

## V. Accounting and Auditing Training<sup>21</sup>

This chapter describes accounting and auditing education and training. It is structured as follows:

- 1 – Introduction
- 2 – Educational Coordination – describes the coordination of accountancy education within Mongolia.
- 3 – Tertiary Education – describes the providers of tertiary accountancy education and the training of accounting lecturers and professors.
- 4 – Other Training Institutions – describes the training activities of the Mongolian Professional Accounting Council (MPAC) and the Accounting Division of the Ministry of Finance and Economy (MOFE).
- 5 – Donor-Supported Training Activities – reviews the various training activities that have been, or are being, supported by donor agencies.

### 1. Introduction

Most accounting and auditing skills are generally considered to be developed through on-the-job practical training and work experience. That aside, educational standards, particularly at the undergraduate level determine the basic level of knowledge that new entrants to the accounting market have. The higher this level is, the faster that skill will be developed.

Communism has left Mongolia with a legacy of high educational standards – particularly in the sciences – on which to build. Like many other countries in transition, Mongolia has a very large number of ‘accountants’. The MOFE estimates that there are 4,000 to 5,000 public sector ‘accountants’ and around a further 30,000 private sector

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<sup>21</sup> *Acknowledgement:* The material presented in this chapter, and the associated recommendations presented in chapter VIII, draws heavily on the following recent UNDP-sponsored reports:

- International Management Consultants Ltd. April 2000. UNDP Governance and Economic Transition Program: *National Training Strategy for Public Sector Accountants*. UNDP MON/97/141.
- United Nations Development Program. 1999. *Projects for Accountability and Transparency*. UNDP MON/97/120/A/01/99.

‘accountants’. In reality, most of these accountants are bookkeepers and producers of statistical information.

## 2. Educational Coordination

MPAC, together with the Ministry of Education, Culture and Science, conducts biannual reviews of the accounting courses offered by tertiary training institutions. These reviews are cursory in nature and mainly relate to the issuance of licenses to conduct training. The *Accounting Law 1997* states that organizations may conduct accountancy training only with the permission of Ministry of Education, Culture and Science and MOFE. In addition, MICPA provides input to the development of the accounting and auditing curricula of the tertiary institutions and MPAC. Earlier this year, a Training Task Force was established within MOFE to coordinate public sector accountancy training activities.

## 3. Tertiary Education

Mongolia has moved away from the Soviet educational model in the past 10 years. Before 1991, accountancy was not taught as a major in universities and colleges. Five State institutions now offer undergraduate and postgraduate programs in accountancy (Table 6 refers) but, as these institutions are unable to meet demand, a number of private sector accountancy training providers have emerged. There are about 30 private sector training organizations of which only one, Mandakh, specializes in accounting and finance training.

Table 6: State Tertiary Institutions<sup>22</sup>

Institution	Courses of Study	Other
Institute of Finance and Economics: • <i>Department of Accounting</i>	Diploma in Accounting (3½ years fulltime) BA in Accounting (4 years fulltime, 4 years+ part-time)	BA program: • 200 students (1,000 applicants). Faculty strength: • 16 (of whom four are professionally qualified).

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<sup>22</sup> Source: International Management Consultants Ltd. April 2000. UNDP Governance and Economic Transition Programme: *National Training Strategy for Public Sector Accountants*. UNDP MON/97/141. pp. 36-40.

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Institution	Courses of Study	Other
<p>Mongolian State University:</p> <ul style="list-style-type: none"> <li>• <i>Faculty of Finance and Accounting</i></li> </ul>	<p>BA in Accounting (4 years fulltime)            MA in Accounting (12–18 months)            Ph.D. program, beginning in 2000.</p>	<p>BA program:</p> <ul style="list-style-type: none"> <li>• 80 students (1,000 applicants).</li> </ul> <p>Faculty strength:</p> <ul style="list-style-type: none"> <li>• 15 (of whom two are professionally qualified).</li> </ul>
<p>Institute of Agriculture:</p> <ul style="list-style-type: none"> <li>• <i>Accounting Department</i></li> </ul>	<p>BA in Accounting (4 years fulltime, 5 years part-time)</p>	<p>BA program:</p> <ul style="list-style-type: none"> <li>• 120 students (1,000 applicants).</li> </ul> <p>Faculty strength:</p> <ul style="list-style-type: none"> <li>• 14 (of whom two are professionally qualified).</li> </ul>
<p>Institute of Commerce and Business:</p> <ul style="list-style-type: none"> <li>• <i>Department of Accounting and Analysis</i></li> </ul>	<p>Diploma in Accounting (3 years fulltime)            BA in Accounting (4 years fulltime)            MA in Accounting (18 months)</p>	<p>BA program:</p> <ul style="list-style-type: none"> <li>• 60 students (300 applicants).</li> </ul> <p>Faculty strength:</p> <ul style="list-style-type: none"> <li>• 14 (of whom four are professionally qualified).</li> </ul>
<p>Academy of Management:</p> <ul style="list-style-type: none"> <li>• <i>Faculty of Economics</i></li> </ul>	<p>Diploma in Public Administration (1 year fulltime, 2 years part-time)            Diploma in Business Administration (1 year fulltime, 2 years part-time)            Master of Public Administration (1 year fulltime, 2 years part-time)            Master of Business Administration (1 year fulltime, 2 years part-time)</p>	<p>DPA – 270 students            DBA – 80 students            MPA – 10 students            MBA – 16 students</p> <p>Faculty strength:</p> <ul style="list-style-type: none"> <li>• 70 (of whom four are professionally qualified).</li> </ul>

ADB is supporting the Government's efforts to reform the education sector, as a whole, through the Education Sector Development Program. The objective of the Education Sector Development Program is to make the sector more effective, responsive, and sustainable. ADB has provided substantial assistance in this respect.<sup>23</sup> The Government is in the process of preparing an updated Education Sector Strategy (2001–2005).<sup>24</sup> It is expected that emphasis will be placed on basic and non-formal/distance education, market-driven vocational education and the strengthening of science and technology at the tertiary level.

The recent UNDP report identified several issues with respect to tertiary training:<sup>25</sup>

- Teaching aids – the blackboard is the prime teaching tool due to budgetary constraints.
- Textbooks – there is a shortage of Mongolian textbooks, in terms of both quantity and range. Moreover, the quality of these texts is poor in terms of translation and their application to the Mongolian environment.
- Staff development – the faculty members that were interviewed as part of the UNDP study acknowledged that their accounting knowledge and skills base could be improved, but the opportunities for further studies were limited due to financial constraints.
- Teaching methods – these tend to focus on the traditional lecture approach. To an extent, this is due to accounting lecturers being paid based on hours taught. Not only does this compromise learning effectiveness but also lecture hours are very high at the expense of tutorials and research.
- Academic association – accountancy lecturers do not have an association.

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<sup>23</sup> See, for instance: Loan 1507-MON: *Education Sector Development Program*, for \$6.5 million approved on 19 December 1996; Loan 1508-MON: *Education Sector Development Project*, for \$9.0 million approved on 19 December 1996; TA No. 2719-MON: *Institutional Strengthening in the Education Sector*, for 950,000 approved on 19 December 1996; TA No. 3174-MON: *Education Sector Strategy Study 2000-05*, for \$150,000 approved on 12 March 1999.

<sup>24</sup> PPTA No. 3351-MON: *Second Education Development Program*, for \$550,000 approved on 20 December 1999.

<sup>25</sup> Source: International Management Consultants Ltd. April 2000. UNDP Governance and Economic Transition Programme: *National Training Strategy for Public Sector Accountants*. UNDP MON/97/141. p. 41.

- Training for academics – accountancy lecturers do not receive targeted training.

#### **4. Other Training Institutions**

##### Mongolian Professional Accounting Council (MPAC)

In addition to its coordination activities, MPAC conducts training for CPA examination candidates. It also promotes continuing professional education (CPE). To this end, each *Aimag* (province) has an accounting specialist, appointed by the *Aimag* administration, who is responsible for making training requests to MPAC.

##### Ministry of Finance and Economy

The MOFE is an active trainer. The Fiscal Policy Department conducts workshops for budget specialists relating to the application of new budget preparation guidelines and changes to the budget timetable. The Accounting Division conducts training on newly issued accounting regulations. It also provides training resources under the auspices of MPAC and MICPA.

#### **5. Donor-Supported Training Activities**

Donor-supported accountancy training activities include the following.

##### *ADB: Improving Accounting and Auditing Systems*<sup>26</sup>

This TA was conducted from March 1996 to May 1997. Training-related activities included: the preparation of a training manual for accountants (117 pages), the preparation of an auditing manual for Mongolia (143 pages), the development and delivery of a training program (three seminars) on: financial accounting, managerial accounting, and accounts conversion. The seminars were based around a case study. Additional courses on accounting information systems and auditing were also developed and delivered.

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<sup>26</sup> TA No. 2390-MON: *Improving Accounting and Auditing Systems*, for \$600,000 approved in September 1995.

*ADB: Improving Accounting and Auditing Systems II*<sup>27</sup>

This TA was conducted from March 1998 to March 2000. TA activities included: preparing 45 accountants for international standard CPA examinations and conducting these examinations (18 candidates passed the examinations but have not received their qualifications from MOFE).

*World Bank Fiscal TA*

The Fiscal TA has supported, and will continue to support, accountancy training in the public sector and training in the computerized accounting information systems that will be procured with the Fiscal TA funds.

*Australia (AusAID)*

Australia is providing support to the State Audit Board in association with the ADB-supported governance reform program. The support involves provision of auditors from the Victorian Auditor-General's Office to the State Audit Board. The Australian auditors are working alongside the SAB auditors to review the financial statements that have been prepared for the five pilot agencies.

*Japan (JICA)*

Japan is supporting the design and implementation of a Public Investment plan (PIP) Budgeting Process in the Ministry of Finance and Economy through the provision of consulting advice and training (September 1998 to March 2001).

*Germany (GTZ)*

Germany is providing support to the State Audit Board through a project titled *Institutional Strengthening of the State Audit Board (SAB)* [DM3 million; April 1998 - March 2001]. The project aims to improve state auditing (methodologies and technical skills) by providing equipment, training and short-term experts. The project involves training (seminars and study tours) staff from the SAB, MOFE and Academy of Management (AOM).

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<sup>27</sup> TA No. 2964-MON: *Improving Accounting and Auditing Systems II*, for \$688,000 approved in December 1997.

*EU-TACIS: Academy of Management (AOM)*

The AOM is the Government's prime management training provider. EU-TACIS is supporting a major initiative to strengthen the AOM's training capacity. The aim of this project is to improve the effectiveness and efficiency of public administration through provision of short- and long-term training of public administrators. The curriculum includes modules on public sector financial management.<sup>28</sup>

*UNDP: International Accounting Standards Training*

The UNDP has sponsored the development of a six-module training program on International Accounting Standards, financial accounting, management accounting, costing, auditing, and public sector management. Tenders for delivery of the training were called in 1999 and several training institutions were contracted to deliver the training to around 1,600 public sector accountants. This approach was adopted for three reasons. First, the cost of training being delivered by local institutions was much lower than would have been the case for international consultants. Second, language barriers were minimized. Third, the approach strengthened training institutions along with trainees. Preliminary anecdotal feedback indicates that the program has been extremely effective.

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<sup>28</sup> Strengthening of the Academy of Management (AOM). ECU 0.800 million; May 1999–November 2000.

