

I. Introduction

1. Study Background

The 1997-1998 Asian financial crisis exposed structural weaknesses in the banking and corporate sectors of affected countries owing largely to poor governance, a lack of transparency, and weak supervision and regulation.³

The Asian Development Bank (ADB) has been taking a number of initiatives to assist Developing Member Countries (DMCs) to overcome these structural problems. The focus on improved governance includes enhancing the effectiveness of public administration and development management at the sector level and in national institutions. Where appropriate, institutional development of the local and provincial agencies and the private sector is also covered. A sound regulatory financial framework and its enforcement, capable institutions, skilled human resources, and effective monitoring and supervision are important prerequisites to an efficient financial structure.

In 2000, under ADB Regional Technical Assistance (RETA) 5877⁴, Diagnostic Studies of Accounting and Auditing (DSAAs) were prepared and published for Cambodia, Mongolia, Pakistan, Papua New Guinea, People's Republic of China, Uzbekistan, and Viet Nam. ADB approved RETA 5980—*Diagnostic Study of Accounting and Auditing Practices in Selected DMCs*⁵—for the purpose of carrying out initial studies to identify gaps and weaknesses in accounting and auditing arrangements and to recommend courses of action to overcome these problems. It extends the work conducted under RETA 5877.

2. Objectives

ADB has demonstrated its stand on the importance of good governance, through effective financial management, for sustained economic development. This RETA involved a diagnostic review of the existing

³ Zhuang, Juzhong, David Edwards, David Webb and Ma. Virginita Capulong. 2000. *Corporate Governance and Finance in East Asia: A Study of Indonesia, Republic of Korea, Malaysia, Philippines and Thailand*. Manila: ADB.

⁴ *Strengthening Financial Management and Governance in Selected DMCs*.

⁵ For \$230,000 approved on 20 March 2001.

accounting and auditing support and standards available in the selected DMCs. After carrying out this diagnostic review, the study assessed the need for assistance to improve the current situation. Objectives were to:

- (i) assess the capability and capacity within each country to provide efficient and effective accounting and auditing support to meet international standards and best practices and address the issue of training and capacity enhancement
- (ii) determine the existing accounting and auditing standards of each selected country
- (iii) assess the degree of deviation from International Accounting and Auditing Standards while identifying weaknesses and possible corrective options
- (iv) discuss the fieldwork findings and introduce the concepts of the international standards through workshops, and
- (v) determine the level and type of assistance needed by each country in order to provide acceptable accounting and auditing support to the private and public sectors.

3. Scope

The RETA involved an in-depth study of the key issues relating to accounting and auditing support in the selected DMCs, identified gaps and weaknesses that need to be addressed to improve accounting and auditing support, and developed assistance programs in collaboration with other donors to rectify the identified weaknesses. The Fiji Islands was one of four countries that participated in the RETA.

4. Country Case Studies and Workshop

The first part of the study examined the current accounting and auditing structure and systems adopted in the Fiji Islands. It also: (i) analyzed the political, institutional, and regulatory and legal framework on accounting and auditing practices and the level of enforcement of existing laws, rules and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually eliminating them.

The second part of this study disseminated the country research findings through in-country workshops. Each workshop provided a cross-section of views on the research findings and established ways to move

forward to improve financial management and governance in the country. After carrying out the assessment of accounting and auditing support in the Fiji Islands, the study findings and recommendations were discussed at a workshop in Suva on 6-7 February 2002, and at an international workshop at ADB Headquarters in Manila on 5-6 March 2002. This report incorporates feedback from both workshops. Appendix 3 provides further information on the country case study and Suva workshop.

5. The Fiji Islands

General⁶

The Fiji Islands are located in the south-west Pacific Ocean; about 1,800 km north of New Zealand and 4,400 km southwest of Hawaii. The archipelago's 332 islands are scattered over three million square kilometers. They range in size from the large island of Vitu Levu—where 70 percent of the population resides—to much smaller islands, of which only about 100 are inhabited.

European settlers began to establish plantations in the 1860s. This precipitated disputes amongst the Fijian and European communities. Following negotiations, the Fiji Islands became a British colony on 10 October 1874. Around 60,000 indentured laborers were brought from India in 1879–1916 to work in the sugarcane fields. Voluntary migrants in the 1920s and 1930s further boosted the Indo-Fijian population.

Fiji Islands' population is now around 811,000 and mainly comprises (indigenous) Fijians (50 percent) and Indo-Fijians (45 percent). Indo-Fijians outnumbered indigenous Fijians from the late 1940s through until 1987.

The Fijian-dominated Alliance Party governed the country from independence in 1970, until 1987. Following the April 1987 elections, an Indo-Fijian-dominated political party (the National Federation Party) joined with the New Labor Party to form the Government. The new Government was greeted with widespread Fijian protests and—after a few weeks—the Government's leaders were deposed in a coup d'état on 14 May 1987.

⁶ Primary Sources:

- ADB. 2001. *Asian Development Outlook 2001*: Manila: ADB.
- ADB. 2001. *Asian Development Outlook 2001 (Update)*: Manila: ADB.
- Fiji Online. 2002. About Fiji. www.fiji-online.com.fj
- Jones, Robyn and Leonardo Pinheiro. 1997 April. *Fiji*. 4th edition. Lonely Planet Publications.
- US Department of State. February 2001. Background Note: Fiji: Bureau of East Asian and Pacific Affairs.

Sitiveni Rabuka, the coup d'état's leader demanded protection of Fijian rights and the entrenchment of Fijian political dominance. In response, a state of emergency was declared and compromise arrangements were negotiated. However, Mr Rabuka did not accept these arrangements and staged a second coup d'état in September 1987. He reimposed military rule, declared the Fiji Islands a republic and appointed a new civilian government.

Since 1987, emigration levels have been extremely high: particularly of skilled and professional personnel. More than 70,000 people emigrated in the aftermath of the 1987 coups, 90 percent of whom were Indo-Fijians. A new Constitution—which concentrated power in Fijian hands—was promulgated in July 1990. Elections restored civilian rule in May 1992.

An amended Constitution, emphasizing fundamental rights, freedoms and representation was promulgated in July 1997. It vests executive authority in the President who is appointed by the *Bose Levu Vakaturaga* (Great Council of Chiefs). Parliament has an elected House of Representatives and a nominated Upper House or Senate. The House of Representatives comprises 71 members in 25 open seats and 46 communal seats.⁷ The Senate comprises 32 President-appointed members.⁸

Elections under the new constitution were held in May 1999. An Indo-Fijian-dominated and led Government was subsequently formed. However, in May 2000, a Fijian nationalist (George Speight) led a group of gunmen who took the Prime Minister (Mahendra Chaudhry) and most other Members of Parliament hostage. An eight-week standoff ensued, during which time the President relieved Mr Chaudhry of his office (due to incapacitation). The standoff was broken when the military seized power, brokered a settlement, and then arrested Mr Speight when he violated its terms—he is currently on trial for treason. The *Bose Levu Vakaturaga* and the military appointed an interim civilian government in July 2000. Civilian rule was restored by elections at the end of 2001.

With the continued expiration of land leases and the instability surrounding the 2000 coup, an outflow of skilled workers is again being reported.

While the Fiji Islands is one of the most developed Pacific Island economies, it remains a developing country with a large subsistence agriculture sector. Tourism has expanded rapidly since the early 1980s and

⁷ The 46 communal seats are allocated as follows: 23 for Fijians, 19 for Indo-Fijians, one for Rotumans, and three for "Others".

⁸ Of whom 14 are appointed on advice of the *Bose Levu Vakaturaga*, nine on the advice of the Prime Minister, eight on the advice of the Leader of the Opposition, and one on advice of the Council of Rotuma.

is now the leading economic activity. The country's largest exports are sugar and garments; each accounts for about one-quarter of export revenues. The garment industry developed rapidly with the introduction of tax exemptions in 1988. Other important export crops include coconut and ginger, although production levels of both are declining. The Fiji Islands has extensive timber reserves and forestry has increased in importance since the mid-1980s. The fishing industry is also important, both from export and domestic consumption perspectives. In the mining and manufacturing sectors, gold and silver are exported. Table 1 presents key indicators for the Fiji Islands and other selected countries.

Table 1: Key Indicators for Selected ADB DMCs^{9,10}

Indicator	Fiji Islands	Azer- baijan	Philip- pines	RMI	Sri Lanka
General					
Population (<i>thousands, 2000</i>)	811	8,049	78,400	52	19,359
Population density (<i>people per km², 2000</i>)	44.0	93.0	263.0	282.0	295.0
Urban population (<i>% of total, 2000</i>)	42.3	57.3	58.6	71.9	23.6
Average annual population growth rate (<i>%, 1995-2000</i>)	1.1	1.0	2.2	1.5	1.3
Social					
Under-five mortality rate (<i>per 1000, 1999</i>)	18.0	16.0	31.0	63.0	15.0
Life expectancy at birth (<i>years, 1999</i>)	67.0	71.0	69.0	65.0	74.0
Adult literacy rate (<i>15-yr+, %, 1999</i>):					
– Females	90.0	97	95.0	97.0	89.0
– Males	95.0	97	95.0	97.0	94.0
Population in poverty (<i>%, 1995-99</i>)	25.5	68.1	40.0	...	26.7
Human Development Index (<i>1999</i>)	0.76	0.74	0.75	0.56	0.74
Economic					
Gross National Product (GNP) (<i>\$million, 1999</i>)	1,848.0	3,705.0	77,967.0	99.0	15,578.0
GDP per capita (<i>\$, 2000</i>)	1,978.0	654.0	959.0	1,890.0	842.0
GDP growth rate (%)					
– 2000	-9.3	11.4	4.0	-2.3	6.0
– 1999	9.6	7.4	3.4	0.8	4.3
– 1998	1.4	10.6	-0.6	-16.0	4.7
– 1997	-0.9	8.8	5.2	-9.4	6.3
Consumer Price Index (<i>Annual % change, 2000</i>)	1.1	1.9	4.4	-1.9	6.2
Fiscal Balance / GDP (<i>%, 2000</i>)	...	-1.0	-4.2	-35.5	-9.9
Total External Debt / GNP (<i>%, 1999</i>)	9.3	30.0	64.8	...	60.3

⁹ ADB. 2001. *Key Indicators of Developing Asian and Pacific Countries*. Volume XXXII. Manila: ADB.

¹⁰ ADB. 2001. *Asian Development Outlook 2001*. Manila: ADB. pp. 139-140.

Table 1: Key Indicators for Selected ADB DMCs (continued)

Indicator	Fiji Islands	Azerbaijan	Philippines	RMI	Sri Lanka
Official Development Flows					
US\$ million (1999)	23.2	207.2	295.0	62.9	343.6
Dollars per capita (1999)	28.6	25.7	3.8	1,219.0	17.7
Percentage of GNP (1999)	1.3	5.6	0.4	63.5	2.2

Increasing Poverty in the Fiji Islands

The 1997 *Fiji Poverty Report* found indications of growing poverty levels in the Fiji Islands.¹¹ Among other things the study concluded that: (i) the proportion of households in poverty rose from 15 percent in 1977 to 25 percent in 1990—with a marked rise in urban poverty; (ii) about 6 percent of households were estimated to be facing absolute poverty, with weekly household incomes of \$19.10 or less; (iii) the poorest 20 percent of households accounted for just over five percent of income, while the richest 20 percent accounted for 50 percent of income (compared with India's figures of 8.5 percent and 42.6 percent, respectively); and (vi) an estimated 23 percent of the population does not have access to safe water.

Recent Economic Trends and Challenges¹²

The government-owned National Bank of Fiji (NBF) nearly collapsed in the mid-1990s. The subsequent government bailout, although inevitable in political terms, cost the economy dearly. NBF's collapse was largely due to poor supervision and poor corporate governance.¹³

¹¹ Government of Fiji and UNDP. 1997. *Fiji Poverty Report*. Suva, Fiji.

¹² Primary Sources:

- ADB. 2001. *Asian Development Outlook 2001*. Manila: ADB
- ADB. 2001. *Asian Development Outlook 2001 (Update)*. Manila: ADB.

¹³ NBF was subsequently split into NBF and Asset Management Bank (AMB). AMB was specially formed to recover the bad loans of the former NBF. NBF was taken over by Colonial Mutual Life Assurance Society Limited (CMLA) in February 1999, when the bank was renamed Colonial National Bank (CNB). Currently, CMLA holds 51 percent shares in CNB, with the rest being held by the Government (Volavola, Mereia and Jitendra Singh. 2001 May. Country Paper Presented at ADB Workshop on Strengthening Collection and Disclosure of Financial and Monetary Statistics. Reserve Bank of Fiji Paper. p. 16).

The effects of the Asian financial crisis contributed to substantial GDP falls in 1997 and 1998. Growth returned in 1999, aided by a 20 percent devaluation of the Fiji dollar.

However, the Fiji Islands' economy contracted by 2.8 percent in 2000 reflecting the impact of political instability in May 2000 and the associated widespread civil disorder and reactions of potential investors, tourists, and the international community. Tourism shrank by around 30 percent, as arrivals fell from the 1999 record level of 410,000 to about 280,000 in 2000. Several major investment projects, including new tourism facilities, were postponed. Many businesses suspended operations in response to looting and property destruction, particularly in the main centers of Suva, Lautoka, and Nadi. The international community's responses included reduced aid flows, imposition of diplomatic and trade sanctions, and travel advisories to tourists. Government activities were also adversely affected, including basic services such as power and water, and the operation of government departments.

The main exception to the drastic downturn was agriculture. A very good sugar crop was harvested, after several poor crops. Labor market conditions deteriorated in 2000: many people were laid off in the garment, tourism, retail, and construction sectors, while wages fell generally, with pay cuts in the private sector of 15–50 percent. The key challenge for the Fiji Islands is to reduce political instability:

“Since the military coup of May 19, 2000, the island nation of Fiji has had a rocky year politically. Economically, however, the country has fared better than expected. Although GDP shrank by an estimated 9.3 percent in 2000 due to the country's volatile political conditions, the economy has remained relatively strong overall, and it is projected that GDP growth in 2001 will be about one percent. Production of such goods as sugar, molasses, gold, textiles, and clothing, as well as tourism and exports, all plummeted in 2000, with exports falling by 20 percent according to the Asian Development Bank.

This latest political instability has renewed a history of military uprisings that occurred during the 1980s. Taken together, these upheavals have prevented the adoption of significant, long-lasting economic reform and the achievement of sustained economic growth, even though the government did manage to reduce taxes, cut its consumption of GDP, and deregulate to some extent during the 1990s.”¹⁴

¹⁴ O'Driscoll, Gerald P. Jr., Kim R. Holmes and Mary Anastasia O'Grady (Eds). 2002. *2002 Index of Economic Freedom*. 8th Edition. New York: The Heritage Foundation and The Wall Street Journal. p. 191.

Aside from political instability, the key economic management issues include the instability of the sugar industry due to expiring land leases and the expected cessation of the Lomé Agreement, poor productivity in the sugar industry, and uncertainty in the garment industry over the future of preferential trading agreements with Australia.

On the assumption that the political crisis is resolved, the economy is projected to grow by about 5 percent in 2002, driven by recoveries in tourism, manufacturing, and construction. Agriculture, forestry, and fisheries are forecast to show slow growth. Weak commodity prices, industrial unrest in key sectors, trade sanctions, the uncertain future of the garment industry, and negative tourism-related publicity are all key elements in these forecasts.

6. Financial Governance: Issues and Challenges

The key to sustained development is substantially higher private investment. Investment has been very low in the Fiji Islands for many years: private investment averaged only 5 percent of GDP in the 1990s.¹⁵

A recent ADB study identified the key constraints to Fiji Islands' financial sector development as being: (i) an inadequate economic environment; (ii) public sector domination; (iii) excessive government regulation; (iv) land tenure and leasing problems; (v) cultural and communal concerns; (vi) inadequate human resource skills; (vii) considerable government intervention in the financial sector; (viii) a need for standardized accounting practices; (ix) slow capital market development; (x) money and bond market distortions; (xi) inadequate supervision; (xii) outdated corporate and bankruptcy laws; (xiii) constraints on the FDB; (xiv) constraints on microfinance; and (xv) education and training shortcomings.¹⁶

To address these shortcomings, the study recommended: (i) improving the environment for real sector growth to promote financial sector growth by, amongst other things, addressing issues of outdated legislation and overstuffed bureaucracies; (ii) improving the operations of the Native Land Trust Board (NLTB); (iii) promoting sound, efficient financial systems and strengthening supervisory systems; (iv) promoting effective competition for foreign commercial banks; (v) reforming the FDB and the Fiji National

¹⁵ ADB. 2001. *Asian Development Outlook 2001*. Manila: ADB.

¹⁶ ADB. 2001. *Financial Sector Development in the Pacific Developing Member Countries: Volume One—Country Reports*. Manila: ADB. pp. 50-56.

Provident Fund (FNPF); (vi) developing the capital market; (vii) strengthening the environment for microfinance; and (viii) strengthening and supporting the informal financial sector.

This study refers to these constraints and recommendations where they relate to accounting and auditing arrangements. In particular, it considers accounting practices, legislation, financial disclosures and market supervision.

With regards to the core public sector, accountability breakdowns continue to make headlines. Most recently, it has been alleged that the Agriculture Ministry has misused F\$16 million.¹⁷ In particular, it appears that civil servants ignored procurement, appropriation and accounting rules.

The Government has publicly declared that curbing corruption and other unethical behavior is an integral part of its effort to promote transparency, integrity, and good governance.¹⁸ It has announced several responsive measures, including:

- Establishing a new disciplinary unit to investigate alleged abuses. The Unit will include the Public Service Commission (PSC) Secretary, the Finance Permanent Secretary and the Solicitor General.
- Establishing a joint *Civil Service Management Committee* to consider audit reports of the Auditor General and the Internal Audit Unit of the Ministry of Finance and National Planning (MOFANP), and to make recommendations to the PSC, the MOFANP and the State Law Office on disciplinary actions to be taken against those liable and found guilty of official corruption, misuse of government resources, and laxity in job performance in the public service.
- Strengthening the human and other resources of the Internal Audit Unit of the MOFANP to ensure that it performs effectively.
- Providing special powers to the MOFANP's Internal Audit Unit to undertake spot checks on government ministries, departments, offices and agencies to ensure integrity and honesty of their systems and staff, with special emphasis on those sections that administer and manage government contracts, services and licenses.
- Closely coordinating responses between the *Civil Service Management Committee* and the Internal Audit Unit in relation to reports of the Auditor General and the Public Accounts Committee, to ensure that

¹⁷ *Sydney Morning Herald*. 2002. Fiji Government Dogged By Agricultural Scandal. 16 January.

¹⁸ Qarase, Laisenia (Prime Minister of the Republic of the Fiji Islands). 2002. A Pledge Honored, and Promises Fulfilled. Newspaper advertisement published in the *Fiji Times*. 29 January.

responsible officers take appropriate corrective measures or face disciplinary action.

- Emphasizing training workshops for all government accounting officers to reinforce the need for strict adherence to rules and regulations, procedures and requirements relating to financial management and control.

Furthermore, among other things, the Government announced—in the 2002 *Budget Address*¹⁹ and in the 2002 *Economic and Fiscal Update*²⁰—that it would:

- Establish a *Financial Intelligence Unit* to counter money-laundering practices.
- Reactivate the suspended Financial Management Reform (FMR) program. These reforms will be phased over a number of years, taking into account technical and human resource capabilities.
- Strengthen public enterprise reforms:
 - o Improve the efficiencies, accountabilities and performances of public enterprises and statutory agencies, through the *Public Enterprise Act 1996* and the new *Public Finance Management Act (PFMA)*.
 - o Continue to divest its shareholdings in selected enterprises.

7. ADB Focus on Financial Governance in the Fiji Islands

ADB released its *Pacific Strategy* in September 2000. The *Strategy* groups the Fiji Islands together with the Cook Islands, Federated States of Micronesia (FSM), Samoa, and Tonga. This grouping is based on these countries' higher skills base, good long-term growth prospects, moderate resource potential, strong tourism potential, high international labor mobility, generally good social development indicators, and low poverty.

In relation to this group, ADB intends focusing on physical infrastructure and private sector development to promote economic growth. In terms of policy reform, particular emphasis will be given to removing bottlenecks or impediments to private sector investment and growth.²¹

ADB's particular medium-term focus for the Fiji Islands is to stimulate economic growth by encouraging private sector development and export-

¹⁹ Kubuabola, Jone Y. (Minister for Finance and National Planning). 2001 November 9. 2002 Budget Address: Building Confidence for Sustained Growth. Government of the Fiji Islands.

²⁰ MOFANP. 2001 November 9. *Economic and Fiscal Update: Supplement to the 2002 Budget Address*. Government of the Fiji Islands.

²¹ ADB. September 2000. *A Pacific Strategy for the New Millennium*. Office of Pacific Operations. Manila: ADB. p. 28.

oriented activities that support job creation. This will involve enhancing public sector reforms, supporting the establishment and functioning of an efficient financial sector and capital market, promoting corporatization and commercialization of public sector enterprises, selecting public sector investments for infrastructure development and poverty reduction, and addressing environment and natural resource management concerns.²²

The *Pacific Strategy* also emphasizes regional priorities. In relation to financial governance, these include:²³

- Regional Stock Exchanges. The economies of some PDMCs are so small that they cannot support an indigenous capital market. Only Papua New Guinea (PNG) and the Fiji Islands have their own stock exchanges, and these remain relatively small. Yet, promoting capital investment in the region is critical to the growth of these economies. ADB is investigating the possibility of linking the stock exchanges in PNG and the Fiji Islands, and expanding this linkage through the Internet to smaller PDMCs.
- Public Sector Management. ADB is already working with the ADB Institute on a Public Sector Executive Management Program wherein senior public servants get the opportunity to work together and share their experience with public sector reform in their countries. ADB also supports the Pacific Financial Technical Assistance Center (PFTAC) in association with the International Monetary Fund (IMF), with the objective of providing ongoing technical assistance (TA) to the PDMCs in the areas of fiscal management and public sector reform. Further opportunities in this area of exchange will be explored.

8. International Guidelines and Surveillance²⁴

The international community is supporting the development of guidelines, standards, and codes to assess financial management and governance practices (see Table 2). This report compares Fiji Islands' arrangements and practices against these benchmarks.

These guidelines, standards and codes—to varying extents—all

²² ADB. 2001. *Annual Report 2000*. Manila: ADB.

²³ ADB. September 2002. *A Pacific Strategy for the New Millennium*. Office of Pacific Operations. Manila: ADB. p. 30.

²⁴ Narayan, Francis B., Ted Godden, Barry Reid, and Maria Rosa Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. Manila: Asian Development Bank. pp. 12-13.

involve accounting and auditing arrangements. Furthermore, in an attempt to identify and avoid potential crises before they occur, the IMF and the World Bank have together embarked on a series of *Reports on the Observance of Standards and Codes (ROSCs)*. These reports summarize the extent to which countries observe certain internationally recognized standards.²⁵ While ROSCs are intended to be voluntary, the information provided by each country (or not provided, as the case may be) is likely to influence country dealings with international financial institutions, and the level of confidence that the international financial community has in a country.

Table 2: Selected International Guidelines, Standards and Codes

Guideline, Standard or Code	Promulgated By
• Principles of Corporate Governance	Organisation for Economic Cooperation and Development (OECD)
• Code of Good Practices on Fiscal Transparency	IMF
• Code of Good Practices on Transparency of Monetary and Financial Policies	IMF
• Implementation of the Objectives and Principles for Securities Regulation assessment surveys	International Organization of Securities Commissions (IOSCO)
• International Accounting Standards (IAS)	International Accounting Standards Board (IASB)
• International Standards on Auditing (ISA)	International Auditing and Assurance Standards Board (IAASB)
• Draft Banking Supervision guidelines	Basel Committee on Banking Supervision (BCSB) of the Bank for International Settlements (BIS)

9. Report Structure

This report examines Fiji Islands' financial management and governance issues, with a focus on accounting and auditing arrangements. In addition to this introduction, the report has the following chapters:

- Chapter II – **Accounting and Auditing in the Fiji Islands** – presents an overview of Fiji Islands' accounting and auditing arrangements. It provides context for the following chapters on professional infrastructure, accounting and auditing standards, accounting and auditing training, and government budgeting and accounting arrangements.

²⁵ IMF. September 2000. Experimental Reports on Observance of Standards and Codes (ROSCs). www.imf.org/external/np/rosco

- Chapter III – **Professional Infrastructure** – describes Fiji Islands’ professional accountancy infrastructure.
- Chapter IV – **Accounting and Auditing Standards** – describes the accounting and auditing standards that govern the preparation of external financial reports and their audit.
- Chapter V – **Accounting and Auditing Training** – describes accounting and auditing education and training, including the service examinations for civil servants in accounting roles.
- Chapter VI – **Government Budgeting and Accounting** – describes government budgeting and accounting arrangements.
- Chapter VII – **Donor Assistance** – reviews donor coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements.
- Chapter VIII – **Issues and Recommendations** – presents the issues and recommendations that are associated with gaps or weaknesses in accounting and auditing arrangements.
- Chapter IX – **Country Action Plan** – summarizes deficiencies and actions to address these deficiencies. Recommendations are divided into actions that would be better achieved with external assistance; and actions that may be achieved without external assistance.