



Strengthening Public Oversight and Audit of Sovereign Lending and Borrowing Frameworks

IDI Trans regional Programme on

**PUBLIC DEBT AUDITING
2013-2016**

**PRESENTATION FOR WGPD ANNUAL
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LIST OF ABBREVIATIONS

AFROSAI-E – African Organisation of English speaking Supreme Audit Institutions
ASOSAI – Asian Organisation of Supreme Audit Institutions
IDI – INTOSAI Development Initiative
ISSAIs- International Standards for Supreme Audit Institutions
INTOSAI – International Organisation of Supreme Audit Institutions
MFA- Ministry of Foreign Affairs
OLACEFS – Latin American Organisation of Supreme Audit Institutions
PASAI – Pacific Organisation of Supreme Audit Institutions
PDA – Public Debt Audit
SAI – Supreme Audit Institution
UNCTAD – United Nations Conference on Trade and Development
UNITAR – United Nations Institute for Training and Research
WGPD – (INTOSAI) Working Group on Public Debt

IDI Trans regional Programme on Public Debt Auditing

1. BACKGROUND

In the last five years, several national governments (referred to as sovereigns hereafter) have been faced with debt crises. Policy responses to financial crises have been varied and non-uniform depending of prevailing economic and political conditions. The frequency and severity of debt crises and the consequent adverse impact on managing of public finances reinforces the need for promoting responsible lending and borrowing behaviours. An important role in this is played by the national oversight institutions like the Parliaments and Supreme Audit Institutions (SAIs).

The ISSAIs on audit of public debt provide an overarching guidance to the SAIs engaged in this area of audit. However, there is a need to focus audit efforts on reviewing the legal and administrative frameworks in the borrowing as well as lending agencies and it is becoming increasingly important in the light of the deepening debt crises.

The INTOSAI Working Group on Public Debt (WGPD) has developed comprehensive guidance (ISSAIs) and case studies to focus on public debt audit issues. The IDI cooperated with the WGPD during 2009-2012 in a trans-regional programme on public debt audit which resulted in IDI-WGPD Guidelines on Public Debt Audit.

Lack of globally agreed rules and regulations guiding sovereign financing have contributed to many instances of irresponsible sovereign borrowing and lending. The United Nations Conference on Trade and Development (UNCTAD) has developed a set of voluntary guidelines that promote and reinforce responsible sovereign lending and borrowing practices. The principles are meant to fill this gap.

The Government of Norway has been supporting the initiatives in enhancing public financial management practices in developing countries for many years. The Ministry of Foreign affairs (MFA) has in the past funded the IDI global programme on public debt management and continues to support the IDI initiatives in this field.

2. PROGRAMME DESCRIPTION

Being a specialized area of audit and a regular demand from the SAIs for capacity development, the IDI has initiated a global/trans regional cooperation with the MFA, WGPD and the UNCTAD to develop a comprehensive capacity development programme in strengthening public sector oversight and audit of sovereign lending and borrowing frameworks.

Objective of the Programme

The programme will aim to strengthen the professional and institutional capacity of participating SAIs in conducting in-depth and effective audit of lending and borrowing frameworks, which in turn would result in influencing effective sovereign lending and borrowing practices.

Strategy for Programme Implementation

The programme is envisaged as a blended solution of theoretical learning through e-courses, workshops and information sharing meetings, and practical hands on capacity development through individual and joint pilot audits.

The programme will be conducted in cooperation with UNCTAD, UNITAR and WGPD and will engage with the international lending agencies like the World Bank and the IMF, public financial management institutions and ministries of finance in the participating countries.

The programme will involve participation from both developing and the developed countries SAIs, to address the practices followed by both borrowing and lending sovereigns. The programme will be initially offered in **English and Spanish** and will involve developing country SAIs in the five INTOSAI regions of ASOSAI, AFROSAI-E, CAROSAI, PASAI and OLACEFS, as well as developed country SAIs from some of the big donor countries. The SAIs who have already signed the UNCTAD's Doha Charter or have expressed in principle agreement to the Charter would be invited to participate in the programme. The programme will however be open to any other SAI from developing countries who may show interest in this area for audit capacity building. Overall , 20-25 SAIs from both developing and developed countries will participate in the programme. ¹

Provided funding can be secured during the entire period, the programme will be delivered over a period of 3 years. The first phase of the programme will be for preparation of guidance on agreed principles and scope of auditing sovereign lending and borrowing principles. A gap assessment tool will be developed and used to collect baseline data on existing audit practices for audit of lending and borrowing, as well as to assess the needs and skills gaps. This will be done online. In addition, methodology and curriculum for disseminating the guidance will be finalized and agreements with the participating SAIs will be signed. the focus will be on dissemination of the guidance through use of blended learning tools like online course and workshops. An online course on the key concepts based on the UN Principles and audit practices will be held, followed by audit planning workshops which would be followed through with pilot audits.

In the second phase, audit results will be reviewed and feedback will be obtained on the efficacy of the UN principles, both from the borrowers' and lenders' perspective, and IDI/WGPD audit guidelines based on these principles will be updated. A pool of public debt audit champions to be specifically trained and certified, who shall act as resource persons for their respective regions and other regions.

In the third phase a compendium of audit findings from the pilot audits will be published as well as database of trained In public debt audit experts will be created. The IDI and UNCTAD will engage with other development partners in the regions /SAIs to support the programme outcomes at the end of the programme period.

3.PARTICIPATING SAIs

The SAIs who have already signed the UNCTAD's Doha Charter or have expressed in principle agreement to the Charter would be invited to participate in the programme. The programme will

¹ See Annex 1 for costing and cost- sharing formula

however be open to any other SAI from developing countries who may show interest in this area for audit capacity building. Overall , 20-25 SAIs from both developing and developed countries will participate in the programme. ²

4. EXPECTED HIGHER LEVEL OUTCOME (AT the SAI level)

Public sector audit is effective in enhancing national governments' compliance to the agreed UN principles on contracting of debt:

- Strengthened capacity in participating SAIs for audit of pre and post contracting practices associated with public debt
- Greater acceptance of audit recommendations by both the sovereign borrowers and their lenders

5. EXPECTED INTERMEDIATE OUTCOMES (AT the IDI Programme Level)

- At least 80 % of the participating SAIs are able to complete audit of pre and post contracting practices associated with public debt, during the course of the programme
- Use of Global Guidance-
 - at least 50 % of the participating SAIs report a regular usage of the Guidance materials developed under the programme
 - Other SAIs in the INTOSAI community request for and use material developed in this programme
- The INTOSAI auditing standards are updated to reflect the evolving nature of audit of public debt mechanisms, especially related to lending and borrowing practices
- Similar programmes are taken up by regional bodies to cover SAIs not covered in this programme

6. ACTIVITIES PLANNED FOR 2013

1. A global conference on enhancing public sector oversight and audit of sovereign borrowing and lending frameworks to brainstorm on audit principles and scope for the audit of lending and borrowing principles.
2. A Stakeholders Planning Meeting with cooperation partners to agree on the programme design and delivery cost-sharing formula for non-OECD supported SAIs and roles and responsibilities.

² See Annex 1 for costing and cost-sharing formula

3. Development Meeting-1 will be held with the participation of the core team consisting of subject matter experts, regional instructors/training specialists and the IDI programme team to develop a gap analysis tool to assess the capacity and skill gaps in the SAIs in the audit of lending and borrowing frameworks. The team will also develop an E-course on the theoretical precepts using ISSAIs, UNCTAD principles and other relevant reference materials.
4. Survey and compilation of results of an online survey using the gap assessment tool will be done to define baseline data and implementation strategies
5. Programme announcement will be made using e-mails and selection of participants for E-Course will be carried out online
6. Development Meeting-2 will be held to develop translate and customize the guidance for Spanish speaking SAIs.

7. EXPECTED OUTPUTS FOR 2013

- Gap analysis tool to assess capacity and skill gaps relating to the audit of lending and borrowing frameworks , in English and Spanish
- Survey report
- Guidance on Audit of frameworks for sovereign lending and borrowing , in English and Spanish
- E-course on principles and key concepts in audit of sovereign lending and borrowing frameworks , in English and Spanish

8. RISK MANAGEMENT

Risks to programme success

- Adoption of UNCTAD principles and SAI audit guidance may not go hand in hand resulting in a mismatch of audit scope ability of the SAI to conduct the audit of borrowing and lending frameworks
- The SAIs may lack sufficient capacity to conduct audit of borrowing and lending frameworks according to the best practices incorporated in the guidance after the programme is over
- Different stakeholders may have varied expectations from the programme
- Subject matter experts , including legal experts, may not be available
- Programme may not find sufficient funding
- SAIs may not be able to conduct and complete pilot audits during the programme

Risk mitigation strategies

- Regular engagement with the Ministries of Finance , country debt management offices through UNCTAD, during the course of programme design and implementation

- Formal agreement with the SAIs on adoption and use of guidance, training of SAI teams in using the guidance
- Stakeholder planning meeting should aim at building consensus on expectations, programme results and scope and design of the programme
- Liaise with UNCTAD for legal and public finance management experts, WGPD and SAIs for subject matter experts
- Approach Ministry of foreign affairs of Norway for earmarked funds for the programme. Develop cost-sharing formula for participation of SAIs from non-OECD countries.
- Formal agreement with the SAIs on programme activities, commitment of the SAI teams , onsite support during pilot audits.

9. SUSTAINABILITY OF THE PROGRAMME

The sustainability of the programme is ensured through the following:

1. Engagement with a wide spectrum of stake holders , namely, policy makers, international agencies, INTOSAI standard setting bodies will help in common understanding of and consensus for Programme activities
2. Depending on regional practices, joint audits will be encouraged, especially in case of smaller SAIs to pool their resources.
3. Formal agreements with the SAIs will be signed to encourage and enable them to adopt the Guidance and adapt it to meet local needs
4. Establishing a community of practice by certifying a pool of public debt audit champions, creation of database of experts, practitioners and champions , and reference materials and guidance
5. SAIs will be requested to nominate at least 3-4 persons in the team, to be trained and used as SAI level champions

10. RESOURCES FOR THE PROGRAMME

Programme Funding

The funding for the programme will be sourced through the MFA, Government of Norway. The programme costs will include direct costs of travel(air fares), board and lodge of experts and participants, per diems wherever applicable ,fees for the experts/consultants, and contracted fees for using UNITAR/UNCTAD application systems .

For details on costing please refer to Annex 1.

Programme Management

All the activities and projects will be planned and coordinated by the IDI programme team , in cooperation with other stakeholders

Human Resources

IDI programme team will consist of Assistant Director General, two programme managers and a programme coordinator , as well as some temporary support staff.

The experts will be resourced as in-kind support as much as possible, through UNCTAD pool of debt experts , WGPD , SAIs and from the public financial management institutions. At least 2-3 experts will be required respectively for English and Spanish speaking regions. A few consultants may be hired on payment of fees , if required.

Training specialists will be resourced through the SAIs from amongst the pool of adult training specialists trained and certified by the IDI.

ANNEX - 1

COSTING FOR PROGRAMME ACTIVITIES

The IDI usually covers all direct costs for the experts and the participants who are involved in the programme activities. In addition, the IDI also bears the indirect costs of programme activities like meeting expenses, salary of staff involved in the programme, fees to the experts and institutions etc.

Participants from developing country SAIs, who are on the Development Assistance Country (DAC) list of OECD are eligible for full cost coverage for their participation. Participants from non DAC list countries are required to bear the direct costs of their participation.

1. **Travel** : the general mode of travel is economy class for the participants. The same applies to the experts and training specialists, if nothing else has been agreed in advance. However, sometimes the experts travelling between the continents request business class travel given the pressure of work, for which the IDI makes exception.
2. **Board and Lodge**: the accommodation and meeting venue is generally selected in consultation with the host SAI in one of the centrally located conference centres/hotels, which meets the requirements of workshop facility, security and ease of access. A comparison is made of the available venues for cost effectiveness and facilities provided, and the lowest cost option is selected. If arrangement for full board is not possible, the IDI uses UNDP rates for per diems for the participants and experts.
3. **Cost sharing** : In order to make the programme financially viable, and to encourage participation from a wider spectrum of SAIs, the programme activities will be partially funded through cost sharing.

This will imply that the participants from non-DAC country SAIs will bear their direct costs of travel, accommodation and per diems/full board and incidentals. In addition, they will pay the UNITAR fees for enrolling in the E-course.

Similarly, experts and representatives attending the Global meeting on Enhancing Public Sector Oversight and Audit of Sovereign Borrowing and Lending Frameworks will bear their cost of travel and accommodation, is coming from non-DAC countries.