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# €133bn in gold says take federal auditing seriously

*From Mr Ian Ball.*

Sir, Even for someone like me, who believes that the current crisis in Europe was caused in part by poor accounting and auditing by governments, it came as a real surprise to learn that the German government's auditors had not done a physical check of the Bundesbank's gold reserves since at least 2002 ("Not one nugget of truth in doubts over gold stock, says Bundesbank", report, October 24). Put that finding alongside the €55bn (2.6 per cent of gross domestic product) accounting error a year ago and the German government's resistance to moving away from its archaic cash-based system of accounting, and you might begin to wonder if the German fiscal position is as strong as is widely believed.

Of course, absent a proper balance sheet – under cash accounting you do not get one – it is impossible to know. Governments and regulators around the world have demanded that auditors exercise more professional scepticism and be fully satisfied about the sufficiency and appropriateness of evidence. It is difficult to imagine a scenario that would concern an auditor more than being unable to confirm the physical existence of a €133bn asset. This situation again draws attention to the dangerous inadequacy of accounting and auditing by many governments. How bad does the situation have to be before they will take their own accounting, auditing and financial management seriously?

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