a Congress, a Governing Board, a Secretariat General, and ILACIF. It would foster a continuing bond among the audit organizations, help realize CLADEF resolutions, and coordinate technical training programs and information dissemination.

I believe there is a great deal of merit in Sr. Montoya's proposal. At the same time, I recognize that to successfully share information and experiences through such an organization, North, South, and Central American countries will have to overcome language barriers. Since most of the members would speak Spanish, I guess that means more General Accounting Office staff will have to do! Actually, while I say that somewhat lightly, it is the type of thing we need to recognize and deal with; many times a sound concept does not translate to a successful action or program because the participants downplay difficulties rather than deal with them directly.

Thus, I would like to encourage the Mexican Government to place heavy emphasis on enhancing not only their staff's financial management and auditing skills, but also the climate in which their work is done. Skilled auditors can only be effective if those they audit can clearly see the government strongly supports good financial management.

However, this is not something which can, or should, be done in a vacuum. By working through existing regional organizations, I am sure you can share your knowledge and experiences with other countries and reap the benefits of the efforts of others. At the same time, I pledge the support of the U.S. General Accounting Office, recognizing its resource limitations, to assist Mexico and other

American countries enhance their audit operations. True inter-continental efforts will make "auditing in the Americas" a cooperative and successful venture.

Thank you.

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Speeches 1