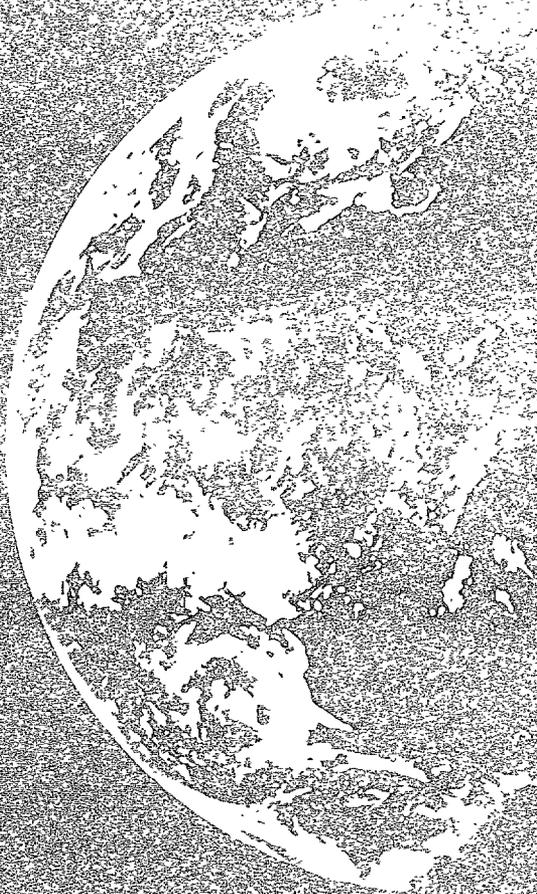
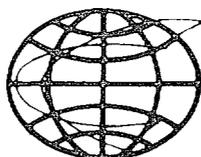


# International Journal of Government Auditing

QUARTERLY • JULY, 1989



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The International Journal of Government Auditing is published quarterly (January, April, July, October) in Arabic, English, French, German, and Spanish editions on behalf of INTOSAI (International Organization of Supreme Audit Institutions). The Journal—which is the official organ of INTOSAI—is dedicated to the advancement of government auditing procedures and techniques. Opinions and beliefs expressed are those of editors or individual contributors and do not necessarily reflect the views or policies of the Organization.

The editors invite submissions of articles, special reports and news items which should be sent to the editorial offices—care U.S. General Accounting Office, Room 7806, 441 G Street, N.W., Washington, D.C. 20548, U.S.A. Phone—202-275-4707.

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

The Journal is distributed to the heads of all Supreme Audit Institutions throughout the world who participate in the work of INTOSAI. Others may subscribe for US \$5.00 per year. Checks and correspondence for all editions should be mailed to the Journal's administration office—P.O. Box 50009, Washington, D.C. 20004, U.S.A.

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# Mutual Experience Benefits All

## INTOSAI Motto at Work



INTOSAI's motto, "Mutual Experience Benefits All" is one that truly describes INTOSAI's value to its members, and this is never more evident than at INTOSAI's triennial Congresses. The XIII Congress in Berlin (June 1989) demonstrated this motto in action, with over 300 delegates participating in the discussions, work groups and committees that give INTOSAI its vitality. "One picture is worth a thousand words", and so this edition of the Journal, which is dedicated to the XIII Congress, begins with a pictorial editorial that shows some of the highlights and successes in Berlin.



Delegates gather in the main conference hall at Berlin's International Congress Center for plenary sessions. Delegates from over 120 member nations, as well as international organizations, participated in the Congress (see page 7 for a summary of the technical theme discussions).



The presentation and adoption of INTOSAI's Auditing Standards was one of the major accomplishments in Berlin. The Standards, presented here by Mr. Omar A. Fakieh, Saudi Arabia, Chairman of INTOSAI's Auditing Standards Committee, represent a five-year effort by over ten member nations (see page 15 for more information about INTOSAI's standards committees). To Mr. Fakieh's left is Dr. Khalil A. Dahlawi, Saudi Arabia.



Much of the work of an INTOSAI Congress takes place in small working groups. Pictured here are Theme officers summarizing the discussions of Theme II (Audit of Public Debt): from left to right, Mrs. Adesina Onike Caulker, Sierra Leone (discussion group rapporteur); Mr. Ramon Munoz Rivera and Mr. Andres Suarez Suarez, Spain (sub-theme rapporteurs); Mr. Miguel Rico Ramirez, Mexico (sub-theme chairman); and Mr. Jose Luis Devoto, Argentina (discussion group moderator).



INTOSAI's work is not confined to the formal sessions, as this picture illustrates. Delegates from Pakistan and China took the opportunity of their meeting in Berlin to negotiate and finalize an agreement for a China-Pakistan seminar on Audit Planning and Certification Audit to be held in Beijing in October 1989. In this picture, Mr. Riyaz H. Bokhari, Pakistan (second from right), elaborates on a point with Mrs. Li Zheng, China (third from left).

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# News in Brief

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## Antigua and Barbuda

### New Director of Audit

Mr. Ronald I. E. Michael, after a long and distinguished Civil Service career, retired as Director of Audit on September 11, 1988. He held the post of Director of Audit since 1971 and during his tenure of office made an outstanding contribution to the Audit Establishment.

Mr. Stachel Edwards succeeds Mr. Michael as the new Director of Audit. Mr. Edwards has over thirty years of civil service experience and has held a variety of administrative positions. He was Deputy Director of Audit from 1978 to 1983, and subsequently held the post of Director of Prices and Consumer Affairs until his appointment as Director of Audit on September 12, 1988.

## Australia

### Report of the Australian Audit Office

The Parliamentary Joint Committee of Public Accounts reported on its inquiry into whether the Office had kept pace with developments in public sector audit overseas and whether current arrangements guaranteed the independence and resources needed to fulfill the role of the Office.

The report, entitled 'The Auditor-General: Ally of the People and Parliament', found the Office to be fundamental to maintenance of accountability of government officials and instrumentalities to Parliament and through Parliament to the people. The report noted a weakening in this area through changes which had granted some organizations the right to appoint an auditor other than the Auditor-General. The report recommended reinstatement of the Auditor-General as auditor of all government instrumentalities.

The report recommended that the Auditor-General become an officer of the Parliament and that an Audit Committee of the Parliament be established to become Parliament's principal source of advice on the Audit Office's resources. The effect would be to reduce the Executive Government's influence over audit

of public accounts and strengthen the Office by a closer relationship between the Auditor-General and the Parliament.

On resources, the Committee recommended an additional \$15 million (Australian) and that salary differentials with the private sector were so substantial as to put at risk the maintenance of a strong audit capacity. The report recommended the Office be established as a statutory authority with the power to determine the condition of staff employment.

Other major recommendations were that:

- e The Audit Act be replaced by legislation separating audit matters and financial administration matters; and,
- e The Auditor-General publish conditions for the engagement of private sector auditors under contract to the Auditor-General; one of those conditions should preclude a private audit firm offering any services other than auditing services to the auditee during the life of the audit contract.

## Fiji

### New Auditor General

Mr. Ramesh C. Dutt was appointed Auditor General of Fiji in August 1988, succeeding Mr. Rupendra Narain, who retired in October 1987. The Constitution, which provides for the office, functions and independence of the Auditor General, was revoked in May 1987, but the Office of the Auditor General has been reaffirmed by government decrees.

The Auditor General's office hosted the SPASAI/IDI Seminar on Human Resource Management in April 1989 (see Inside INTOSAI, "IDI Up-date" for details and photo). The seminar was opened by the Minister of Finance, Mr. Joseveta Kamikamica, CBE, who emphasized that although there has not been a parliament in Fiji since the May 1987 military coup, the present civilian government continues to maintain standards of public accountability. Mr. Kamikamica referred to the restoration of parliamentary democracy, and further reaffirmed the continued independence of the Office of the Auditor General.

## Japan

### New President of Board

Mr. Kiyoshi Nakamura, Commissioner of the Board of Audit of Japan, was appointed the President of the Board on April 11, 1989, succeeding Mr. Keiichi Tsuji who had recently retired from the Presidency.



Mr. Kiyoshi Nakamura

Mr. Nakamura joined the Board in 1953 after graduation from Tokyo University. He subsequently held the offices of Director of Several Audit Divisions, Director General, and Secretary General of the Board. In 1985, he was appointed a Commissioner of the Board.

In relation to the retirement of Mr. Tsuji, Mr. Shinji Yazaki was appointed as a Commissioner of the Board on April 10, 1989. Before joining the Board, he held the office of Vice Minister of the Defense Agency from 1985 to 1987, and the office of Executive Vice President of Japan National Oil Corporation.

## Kiribati

### New Director of Audit

Mr. Beniamina Tinga was appointed Director of Audit of Kiribati on January 3, 1989, succeeding Mr. Teiaramako Teoiaki, who retired in 1988 due to ill health.

Mr. Tinga has had a long and distinguished career in the Kiribati Public Service beginning with the Treasury in 1956 through his most recent position from 1981 to 1988 as Permanent Secretary in the Ministry of Finance and Economic Planning. Prior to his appointment

as Permanent Secretary, Mr. Tinga was Deputy Secretary for Finance from 1979 to 1980, and Collector of Customs from 1977-1980.

Mr. Tinga has also served as Chairman, Vice Chairman or Member of various Boards of Statutory Corporations and Government owned companies. He also has represented and led Kiribati's delegations to various international meetings and negotiations with bilateral and multilateral aid agencies. He was the Alternate Governor of the World Bank, International Monetary Fund, and Asian Development Bank.

### **Updating of the Public Finance Act**

The need to update the present Public Finance (Control and Audit) Act is at present under consideration. Particular consideration is being given to empower the Director of Audit to do value-for-money audit and to decentralize financial and accounting duties from the Treasury to departmental chief executives.

## **Maldives**

### **New Status of SAI Head**

The status of the head of the Maldivian Audit Office was up-graded on January 5, 1989, to Auditor General. The Auditor General, Abdul Rasheed, has been with the Audit Office since 1969, working there as supervisor, assistant head, head and now Auditor General. Mr. Rasheed started his public service career in 1953 with the Customs Department.



*Mr. Abdul Rasheed*

Mr. Rasheed states that his goal as Auditor General is to help strengthen management accountability throughout the public sector workforce and to provide assurance that the assets of public bodies and subsidiaries are safeguarded and controlled; that all transactions are in accordance with the Public Functions Act; the financial, human and physical resources of public bodies are managed efficiently and economically; and, the

operations of government are carried out effectively.

In addition, the Maldivian Audit Office continues to examine, audit and settle accounts pertaining to revenues and expenditures of government funds and property. Under the Maldivian Official Functions Act, the Audit Office is under the office of the President of the Republic.

## **Mexico**

### **New Regulations for SAI**

In August 1988, the government of Mexico published the new "Internal Rules for the Contaduria Mayor de Hacienda", the country's SAI. These rules are intended to give the SAI the flexibility to adapt its work to new national priorities, and they supplement previous acts related to the role and operations of the audit office.

The new regulations represent one more step in the process of restructuring the SAI, extending its powers and role as promulgated earlier in the Organic Act of 1978. As part of the changes, the SAI is organized into six programmatic units instead of one as stipulated in the earlier rules, and support functions have been strengthened by the creation of three new administrative units.

## **Netherlands**

### **1988 Annual Report**

The Netherlands Court of Audit presented its 1988 Annual Report in March 1988. As in previous years, the report devotes considerable space to a large government-wide audit. Last year this audit covered the management of subsidies by ministerial departments. The Court of Audit examined 722 subsidy arrangements in the Netherlands. The audit brought to light shortcomings concerning the preparation of subsidies regulations, implementation, financial management, as well as internal audit and evaluation of subsidies by ministries. These findings were the basis of a large number of recommendations from the Court of Audit regarding ways to improve the management of subsidies by the ministries.

The 1988 Annual Report also contains the results from over 80 other major audits, conducted at the 13 ministerial departments.

In this report the Court of Audit has included specific information about its own internal activities, concerning its staff, organizational changes and audit methods. 1988, for example, saw the start of a new career program for the professional audit staff. Regulations concerning inter-

nal reorganization processes, which stipulate the involvement of advisory committees in which elected staff members are represented, were also introduced. In the coming years, more organizational changes are expected. These changes are the result of the extension of the Court's powers and duties accorded by legislation of February 1, 1989. The Court's field of competence now includes national social insurance institutions, public health insurance funds, private enterprises (of which the shares are owned by the State), and companies and foundations which receive grants from central government.

## **Papua New Guinea**

### **New Audit Act**

The Auditor-General of Papua New Guinea, Mr. Makena Geno, CBE, succeeded in getting an "Audit Act" passed by the National Parliament of Papua New Guinea in March, 1989.

The Act consolidated all the various laws on Audit. It has also given the Auditor-General the audit mandate to perform "Value for Money" audits, to refer matters to the Public Prosecutor, and to access computerized data.

The Act re-affirmed the Auditor-General's role with extended responsibilities. It also removed difficulties previously faced by the Office when it was part of the Public Service in terms of recruitment and determination of conditions of employment of employees.

The Act re-affirmed that a strong Audit Office of Papua New Guinea is essential for maintenance of the accountability of government organizations. This is seen as a milestone in developing a stronger, more efficient public sector auditing system in Papua New Guinea.

## **Sierra Leone**

### **First Female Auditor General**

Mrs. Ade O. Caulker made history by becoming the first woman to be appointed Auditor General in the Republic of Sierra Leone. Her appointment took effect from March 20, 1989. A graduate from the University of Hartford (Connecticut) and Syracuse University in the United States of America, she joined the Audit Department in Sierra Leone as Auditor in 1963. In 1970, she was promoted to Senior Auditor, then Principal Auditor in 1976, and Deputy Auditor General in 1985.

She has acted as Auditor General on a few occasions and was appointed to that post by the President of the Republic of

Sierra Leone on March 20, 1989.

Mrs. Caulker is a former Fellow from the U.S. General Accounting Office (1981); attended AFROSAI's Fourth Regional Assembly held in Abidjan in March 1987; attended the International Consortium of Government Financial Management in September 1988, Cambridge, England; and, most recently, represented her institution at the XIII INCOSAI in Berlin.

## Sweden

### Annual Report Issued

The Swedish National Audit Bureau (RRV) has recently published its annual report for the financial year 1987/88.

During the year, RRV conducted some 70 performance (effectiveness) audits; some of these are presented in the annual report, i.e., punctuality of railways, immigration and local refugee care service, drug control and Swedish Police.

In the financial auditing area, RRV audited just over 370 central authorities, including the military sector which became part of RRV's financial auditing responsibilities on July 1, 1987. The use of EDP-support, mainly through microcomputers, has now become very common in RRV's auditing—the "computer to staff ratio is 0.9 to 1.0.

RRV's activities also includes forecasting and accounting, with the goal of creating a better state accounting organization, a renewed EDP-based accounting system, a new state payment system, etc.

The annual report can be obtained free of charge from the Swedish National Audit Bureau (RRV), Box 34 105, S-100 26 Stockholm, Sweden.

### EDP Audit

RRV has recently issued, in English, summaries of three reports in the EDP-field: "Systems management," "EDP-security" and "Agreements for EDP-operation." In Sweden, computerized support of government administration is a vital issue. The major investments in hardware and software has created an increasing need for support to the agencies in various forms. Auditing the use of computers is a field where an increased international cooperation on project level is beneficial. The booklet was produced to share Swedish experiences with auditors from other countries, and is available at no cost from RRV.

### Management Philosophy and Organization

On July 1, 1989, RRV adopted a new management philosophy and a new or-

ganization. Decentralization and greater responsibility on the managers, both Assistant Auditor Generals and Audit Directors, are cornerstones in the new philosophy. All managers are now appointed by the Auditor General as a head of a department or a division for a four-year period.

Under the Auditor General, Mr. Ingemar Mundebo, RRV now has three separate wings and departments: Financial Auditing, Performance (Effectiveness Auditing) and Economy (former Forecasts and Accounting). In addition, the Administrative Department has been reorganized in order to support the Auditor General and the wings better.

## International Consortium of Government Financial Management

### Regional Conference Held

Representatives from many Latin and Central American and Caribbean countries met together April 17-19 in Miami, Florida to discuss "New Developments in Governmental Financial Management." Sponsored by the International Consortium of Governmental Financial Management, Florida U.S.A. University's School of Accounting, The Inter-American Accounting Association, and The Inter-American and Iberian Public Budgeting Association, the conference was conducted in Spanish with simultaneous English translation.



Participants in the April conference of the International Consortium on Governmental Financial Management included, from left to right: Mr. Zhao Jianxin, Audit Administration of the People's Republic of China; Mr. Peter Aliferis, US General Accounting Office; Mr. Cui Jianmin, Audit Administration of the People's Republic of China; Ms. Linda Weeks, US General Accounting Office; Mr. James Wesberry, US Agency for International Development; and Mr. Rafael Font, consultant.

## Correction

In the April 1989 issue: Page 1—Column 2, paragraph 3, sentence 3, should read: It believes that no third party should know about audit results before the auditees have a fair chance to comment on any improprieties found and, if necessary, to rectify the facts as presented by the auditors.

Page 18—Caption for bottom right photo should read: Senior members of the Federal Court of Audit with special responsibilities for the XIII INCOSAI, from left to right: Senior Principal Heinz Herzog, Counsellor Axel Mennicken, Vice-President Ernst Heuer, Counsellor Detlev Sparberg, and Principal Gerhard Walz.

Attendees included public and private sector economists, bankers, accountants, and auditors, as well as experts from financial development agencies, and senior government financial experts. Miguel Rico Ramirez, the Auditor General of Mexico and Vice-president of the International Consortium, delivered the opening remarks. Presentations on a wide variety of topics included: auditing assistance projects, dealing with corruption and fraud, budgetary techniques, managing debt, use of independent public accountants in government audits, the role of the auditor, training for auditors and other financial management specialists, and statistical applications in the evaluation of government programs. Informal discussion groups also provided opportunities for participants to informally share their ideas, observations and experiences.

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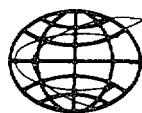
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# Thirteenth INTOSAI Congress Held In West Berlin

## Opening Ceremony Highlights Importance of Government Auditing

"We are gathered together today in the city that saw, 275 years ago, the birth of Germany's first audit institution independent of the administration, the Prussian Superior Court of Accounts. This event was based on the recognition that the management of outside funds must always be subject to controls. The management of public funds in particular requires an effective system of financial controls. This system is established beyond doubt in all systems of government."

With these words, Dr. Heinz Gunter Zavelberg, President of the Court of Audit of the Federal Republic of Germany officially inaugurated the XIII International Congress of Supreme Audit Institutions (INCOSAI) in West Berlin on June 12, 1989.

INTOSAI's XIII Congress, held from June 12-21, drew a record number of 295 delegates representing some 120 countries who assembled in West Berlin to discuss management of SAIs, audit of public debt, and EDP auditing. Joining delegates were representatives of 10 international organizations and the 10 state-level (Lander) Courts of Audit from the Federal Republic of Germany.

The inaugural ceremony was highlighted by welcoming remarks by John Taylor, Auditor General for Australia and outgoing Chairman of INTOSAI's Governing Board; Rita Sussmuth, President of the Bundestag (Parliament) representing the President of the Federal Republic of Germany who was unable to attend; Senator Jutta Limbach representing the Mayor of West Berlin; and of course, Congress host Heinz Gunter Zavelberg.

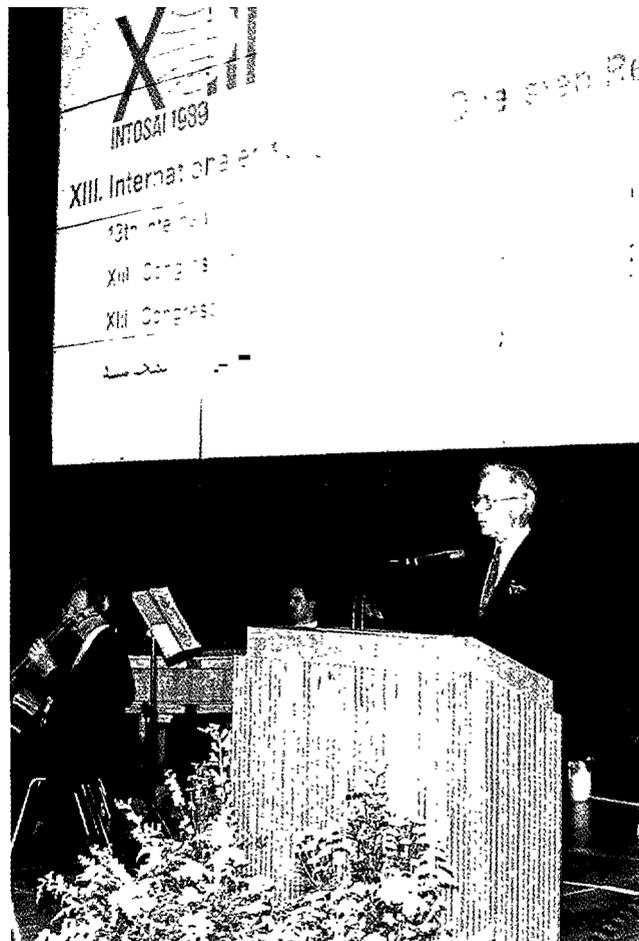
As Auditor General of the country which hosted the last INCOSAI, Mr. Taylor welcomed all delegates and guests to the inaugural ceremonies. "The twelfth INCOSAI in Sydney," Mr. Taylor noted, "had some 92 countries. Today in Berlin at the thirteenth Congress we have some 120, a tribute to the organizational capacity of our hosts and the value of these meetings."

Professor Rita Sussmuth, President of the German Federal Parliament, welcomed delegates to Berlin and referred to the vital role SAIs play in government and the importance of international congresses when she said: "No doubt you as representatives of supreme audit institutions constantly experience the fact that politicians, governments, and parliaments throughout the world—and regardless of the differences in their systems—are repeatedly trapped in the constraints of that financial policy dilemma which the German poet, Johann Wolfgang von Goethe, succinctly described as

'Each new day we mean to save and each day sees us needing more.' (Faust II)

Within this fundamental dilemma the SAI is faced with the difficult and responsible task of financial audit. This task will differ substantially in the individual member states, not least because of the differing political systems and the very varied organizational structures of your authorities. For this reason alone an exchange of specific experience can only be of benefit to you all."

Senator Limbach added her welcome to Berlin and described the role of auditors when she said, "Politicians are not very fond of Courts of Audit; but they need them as a form of expert con-



*Dr. Zavelberg, President of the Federal Court of Audit of the Federal Republic of Germany, addresses delegates and guests at the Inaugural Ceremony of XIII INCOSAI.*

rol of public finances. The work of the supreme audit institutions is an indispensable element in the systems of checks and balances of power and you, ladies and gentlemen, by keeping a watchful eye on what the executive with its love of spending is doing, are serving the interests of both self-discipline by the executive and external control of the government by parliament. The significance of your reports lies in the weight their objectivity lends them, which compels parliament and the government, with the added pressure of public opinion, to do more than simply consign your conclusions to the archives."

Dr. Zavelberg closed the inaugural ceremonies and provided an excellent overview of the work facing delegates in the technical sessions when he said, "Our first theme, 'Management in Government Auditing', is concerned with the organization of our own work: our strategy in the face of our own scarce resources and the immense wealth of audit material. Optimum observance of the principle of economy, efficiency and effectiveness is something we must not merely call for in others, but must carry out in exemplary fashion in our own work."



Berlin's award-winning International Congress Center (ICC) was the site of XIII Berlin. Pictured here are Dr. Weber, INTOSAI Secretariat, and Dr. Broesigke, Secretary General of INTOSAI at a plenary session in one of ICC's main halls.

Turning to the second theme, Dr. Zavelberg continued, "This is the first time an INTOSAI Congress has discussed the public debt. In almost every country of the world, regardless of their political and economic systems, the already high and still increasing level of national indebtedness is one of the central problems of the management of public funds, albeit to varying degrees and sometimes involving different questions. An increasingly large proportion of government funds is being swallowed up by interest and capital repayments; countries' financial scope for action is becoming increasingly restricted, in many cases with serious social and economic consequences. Government borrowing and the management of the public debt must therefore be the subject of close scrutiny by the Courts of Audit, especially as regards the regularity but also the efficiency and effectiveness of the methods used."

Dr. Zavelberg concluded his overview by saying, "The third theme of this Congress is information technology, both in the sense of auditing EDP systems and from the point of view of using the computer as an audit tool. Governments rely on computers not only for public sector budgeting and accounting, but also in virtually every sector including road traffic control, air traffic control, and military programs. The efficiency, and above all the reliability and security of these systems must increasingly be a focal area of public auditing. At the same time, SAIs cannot cope with their growing volume of tasks if they do not themselves take advantage of the facilities the computer has to offer."

The inaugural ceremony launched the Congress on a positive note, and set the stage for the productive plenary and work sessions that followed.

### Themes Discussed, Debated in Plenaries and Workshops

As in the past two Congresses in Manila and Sydney, the XIII INCOSAI was organized so that participants discussed the three themes and their respective sub-themes in small workshop sessions, the results of which were then summarized and discussed further in plenary sessions devoted to each theme. The themes, sub-themes, and the countries which wrote the basic papers for these were:

#### Theme I: Management in Government Auditing

Sub-theme IA: Management Policies and Approaches (United Kingdom)

Sub-theme IB: Managing Resources in an SAI (Pakistan)

#### Theme II: Auditing the Public Debt

Sub-theme IIA: Role of the SAI and Scope of Audit (Spain)

Sub-theme IIB: Methods and Techniques (Finland)

#### Theme III: Computer Auditing

Sub-theme IIIA: Auditing EDP Systems (USA)

Sub-theme IIIB: Using the Computer as an Audit Tool (Algeria and the Netherlands)

There were concurrent multi-language and English-only sessions for each sub-theme, thus permitting a good exchange of information within the small groups; one variation from previous Congresses was that there were two multi-language sessions and one English-only session for each sub-theme. Rapporteurs for each session then met with the sub-theme rapporteurs to summarize the discussions of each of the small groups, and then the sub-theme rapporteur met their overall theme rapporteurs to prepare draft recommendations for each major theme. The recommendations were then presented to the plenary session held for each theme, discussed, debated and amended by the Congress delegates and finally, at the second general plenary session, adopted as the INTOSAI recommendations.

The final recommendations of the "General Statement of the Working Results of the XIII INCOSAI in Berlin 1989" will be published in the October 1989 issue of the Journal. Following is a summary of the major points and issues raised by delegates on each theme in the working and plenary sessions. Also presented here are summaries of the other matters INTOSAI discussed in Berlin, including the progress made by the three INTOSAI standards committees (accounting, auditing, and internal control) INTOSAI's six regional working groups (including a proposed European group, the European Organization of Supreme Audit Institutions, EUROSAI), the INTOSAI Development Initiative (IDI), and other business of the organization.

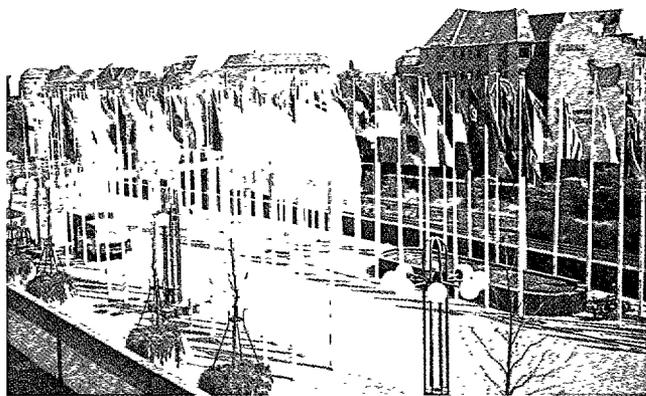
#### **THEME I: Management in Government Auditing**

Discussions centered around three areas that delegates believed to be critical to efficient and effective management and operations within an SAI:

- constitutional and legal safeguards for independence
- effective management of audits
- skillful management of human resources.

#### "Constitutional and Legal Safeguards"

SAIs reported that their responsibilities and functions are guaranteed with their constitution, by specific laws, or well-established tradition. It was emphasized, however, that independence is not just a question of theory—SAIs should be able to operate independently in practice as well. On this topic, most



The flags of the over 720 participating nations were flown in front of the International Congress Center during the XIII Congress.



Theme officers for Theme I (Management in Government Auditing) included, from left to right, Mr. Bourn, UK; Mr. Green, Norway; Mr. Norvalls, Norway; Mr. Kesmez, Turkey; Dr. Zavelberg, Federal Republic of Germany; Dr. Mennicken, Federal Republic of Germany; and Mr. Bokhari, Pakistan.

SAls felt they have the necessary powers to undertake regularity audits, which include reviewing administrative, legal and financial aspects of government operations. Most SAls noted that they do enjoy freedom from government as well as political independence.

Some delegates noted, however, that their SAls independence can be affected in several ways. For example, many do not have the right to recruit their own staff, or to determine their pay and conditions of service. In some cases, SAI budgets are subject to government approval, and some SAls reported that they had suffered financial restrictions in that regard.

The discussion on this theme included the scope of audit authority as it relates to independence, with some SAls noting that they have not yet succeeded in broadening their audit responsibilities to include public bodies partially funded by government, or to certain kinds of public corporations. Those SAls that do have these authorities noted that they sometimes experience difficulty in obtaining information which public corporations consider commercially sensitive.

There was considerable discussion about how much of financial support from public funds to a public corporation should give an SAI the right to audit that corporation. It was suggested that "substantial" government ownership—not necessarily a majority ownership should be sufficient to enable an SAI to undertake audit work in a public corporation. This should extend—as stated in INTOSAI's Lima Declaration of 1977—to any company or enterprise receiving financial support from public funds. Concerning the relationship between reporting and independence, those SAls which report to legislatures believe that the impact of their work would be enhanced if they could report throughout the year when the need arises rather than just once a year.

In summary, delegates felt that independence provides a strong foundation for effective management on an SAI, and should include such areas as budget and finances, human resources and staffing (including the manner in which the head of the SAI is appointed), work programs, scope of work, and access to documents.

#### "Effective Management of Audit"

Having discussed the importance of independence, delegates went on to discuss other areas related to "Management in Government Auditing." All SAls recognized the need for sound

planning to ensure a balanced and credible audit program and an optimum use of resources. Audit planning must take into account legal obligations, priorities and resources available, and may vary according to type of audit. It was noted, for example, that while regularity audits require fairly straightforward planning, performance audits require a more rigorous, long-term approach to planning.

All SAls stressed the importance of monitoring the performance of audit work to ensure compliance with policies, objectives, standards and detailed plans. Since the credibility of SAls depends on the quality, integrity and impartiality of their performance, they need to manage their affairs economically, efficiently and effectively.

While stressing the importance of planning, delegates noted that planning should allow for flexibility, and not become "over-elaborate." It was also highlighted that SAls should increase the extent to which they exchange information and experiences about the planning and monitoring methods they use. SAls should also strive to follow up on the recommendations flowing from audit findings, and to appropriately inform the public about their work. In view of the importance of the SAI's accountability for its own use of public funds, delegates noted the importance of SAls appraising the economy, efficiency and effectiveness of their own performance.

#### "Management of Human Resources"

SAls agreed on the importance of efficient management of human resources and emphasized the necessity of competent and fully qualified audit staff. It was felt that through improved human resource management, the SAls would be in a position to expand the scope of their audit to include performance audit.

SAls further agreed on the need to provide training for their staff. This is due in part to a level of formal education that does not meet the specific requirements of SAls and in part to the unique nature of the work itself. A number of SAls stated that they had difficulty in retaining personnel after training them; this was caused by low salaries and by factors linked to the status and image of an SAI. While recognizing the cost of losing trained staff, SAls nonetheless stressed the necessity and value of staff training.

It was pointed out, however, that training can be effective only when participants are motivated to learn. It was agreed that nonmonetary factors such as leadership, job satisfaction and career opportunities could, in addition to training itself as a motivator, also motivate staff to remain with the organization. Some delegates, referring to the earlier discussion on independence, stated that this would require greater autonomy in personnel matters, such as recruitment and conditions of service.

Participants in the discussions attached considerable importance to the question of motivation as a critical factor in the suc-



Small discussion groups provided opportunities for delegates to share experiences and discuss issues on each of the six sub-themes.



An important part of each theme were the small working groups which met after the discussion groups to summarize issues discussed in those groups. Working here on Theme III (Computer Auditing) are, from left to right, Mr. Ceglarek, Federal Republic of Germany; Dr. Dahlawi, Saudi Arabia; Ms. Smith, USA; Ms. Basch, interpreter; and Mr. Ghansah, Ghana.

cess of a good human resource management program, and agreed that senior management in the SAI had a clear responsibility for staff motivation. The importance of continuous and effective communication within an SAI was also identified as a major factor of staff motivation.

Delegates shared experiences on such subjects as staff planning, recruitment, rewards, promotions, training and performance appraisal, and called for increased cooperation among INTOSAI members, their regional organizations and the INTOSAI Development Initiative (IDI) to help promote human resource management in individual SAIs.

There was consensus in one discussion group concerning the direct relationship between the performance of the SAI and the performance of its employees. In this connection, two SAIs have recently introduced comprehensive performance management systems as a way of maintaining accountability, credibility, and of providing feedback into the SAIs' strategic plans.

### **THEME II: Auditing the Public Debt**

Of all the themes discussed, this was perhaps the most controversial as it, more than the other two themes, has implications regarding the policy role an SAI might play in a major national issue. In discussing this topic it was noted that the rapid expansion of state functions since the beginning of the twentieth century has led to an extraordinary increase in public spending. As government revenues have not always kept pace with expenditures, balancing the budget has become a serious problem for many countries. The role of the SAI in connection with public debt was discussed in its many aspects by delegates in Theme II working sessions.

#### "Role of the SAI and Scope of Audit" and "Methods and Techniques"

While there were various views on how SAIs should be involved in public debt, there was agreement that SAIs, along with legislative and executive branches of government, should be concerned about and review public debt as part of its audit of legality and regularity of public sector finances. Many delegates took a long-term, historical view in discussing public debt, noting that it is, among other things, a burden for future generations.

Some delegates noted that all factors which could impact the public debt should be recognized, such as guarantees (or insurance) given by governments to companies and their institutions. This is important because when these organizations

"This is the first time that the royal audit authority, the SAI of Bhutan, has participated in the INTOSAI Congress. A few years ago, we were informed of the activities of the INTOSAI and its endeavors to promote the exchange of ideas and experiences, and the sharing of knowledge through technical assistance under international development projects. And, we have had associations with some SAIs that readily extended technical assistance to the royal audit authority. For these, we would like to make special mention of the secretary general of INTOSAI, Dr. Tassilo Broesigke, President of the Court of Audit of Austria; Auditor General J. V. Monaghan of Australia, until recently Chairman, of INTOSAI; and the chain of leadership in the ASOSAI.

One of Bhutan's current priorities in its five-year plan is human resource development. The government has decided to adopt human resource development not only to support the development process, but also as an important development objective in itself. The themes of the 13th INTOSAI Congress are significant for us, being along the same line as Bhutan's current priorities. What we have imbibed during the Congress and the pre-Congress sessions, we shall bring with us to Bhutan and hope to enhance our audit service thereby.

—**Dasho Sonam Tobgye**

Auditor General, Royal Audit  
Authority of Bhutan

become insolvent, the state is liable to guarantee or reimburse the loans. It was pointed out that these risks assumed by governments remain until the pertinent loans have been reimbursed or fully repaid.

It was stressed that SAIs, through their audits, should ensure that all government borrowing, related interest and other liabilities are not only properly recorded but also fully disclosed. Training of SAI staff in audit methodology related to public debt was also encouraged.

### **THEME III: Computer Auditing**

This theme addressed two sub-topics of interest to all SAIs, regardless of their state of development. There was common agreement among SAIs that auditing computerized systems has become important as auditees' investment in, and dependence on, these systems have increased in recent years. It was noted that the increasing use of EDP systems by government departments and ministries, as well as by public enterprises,



Representing one of INTOSAI's newest member nations are, at right, Dasho Sonam Tobgye, Auditor General of the Royal Audit Authority of Bhutan, and Mr. Chewang, Bhutan.

has major implications for most SAIs. Delegates agreed that one of the major implications was the increased use of computer assisted audit techniques (CAAT).

#### "Auditing EDP Systems"

Regarding the audit of EDP systems, delegates agreed that the basic objectives of these audits include evaluating system effectiveness, system economy and efficiency; data integrity; system security; and compliance of system related activities with applicable laws, regulations and guidelines.

It was generally felt that an EDP systems audit can be structured according to the concept of the phases of the System Life Cycle, i.e., acquisition or development, operation and maintenance, and replacement.

SAIs agreed that audit at an early stage of a system's development was beneficial in preventing problems. In considering whether the action of SAIs in auditing EDP systems at an early stage would compromise the SAI's subsequent audit activities, it was felt that responsibility for the EDP systems remained with the auditee and SAI independence need not be compromised.

Many SAIs reported on problems in adequately staffing teams for EDP systems audit and commented on a lack of audit staff who were both qualified in EDP and had sufficient training in audit areas related to the phases of the System Life Cycle and/or the use of computers as an audit tool.

It is generally recognized by SAIs of both developed and developing countries that training is needed for their staff because, in its absence, advancing technology either causes those without computer expertise to be left further behind or those who already have the skills to find that their computer expertise becomes obsolete.

It was agreed that SAI staff require further training, possibly over several years, before being able to audit EDP systems

comprehensively. It was considered that intensive training of smaller groups was more likely to produce highly trained EDP auditors than mass training.

SAIs agreed that it was useful to audit EDP systems in the structured way that some SAI use, i.e., in accordance with the phases of the System Life Cycle, and to use up-to-date EDP audit standards and guidelines. They noted that as each EDP system has its individual characteristics in terms of function and environment, each audit needs an individual approach.

SAIs considered that as the implementation of EDP systems involves sophisticated and expensive technology, two areas of audit concern were:

- evaluation of investment in EDP systems, and
- evaluation of the results of the EDP system.

Further discussion centered on the general controls that should be imposed on EDP systems. Security is important but cost is nevertheless a factor which should be taken into account when determining the extent and nature of the controls to be introduced and/or CAATs to be incorporated.

#### "Using the Computer as an Audit Tool"

The increasing use of computers provides very real possibilities for using the computer as an audit tool. The practical applications at present are, however, restricted to specific areas and a limited number of SAIs. They also vary according to both individual responsibilities of the SAI and the extent to which computers are utilized by those subject to the audit by an SAI.

The computer enables SAIs to improve auditing efficiency when used to audit automated systems and/or to automate the audit.

The introduction of cheaper computer technology and the development of compatible software and audit oriented software, together with the potential for easier communication between computers, will facilitate the provision of computer support to audit staff. It will also enable audit staff without extensive data processing knowledge to utilize computer technology in audit work.

Introducing computers within the SAIs requires careful planning and analysis of the audit needs and consideration of costs and benefits. SAIs should pay attention to all aspects of security including the possibilities of system failure and computer crime.

### **INTOSAI'S Six Regional Working Groups Report To Congress, New Group Proposed**

INTOSAI's triennial congresses provide an opportunity for all members of the organization to assemble and share experiences. One valuable part of that exchange are the reports given by each of INTOSAI's regional working groups since much of INTOSAI's work takes place through these regional organizations, in Africa, the Arab world, Asia, the Caribbean, Latin America, and the South Pacific.

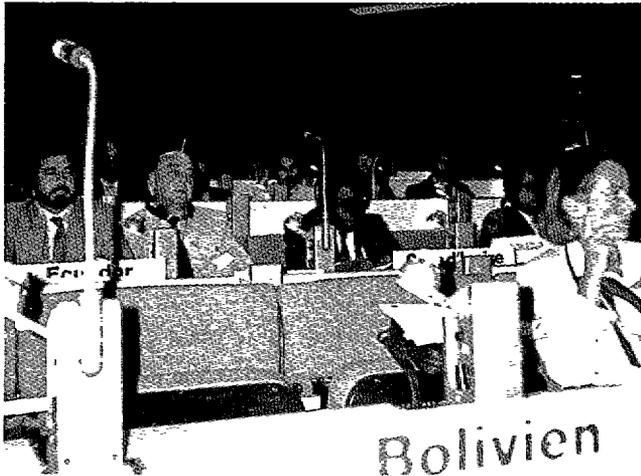
#### **"AFROSAI"**

Prominent among AFROSAI's activities during 1986-88 was its IV General Assembly held in Abidjan, Ivory Coast, from March 2-7, 1987. Over 21 member countries and international organizations participated in the conference, which addressed the following three themes: auditing foreign aid and public debt, the role of private sector auditors and internal auditors, and auditing state revenues. The conference resulted in the publication of a comprehensive set of resolutions as to what SAIs could do in each of these important areas. The IV General Assembly ended by approving Egypt as the host of the V General Assembly, to be held in 1990 in Cairo.

AFROSAI members also participated in international seminars sponsored by the German Foundation for International Development and the INTOSAI Development Initiative. The first



*Congress proceedings were simultaneously interpreted in INTOSAI's five official languages (Arabic, English, French, German and Spanish) as well as Chinese and Japanese.*



AFROSAI President, Mr. Tadj, Ivory Coast (second row, third from left).

was held in Berlin from August 20–September 2, 1987 for Francophone members of AFROSAI, and focused on audit issues related to finance, procurement, and revenue. AFROSAI was also represented at another German Foundation conference held in Berlin on the occasion of that city's 750th anniversary in 1987.

Like all other INTOSAI regions, AFROSAI is an active member and participant in the INTOSAI Development Initiative (IDI). AFROSAI joined with IDI four times for conferences and seminars on topics of interest to the region. Human resource management seminars were held in Nairobi, Kenya and Libreville, Gabon and centered on ways heads of audit offices can manage all aspects of a human resource management system. Following up on those seminars were two additional workshops held in Nairobi and Arusha, Tanzania, designed for directors of training. These two-week workshops provided participants opportunities to learn and share practical information and methods about issues related to managing a training function. Additional AFROSAI-IDI programs are being planned and, as with all IDI programs, will be held in the region.

Looking to the future, AFROSAI is planning to conduct a seminar in Senegal on legal auditing, and to host two meetings of AFROSAI's steering committee which would be devoted to discussing and planning for the next General Assembly in Egypt.

#### “ARABOSAI”

Training and research activities were highlighted in the report of the President of ARABOSAI, Mr. Haggar of Sudan. Among the many training activities he cited were courses and seminars organized in conjunction with IDI and the German Foundation for International Development on such topics as audit of health delivery systems and hospitals, human resource management and training, revenue auditing, and computer auditing, among others. In addition to the very active training program, ARABOSAI held two regional conferences between 1986-89, as well as many meetings of its executive council and working-level committees.

ARABOSAI continues to publish its semi-annual Journal, which contains articles and news items about auditing in the Arab world as well as other regions. One issue of the Journal contained a glossary of audit terms in Arabic, English and French.

In concluding his report, Mr. Haggar put forth four proposals to INTOSAI on behalf of ARABOSAI. They are to intensify the activities of INTOSAI in the area of training and scientific research through more scientific and training meetings under the



ARABOSAI President, Mr. Haggar of Sudan, right; Mr. Attia, Sudan, is at left.

umbrella of INTOSAI; intensify translation work and exchanges of documents, information, and experiences among SAIs via the General Secretariat of INTOSAI; and, assist SAIs with limited means and resources in order to help them keep in step with growth and advances. In order to accomplish these aims, it is necessary to fortify the resources of the organization whether through the solicitation of contributions from members which have adequate resources, or from international and private institutions and organizations, or the increase in the dues of member states towards the organization's budget.

#### “ASOSAI”

The report of the President of ASOSAI included information about the Fourth Assembly and Third International Seminar held in Indonesia in 1988, training activities in the region, and the completion of ASOSAI's first research project and publication of its results.

ASOSAI's Assembly and Seminar was held in June 1988 in Bali, Indonesia, and was attended by 67 delegates and observers, including representatives from six international organizations. The main theme of the conference was “The Role of Audit in Promoting Reforms for Efficient Public Administration and Corporate Management,” and resulted in the publication of the Bali Declaration, which, to quote the ASOSAI President, represents “another milestone in ASOSAI's continuing effort to promote public accountability and the credibility of the SAI as well.”

Copies of the Declaration were distributed to delegates and are available from ASOSAI. The President, in his remarks to XIII INCOSAI, also noted that one of the sub-themes discussed in



ASOSAI President, Mr. Jusuf of Indonesia (left), and the Vice-chairman of Indonesia's Supreme Audit Board, Mr. Marathon.

Bali was also on the Berlin agenda, audit of public debt.

One of the ASOSAI's major efforts continues to be training, and during the period 1986-88 a number of workshops and seminars were held in the region. Particularly active in organizing regional training programs were the SAIs of Australia, India, Japan, Korea, Malaysia, the Philippines and Thailand, as well as such international development programs such as the Columbo Plan, the German Foundation for International Development, the INTOSAI Development Initiative, and the Japan International Cooperation Agency.

The completion of ASOSAI's first research project was also announced at the Congress. A book entitled "Accountability and Control of Public Enterprises" has been completed and is being published. Authored by the Deputy Auditors General of Australia, India and Malaysia, the book contains detailed profiles of 21 Asian and Oceanic countries regarding their role in the title subject.

#### "CAROSAI"

The report of the Caribbean Organization of Supreme Audit Institutions (CAROSAI), which was formed in August 1988, focused on organizational issues and its already active training program. Pledging that CAROSAI will be "action oriented," the report notes that since its formation last year, this new organization has appointed a Chairman and Secretary General, established a secretariat, increased its membership, received pledges of assistance from an impressive number of international organizations as well as SAIs, and developed and begun a regional training plan.

In the area of training, the region noted that the most cost-effective training is that held in the region itself. An example of that was the CAROSAI-IDI Human Resource Management seminar held in St. Lucia in March, 1989. The seminar was well attended by heads of regional SAIs, as well as representatives of the United Nations Development Program, the InterAmerican Development Bank, and the Organization of Eastern Caribbean States. Another jointly sponsored training program with IDI is scheduled for late 1989 or early 1990, for directors of training.

In concluding, the CAROSAI report states that "CAROSAI will endeavor to foster good relations with INTOSAI and the other regional bodies and will do its utmost in conjunction with the SAIs of the region to achieve the objectives of CAROSAI as set out in its charter."

#### "ILACIF"

The report of the President of ILACIF began with a history of this Latin American and Caribbean organization which was founded in 1965, and noted the political and economic events which have shaped the history of the region's nations. In that historical context, the President said, the region's SAIs; have



ILACIF President, Dr. Luz Aurea Saenz, Peru.

"the delicate task of watching over and monitoring the correct and efficient use of public assets and resources in the pursuit of the common good."

Noting that training has traditionally been ILACIF's primary program objective, the report notes the many training programs which were conducted in the region during the last three years. Special mention was made of the international cooperation that has been fostered between ILACIF and various international organizations such as the German Foundation for International Development, the INTOSAI Development Initiative, and the Hispano-American Public Budgeting Association. ILACIF is currently negotiating with the German Foundation for a continuation of a technical assistance program which has existed for over 15 years. At the same time, ILACIF is working with IDI and the InterAmerican Development Bank on a grant so that ILACIF and IDI can continue to implement their joint training programs over the next three years.

The report concludes by recognizing the contributions to the region made by INTOSAI itself, through its congresses whose conclusions and recommendations continue to help member SAIs.

#### "SPASAI"

The report of the secretariat of the South Pacific group centered on regional meetings and training programs. Noting that SPASAI was formally recognized as a regional working group in 1987, the report described SPASAI's first Congress, held in Vanuatu in November 1988. Most founding members participated in the Congress, which had met previously and informally in a group known as the "heads of audit offices of the South Pacific."



SPASAI Secretary General, Mr. Tu'i'onetoa, Tonga.

In addition to the technical sessions at the Vanuatu Congress, the SPASAI Charter was signed, the Auditor General of Vanuatu was elected President of SPASAI with the Auditor General of Tonga serving as Secretary General, and it was decided that the next Congress would be held in 1991 in the Republic of Kiribati.

SPASAI has been actively involved with IDI, participating in a

regional training needs assessment, followed earlier this year by the Human Resource Management seminar in Fiji. The next SPASAI-IDI project will be the workshop for directors of training scheduled for April 1990 in the Federated States of Micronesia. The report went on to note that the current status of negotiations between the Asian Development Bank for Bank assistance with the IDI project is favorable. The Auditor General of Tonga serves on IDI's Advisory Committee.

**“New Regional Organization Proposed to Represent Europe”**

Representatives of European SAIs met in Berlin on June 20 to discuss the formation of the European Organization of Supreme Audit Institutions (EUROSAI). As a result of the meeting, those participating countries have agreed in principle to form EUROSAI as a regional group within INTOSAI.

To achieve this goal they established a committee to further discuss organizational and other issues and questions that need to be decided, prepare proposals and draft statutes, and if appropriate, begin planning for an inaugural congress.

The stated goals of the proposed regional group, which recognized the “common cultural heritage of the peoples between the Atlantic and the Urals, and between the Mediterranean and North Cape” are to: improve relations between the countries of Europe in the field of public audit, across the boundaries of differing political, economic and social systems; encourage SAIs to work together, in view of the increasingly close cooperation among all European states; contribute to narrowing the gap be-

tween the differing systems, procedures and methods of public audit by improving the exchange of experience among such institutions; and, make an even greater contribution to the objectives of INTOSAI by drawing together European experience.

**IDI Successes Acclaimed By Congress Delegates**

The proposal to continue the INTOSAI Development Initiative (IDI) for another three years was made at the second general plenary session, and was enthusiastically supported by many delegates who had, since IDI was established in 1986, participated personally in IDI's training and information exchange programs. The resolution proposing that IDI continue to implement its present philosophy and approach to the development and delivery of its programs was adopted by acclamation, and one IDI secretariat will continue to be attached to the Office of the Auditor General of Canada.

In describing IDI's success in fulfilling its training and information exchange function, the IDI report notes that IDI has cooperated with each of INTOSAI's six regional working groups in providing training programs in some twenty-five locations around the world. Over 100 SAIs have participated in IDI's programs, resulting in a total of 2,587 training days. The principle feature of IDI's information exchange program is the “International Directory of Information for Audit Training,” published in all five INTOSAI languages and distributed to all members. The Directory includes descriptions of almost one hundred courses contributed by SAIs as well as training models for the various



IDI's Report highlighted the many training programs held in conjunction with INTOSAI's regional organizations. The most recent one, the SPASAI-IDI Human Resource Management seminar, was held in Suva, Fiji from April 7-14, 1989. Pictured here are participants, hosts and IDI staff, front row, left to right: Mr. Tinga, Kiribati; Mr. Tatapu, Solomon Islands; Mr. Rowe, IDI; Mr. Tui'i'onetoa, Tonga and Secretary General of SPASAI; Mr. Dutt, Auditor General of Fiji and seminar host; Mr. Tosusu, Vanuatu and Chairman of SPASAI; Mr. Gagne, IDI; Mr. Kulasignham, IDI; Ms. Singh, Fiji; back row, left to right: Mr. Faavae, Tuvalu; Mr. Harris, Western Samoa; Mr. Corner, Kiribati; Mr. Mrema, Papua New Guinea; Mr. Laki, Fiji; Mr. Kaitu'u, Solomon Islands; Mr. Lavemaa'u, Tonga; Mr. Yakana, Micronesia; Mr. Geno, Papua New Guinea; Mr. Vakabua, Fiji.

phases of training. In addition, IDI has also published information brochures and bulletins, detailed annual reports, a report on the Copenhagen seminar on EDP auditing, and an information video tape designed to explain IDI to potential donors.

The report makes special mention of the strong support IDI has received from its member institutions, particularly the more than 50 SAIs which contributed time, materials and facilities for designing, developing and presenting IDI programs and activities, in 1988 alone, these in-kind contributions are valued at US\$500,000.

Looking to the future, IDI will continue implementing the program plans which have been developed in conjunction with each regional working group. Among other things, this calls for the development of new IDI core courses on such subjects as EDP auditing, audit planning, etc. IDI will continue to update the Director annually, and will add new sections on audit methodologies and microcomputing software packages developed by member SAIs.

Finally, to better meet its objectives of encouraging the sharing of resources among the INTOSAI membership, IDI intends to further encourage SAIs to assist in its programs. More than 50 SAIs have done so in one form or another over the last three years, and further involvement is planned through bilateral schemes or joint projects, such as the Ivory Coast-Tunisia-France seminar on management and judicial control and the Hungary-Spain-Sweden seminar on audit of agricultural enterprises. These proposed programs are in addition to IDI's main work with INTOSAI's regional working groups.

### **International Journal Report**

The annual report of the International Journal of Government Auditing was presented to the Congress, and highlighted progress made in implementing the Governing Board's 1987 recommendations regarding Journal finances. It also described new production technologies introduced by management to further streamline Journal operations.

A recurring theme during the Board's deliberations at its 1987 meeting in Vienna was the value of the *Journal*, not only to INTOSAI but to the thousands of Journal readers for whom the Journal is a primary source of information and news about developments and trends in the profession.

A proposal, initially made by the Federal Republic of Germany and elaborated on by other SAIs, called for a four-part approach to solving the Journal's financial problems while ensuring the publication in all five language editions four times a year. According to the plan implemented during 1988: The English edition was published while the other language editions were translated by SAIs then photocopied and sent to subscribers in the language of their choice with a printed English copy of the same edition.

Special thanks were given to the SAIs of Austria (German), Canada (French), Sudan and Tunisia (Arabic) and Venezuela (Spanish) for their very generous and excellent contributions of staff time and resources in translating the Journal. In addition, the SAI of the United States was recognized for providing computer hardware and software, which allowed the Journal to use its financial resources to print all language editions. Improved operations were also mentioned in the report, and highlighted at a display in the Congress hall lobby.

The Journal's accounting and circulation and subscription systems are now completely automated. The new automated systems have resulted in stronger internal controls, better reporting, and improved service to subscribers.

Automation of the Journal has not stopped here. Management has introduced desktop publishing technology, which takes advantage of the latest computer and telecommunications technology, and at the same time results in a high-quality

product at reduced costs.

In summary, the report noted that, in very practical ways, the Journal has made great progress in the last two years. A healthy financial foundation has been established, a foundation on which the Journal can continue to grow. As the official publication of the international organization representing the national audit offices of the world, it is particularly important that the Journal itself operate economically and efficiently. . . always according to the generally accepted financial and management standards promoted by INTOSAI . . . and at the same time continue to serve as an effective vehicle for communication and learning.

### **Standing Committees On Standards Report Progress**

INTOSAI's three standing committees on accounting standards, auditing standards, and internal control standards have made significant progress since they were established by the Governing Board in 1984. The chairmen of the committees reported to the Congress in plenary sessions, and it was during those sessions that the summaries of their committees' work were discussed, and debated. While delegates were unanimous in praising the accomplishments of the committees, there was concern voiced by delegates representing the "court of accounts" system of auditing that those systems could be better represented on the committees themselves as well as in the products of the committees. As a result of these discussions, it was decided that the committee composition would be broadened to include more members from the "court" system; furthermore, representatives of the "court" system will meet to discuss the standards in more detail with an eye to their adaptability to that system of auditing. It was also noted that the standards issued by the committees should be specific enough to be useful yet broad enough to encompass the many systems of auditing represented in the INTOSAI membership.

The foreword to the INTOSAI Auditing Standards, written by John C. Taylor, Auditor General for Australia, captures the sentiment of members toward the accomplishments of all three standards committees: "The development of these standards . . . is a notable event in the history of INTOSAI. I speak for the Governing Board and indeed all members of INTOSAI in expressing appreciation of the efforts made by all the members of the Committee. While the INTOSAI Auditing Standards and indeed any auditing standards external to the SAI cannot be prescriptive, or have a mandatory application to the SAI, these standards embody a consensus of opinion among government auditors of what standards are desirable. Each SAI must judge the extent to which external auditing standards are compatible with the SAI's achievement of its mandate:

#### ***"Auditing Standards Committee"***

The INTOSAI Auditing Standards, presented to the Congress by the Chairman of the Auditing Standards Committee, State Minister and President of the General Auditing Bureau of Saudi Arabia, Mr. Omar A. Fakieh, were approved by the Congress (see photo on editorial page).

Members of the committee are Austria (ex-officio), Argentina, Australia, Brazil, Costa Rica, Japan, the Philippines, Sweden, the United Kingdom and the United States. The committee will be expanded and continue its work under the chairmanship of Australia.

The general framework of the standards is based on INTOSAI's Lima and Tokyo Declarations, statements and reports adopted by INTOSAI in previous congresses, and the report of the United Nations Expert Group Meeting in Public Accounting and Auditing in Developing Countries. They consist of four parts: basic postulates, general standards, field standards and

reporting standards.

INTOSAI has developed these standards to provide a framework for establishing procedures and practices to be followed in conducting an audit, including audits of computer-based systems. Chapter one of the standards notes that they should be "viewed in the particular constitutional, legal and other circumstances of the Supreme Audit Institution."

Copies of the "INTOSAI Auditing Standards" are available by writing to the INTOSAI Secretariat in Vienna, the Saudi Arabian General Auditing Bureau, or this Journal.

### **"Accounting Standards Committee"**

The Accounting Standards Committee is chaired by the Auditor General of Canada, Kenneth M. Dye, and is comprised of the SAIs of Austria (*ex-officio*), Ghana, Kenya, Malaysia, Peru, Sweden, and Trinidad and Tobago. The committee had prepared "Statement 1" for discussion and approval by the Congress; the statement helps facilitate understanding of the objectives and operating procedures of the committee, and the nature, scope and use of its outputs. The statement was approved by the Governing Board at its June 12 meeting in Berlin, but will not be voted on by the membership at large until the 1992 Congress. The reason for this was objections on the part of representatives of the court of accounts system of auditing that they had not had sufficient time to study the statement, and as mentioned above, felt that there should be broader representation on the committee. Although the draft statement had been circulated to all SAIs one year prior to the Berlin Congress, it was decided that additional time would be granted for further discussion and consideration. Work is also underway on additional statements.

"The delegation of the People's Republic of Bulgaria participates in the Congress of INTOSAI for the first time and this fact is reason enough to express our gladness and gratitude at the same time for the opportunity afforded to us to be here. Despite our absence up to now, we have not been strange to the ideas, the aims and the tasks of INTOSAI, moreover, we have carefully studied the papers of almost every congress and every action of the organization. We remain with the hope that our future presence in INTOSAI shall be useful, shall contribute to our mutual professional contacts, for the enrichment of the methodology, of the theory and practice of control."

—Dr. Michail Dinev

Chairman, State Financial Control  
Committee of Bulgaria

Copies of the draft "Statement 1 of the INTOSAI Committee on Accounting Standards" are available by writing to the INTOSAI secretariat in Vienna, the Office of the Auditor General of Canada, or this Journal.

### **"Internal Control Standards Committees"**

The subject of internal control has long been of interest to INTOSAI members and can be traced back as far as the 1974 Congress where one of the themes included discussions on the importance of internal control systems. In an effort to improve financial management and strengthen accountability in the public sector, the Committee on Internal Control Standards was created to develop guidance for SAIs to use in establishing and maintaining effective internal controls in the context of their own countries. Chaired by Mr. Charles A. Bowsher of the U.S. General Accounting Office, the member countries on the committee are Austria (*ex-officio*), Australia, Chile, Egypt, Jamaica, Spain, Tanzania, and Yugoslavia.

The Committee, which aims to present its final product at the

1992 Congress, has prepared a draft "Proposed Internal Control Guidelines and Standards" which was discussed at a committee meeting, the Governing Board meeting, as well as a general plenary session in Berlin. The working draft includes discussion on: using central agencies to promulgate requirements for internal control systems; management's responsibility for implementing and monitoring such systems; the basic elements that need to be considered in developing, implementing and monitoring internal control systems; and, the relationship between the SAI, internal audit departments and effective internal controls.

### **Awards Recognize Excellence In Achievement and Services**

For the third time in its thirty-six year history, INTOSAI gave two awards, one for the best article published in this Journal for the years 1986-88, and another to recognize special advancement in an SAI for the same period. The awards are known by the names of the two men they honor, the Elmer Staats Award for the Journal article and the Jorg Kandutsch Award for recognition of audit accomplishments.

The Kandutsch Award focuses on three principal items: organization structure and the application of new work methods; positive results of good systems of internal control; and, contributions or assistance to other members of INTOSAI.

The winning SAI was the General Auditing Bureau of Saudi Arabia, which was recognized for its successful achievements in government auditing, particularly in the area of performance and EDP auditing. In addition, Saudi Arabia was recognized for its contributions to ARABOSAI and ASOSAI. In presenting the award, INTOSAI Secretary General Dr. Broesigke noted the important contributions Saudi Arabia made in chairing INTOSAI's Auditing Standards Committee, whose work was adopted by the Congress.

For the Staats award, given to the author of the best article published during 1986-1988, these criteria used were: contribution to knowledge and originality; subject matter, scope, relevance and use to the work of SAIs; literary merit, including use of language and expression; evidence of research; and imaginative treatment, flexibility, explanatory and illustrative ability. The criteria and panel of judges were approved by the Governing Board at its 1988 meeting. Judges were the Board of Editors and Associate Editors.

The winner of the Staats Award was "Methodology for Auditing Cost Recoverable Programs: Theory and Practice" by David Lewis, Neil Maxwell, and Vinod Sahgal, which was published in the January 1988 issue of the Journal.

### **Additional Congress Business and Activities**

Among the other business discussed by the Congress was the revision of INTOSAI's standing orders, the appointment of new auditors and Governing Board members, the presentation by the EEC Court of Auditors of a glossary, and the invitation by the US to host XIV INCOSAI in Washington, D.C.

INTOSAI's standing orders have been under review by a committee comprised of Peru (chair), Spain, Austria and the United States. The committee's draft report was presented to the Congress and discussed at length. It was decided at the second general plenary session that the committee should be expanded to include representatives from more regions, and so joining the committee will be Togo, Libya, Indonesia and France. The committee will meet next year and report to the Governing Board in 1990. Any changes to the standing orders will be voted on at the next INCOSAI in 1992.

Membership on the Governing Board changed in Berlin as two countries, Spain and Sweden, completed their terms of of-

office. They have been replaced by Finland and Indonesia. INTOSAI's auditors for the last three years, Brazil and India, have also completed their term of office and were replaced by Spain and Egypt.

Two publications were also presented at the Congress. The first, "Training Activities of Supreme Audit Institutions", contains the results of a training survey conducted by INTOSAI in response to recommendations made by XI INCOSAI in Manila. It contains analyses and summaries of information provided by member SAIs on various aspects of their own training programs.

The second publication, presented by the Court of Auditors of the EEC, is a glossary in five languages entitled "Working Paper: Selection of Terms and Expressions Used in the External Audit of the Public Sector." This publication is the result of a recommendation made at XII INCOSAI in Sydney, and was developed by the EEC working in conjunction with Court of Audit of the Federal Republic of Germany. The two-part document contains a multi-lingual index and a glossary (in Arabic, English, French, German and Spanish) of important terms used in the profession.

The October issue of the Journal will include more details of these publications.

### 1992 In Washington

INTOSAI's next triennial Congress, XIV INCOSAI, will be hosted by the U.S. General Accounting Office (GAO) and held in Washington, D.C. The official invitation was made by Charles A. Bowsher, Comptroller General of the United States (pictured at right), and unanimously accepted by the INTOSAI membership in Berlin. Staff at the GAO have already initiated advance planning for the 1992 Congress. Requests for information, or questions about the 1992 Congress should be directed to the U.S. General Accounting Office, Office of International Audit Organization Liaison, Room 7806, Washington, D.C. USA 20548. The staff can also be reached by telephone at 202-275-4707 or through facsimile transmission at 202-275-4021.



#### U.S. to Host XIV INCOSAI

During the final plenary session of XIII INCOSAI, Mr. Charles A. Bowsher, Comptroller General of the United States, invited INTOSAI members to Washington, D.C. for their next triennial meeting.

## Congratulations Are In Order!

Congress delegates were unanimous in acknowledging the fine work of the Bundesrechnungshof in hosting XIII INCOSAI. Recognizing the "behind the scenes" work which resulted in the successful Congress, delegates expressed appreciation to **Dr. Heinz Günter Zavelberg**, Congress President, and his staff (listed below) for a job well done.

**Ernst Heuer**  
Vice President  
General Manager of the Congress

**Detlev Sparberg**  
Executive Director of the  
Congress

**Gerhard Walz**  
Deputy and Congress  
Coordinator

### Officers:

**Wolfgang Kinner**, ICC and Technical  
Facilities

Deputy: **Horst Erb**

**Heinz Meinecke**, Technical Events

Deputy: **Michael Klostermann**

**Wolfgang Schulz**, Printing

Deputy: **Walter Wudi**

**Lothar Benninghaus**, Transport and Social  
Events

Deputy: **Werner Heinrichs**

**Otto Straub**, Hospitality Service

Deputy: **Dieter Birnbaum**

**Bernd Gindl**, Translations

Deputy: **Rolf Meyer**

**Kurt Barkhausen**, Security, Passports and

Customs

Deputy: **Michael Klostermann**

**Dieter Birnbaum**, Manager of Congress

Secretariat

Deputy: **Kurt Barkhausen**

**Geert Kuhle**, PC Facilities

Deputy: **Bernd Kurzschinkel**

**Klaus Rauck**, Manager of Logistics

Deputy: **Walter Kroner**

**Michael Klostermann**, Protocol

Deputy: **Kurt Barkhausen**



Mr. Fakieh, Saudi Arabia, center, acknowledges the Kandutsch Award, which was presented to his office at the second general plenary session. Mr. Fakieh is flanked by Mr. Taylor, Australia, left, and Dr. Zavelberg, right.



Mr. Dye, Canada, speaks on behalf of the three authors from his office who won the Staats Award.



The XIII INCOSAI program included two meetings of INTOSAI's Governing Board. Pictured here at the 32nd meeting, are, from left to right: Dr. Weber, Austria; Dr. Broesigke, Austria; Mr. Domingo, Philippines; Mr. Taylor, Australia; Mr. Jacobs, Australia; and Dr. Zavelberg, Mr. Heuer, Mr. Kaltenbach and Dr. Sparberg, all of the Federal Republic of Germany.



Members of the Board of External Auditors of the United Nations took advantage of being together in Berlin to hold a meeting. From left to right are: Mr. Cifuentes, Executive Secretary; Mr. Domingo and Ms. Chavez, Philippines; and Mr. Ghansah and Mr. Takyi, Ghana. Not pictured are the representatives of France.

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# Reports in Print

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Mr. Abu Ghararah

In a newly published book, Computer Systems Auditing, Osama Abu Ghararah provides an excellent discussion of the basic concepts of EDP auditing. The book describes computer systems and provides information about approaches to audit with and through them. Mr. Abu Ghararah is currently the Manager of the Computer Department in the Saudi Arabian General Auditing Bureau's Jeddah Branch Office, and he has drawn upon his experiences there as well as his studies as a participant in the International Auditor Fellowship sponsored by the U.S. General Accounting Office in developing this study. The text includes detailed case studies and examples as illustrations of the major principles. The EDP glossary also provides new EDP auditors with a useful tool. Available in Arabic only, the book may be purchased for US\$15.00 through the **Hafiz House Publishers & Distributors, P.O. Box 2973, Jeddah, Saudi Arabia 21461.**

\* \* \* \*

A comprehensive study of the growth and development of a state audit office is chronicled in Francisco S. Tantuico, Jr.'s new book, *State Audit Service: A Decade*. In this book, the former Chairman of the Philippine Commission on Audit (COA) recounts the major events of his tenure by focusing on the significant reforms which were introduced in COA from 1975 through 1986. Ranging from changes in the basic philosophy regarding the nature of the work completed by COA to new approaches in recruiting, training, and retaining qualified staff, the book describes how these efforts contributed to the professionalization of the state's audit arm. Through his narrative Mr. Tantuico demonstrates that once direction and motivation are established, details can fall into place, change can be implemented, and significant accomplishments can be realized. Copies of the book, published in English, are available from the **Fiscal Administration Foundation, Inc., Universal-Re Bldg., 3rd Floor, No. 106 Paseo de Roxas, Makati, Metro Manila, Philippines.**

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Journal readers may be interested in obtaining copies of two recent publications by the International Monetary Fund. The 1988 edition of the *Government Finance Statistics Yearbook* contains detailed information on 137 countries and reflects a number of changes in format and classification to conform with the Fund's Manual on Government Finance Statistics which was published in 1986. The Yearbook now features a series of tables on government savings and introduces a Series of data maps portraying the geographic distribution of a number of key aggregates. Data presented in the Yearbook includes central government revenue, grants, expenditures, lending, and financing and debt. Less detailed information is also included on some state and local governments. The charts and tables have been prepared and organized to facilitate comparisons between countries and among regional groups.

The second publication, the *World Economic Outlook, April 1989* provides users with a comprehensive assessment of the

short-to-medium term prospects for the world economy. The *World Economic Outlook* discusses the problems of balance of payments adjustments, the key policy options available, issues of inflation and interest rates, debt, and capital flows. The extensive statistical appendix provides historical data as well as projections for a wide-range of variables including data related to output, prices, monetary and fiscal policy, trade, balance of payments, and debt.

Both publications are available in English through the **IMF Publication Services, 700 19th Street, NW, Washington, DC 20431, USA.** The cost for the Yearbook is US\$24.00 and for the *World Economic Outlook* is US\$25.00.

\* \* \* \*

Muhammad Akram Khan, Director-General (Research and Development) of the Performance Audit Wing, Department of the Auditor General of Pakistan, has recently completed the fourth booklet in a series on performance auditing. Executing Performance Auditing builds upon the concepts developed in the earlier publications (*Elements of Performance Auditing, Performance Auditing: The 3 E's, and Planning for Performance Auditing*) and presents a well developed case study. Mr. Khan provides an illustration of an audit program and traces it through the methodology used to execute the program and develop working paper files. The example addresses a case of cost and time over-runs and shows how an auditor can analyze these over-runs to narrow down areas of management responsibility. Numerous graphics and samples are included in the text, making this a valuable resource for supervisors and trainers introducing performance auditing to staff. Copies are available in English at no cost through **Mr. Muhammad A. Khan, Performance Audit Wing, Department of the Auditor General of Pakistan, Mauj-e Darya Road, Lahore-21, Pakistan.**

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*Public Service Accountability: A Comparative Perspective* provides an analysis of public service accountability in developed and developing countries. Articles included in the book examine the issues that have developed as the complexity and diversity of the modern state have resulted in increasing power available to the government with increasing opportunities for administrative excesses and misuse by public sector employees. Authors from 14 countries examine efforts to improve government accountability which is critical to safeguarding the public interest and public funds. Edited by Joseph G. Jabbar and O. P. Dwivedi, the book is available in paperback for US\$25.95 through Kumarian Press.

*Managing Information: International Case Studies*, available through the same publishing company, gives managers the insights into the introduction of new technology into the workplace. The cases and the notes for instructors combine fictional accounts based on actual situations from Africa, Asia, Latin America and North America with modern PC technology to focus and stimulate interactive learning activities. Developed by Ian Mayo-Smith of the University of Massachusetts and Nancy Rutherford from the Yale University Center for International and Area Studies, the case studies and notes are available in English for US\$14.95 through **Kumarian Press, INC., 630 Oakwood Avenue, Suite 119, West Hartford, Connecticut 06110-1505, USA.**

**THE INTERNATIONAL CONSORTIUM ON GOVERNMENTAL FINANCIAL  
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AND  
**THE INTERNATIONAL FEDERATION OF ACCOUNTANTS**  
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October 12-14, 1989  
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- INTOSAI: Are the Standards Generally Accepted;
- Installing a Performance Measurement System
- Financial and Operational Accounting for Performance;
- How the Controller/Auditor General Examines Performance
- Privatization: Its Impact on Government Fiscal Performance;
- Contract Plan: Performance Tie to Budgeting
- Financial Management Training for Developing Countries;
- International Development Agency Activities to Improve Governmental Financial Management

Additional topics that will be discussed during the conference include :

- The Politics of the Budgetary Process
- Government Financial Management from the Legislative Perspective
- The Impact of Debt/Equity Swaps on Government Fiscal Management
- Positive Incentives for Controlling Corruption

The cost of the conference is \$ 475 for members of the Consortium and the International Federation of Accountants and \$ 575 for non-members.

For additional information , please contact Mrs. Audrey B. Dysland, Registrar, International Consortium on Governmental Financial Management, P.O. Box 8665, Silver Spring, MD 20907 U.S.A.  
Telephone: (301) 681-3836, Telefax: (301) 933-6461

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For further information contact:

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Graduate School, USDA  
600 Maryland Avenue, S.W., Room 134  
Washington, DC 20024 USA  
Tel. 202-447-7476  
TELEX 756563 GS INTL WSH  
FAX 202-382-8403



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# INTER UNIVERSITIES CONSORTIUM FOR INTERNATIONAL ACCOUNTING FINANCE AND COMPUTING

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**1989** 6 March - 26 May  
10 July - 29 September

**1990** 11 March - 31 May  
14 July - 3 October

**1991** 10 March - 30 May  
13 July - 2 October

Costs (including transfer between universities, accommodation and meals):

	1989	1990	1991
Computer applications course	£5,500	55,950	56,400
Public sector course	54,950	£5,450	£5,950

Students will spend four weeks at each university and will thus gain experience of three different regions of the UK.

For further information regarding these courses and the other activities of the consortium please contact:

*Professor R. J. Briston*  
*Department of Accounting, University of Hull, Hull HU6 7RX, England*  
*Telephone: Hull (0482)466221*

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For further information please contact:

*Colin Palmer, B.Sc., F.C.A.,*  
*Hodgson Impey, Queen Victoria House, Guildhall Road,*  
*Hull HU1 1HH, England. Telephone: (Hull) (0482)2241 11*