

66th Meeting of the INTOSAI Governing Board

Vienna, Austria

November 6 and 7, 2014

Annual Report of the Working Group on Public Debt (WGPD)

Dear colleagues,

I am pleased to present, in my position as Chairman of the Working Group on Public Debt, the report on the activities carried out during the last year.

First of all, I would like to refer to our annual meeting, which was held recently, on October 22-24, 2014 in Seoul, Korea, with the participation of 37 delegates representing 19 member SAIs, the INTOSAI Development Initiative and, as observers, the World Bank and the United Nations Conference on Trade and Development. In my report, I will also make reference to the Working Group's ongoing projects and future plans, which have been endorsed by the KSC Steering Committee, during its 6th meeting in Cairo.

I would like to highlight the work carried out in relation to the ISSAIs Harmonization Project. Considering the Professional Standards Committee's revision of the ISSAI Framework, during the last years the Working Group has also revised the existing professional standards on the audit of public debt to ensure its validity and relevance. Five key criteria have been considered during this revision: usefulness, updating required, potential harmonization with other Working Group's products, alignment to other standards in the ISSAI Framework, and harmonization of the general ISSAI terminology, considering particularly the recently revision by the PSC of ISSAIs 100 to 400.

This triennial effort is about to finish. During our meeting, the responsible task teams informed on the status of the revision and decisions were made to follow the ISSAIs Due Process, so that the revised ISSAIs 5410, 5421, 5422, 5430, and 5440 could be appropriately endorsed and shortly shared to the INTOSAI community, while the ISSAI 5420 will be withdrawn from the ISSAI Framework. It is worth mentioning that the Working Group is now responsible for the periodic revision of ISSAIs on the audit of public debt with a frequency of at least every five years.

Other relevant project of the Working Group is based on its Strategic Plan's objectives to "prepare and publish guidelines and other material to be used by SAIs in order to encourage the proper reporting and sound management of public debt", "to identify key issues for the development of responsibilities and procedures for auditing and evaluating public debt commitments", and "to prepare papers examining matters on public debt definition, reporting and assessment". That is why a Working Group's permanent agenda item is the development of investigation themes.

I would like to mention the progress made regarding two projects: *"Evaluation of Information Systems related to Public Debt Management"* and *"Public Debt Management Office"*. Both documents have been subject to analysis by the Working Group members and to the procedures established in the Due Process.

The investigation *"Evaluation of Information Systems related to Public Debt Management"* was proposed during our 2009 meeting in Kyiv, as part of initiatives to encourage the proper reporting and

sound public debt management. This document has already been endorsed by the KSC Chair in May 2013, and afterwards by the PSC, which classified it as potential ISSAI 5450. From July 1 to October 1, 2013, it was posted on the ISSAI Website as exposure version for comments from the INTOSAI community. We would like to highlight that this guideline is currently been implemented as part of the initiative “*Coordinated Parallel Audit of Public Debt Management Information Systems*”. Due to the comments from the community of SAIs during the exposure period, and the lessons already learned during the coordinated parallel audit, the revised version will be subject to a second exposure period. This draft ISSAI will be presented for final approval in 2016, during the XXII INCOSAI.

The second ongoing investigation, “*Public Debt Management Office*”, was originally proposed during our 2008 meeting in Nadi, Fiji. This would be the first INTOSAI GOV developed by the Working Group, and its objective is to provide guidance, from the auditing perspective, for the establishment of an effective debt management office. The draft version has been shared to the KSC Chair, which feedback has already been taken into account. Since the document has been approved by the members, it will be sent to the KSC Chair for approval so that it could be afterwards submitted to the PSC to initiate the exposure period for SAIs’ comments. This INTOSAI GOV would also be presented for final approval by the next INCOSAI in 2016.

I will now address the previously mentioned initiative “*Concept Framework of Coordinated Parallel Audit of PDM Information Systems*”. Its objective is to assess the appropriate implementation of management and control process in relation to the efficiency of Public Debt Management National Information Systems. Twelve members SAIs are involved in this initiative with a two-year work plan (2014 and 2015). To date, two meetings have been held in Ukraine and Moldova, to coordinate the parallel audit and study of information systems in public debt management at national level. As reference, the initiative is based not only on the *Guide for Auditing Public Debt Management*, issued by IDI in collaboration with the Working Group, but also on the draft ISSAI 5450 “*Guidance for Auditing on Public Debt Information System*”. The Joint Parallel Audit Report of this initiative will be presented in 2015.

This project supports the implementation of our Strategic Plan’s first goal: “*Capacity building and enhancing SAI expertise*”. In this regard, other key initiative to build professional capacities tailored to the needs of the community of SAIs, is the public debt-related trans-regional capacity building programs developed by the IDI with the Working Group’s support.

It is worth mentioning IDI’s work from 2008 to 2011 to develop and implement the *Trans-regional Programme on Public Debt Management Audit*, which strengthened the institutional capacities of 29 participating SAIs from five regional working groups in relation to the subject matter, and also promoted the sound public debt management and audit. One of the outcomes from this initiative was the guide “*Auditing Public Debt Management*”, previously mentioned, which will be also updated considering its relevance as it provides practical audit procedures, questions and tools to assist auditors in conducting audits on nine specific public debt management topics.

Due to the impact and results of this program, as well as the needs and requirements for capacity building identified within the INTOSAI community, the agreement for collaboration between the IDI and the Working Group has been renewed. As a result, IDI has designed a *Trans-regional Programme on Strengthening Public Oversight and Audit of Sovereign Lending and Borrowing Frameworks*. The objective of this capacity building program is 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. This IDI's initiative is a joint effort with the Working Group on Public Debt and UNCTAD. So far, cooperation meetings in different INTOSAI working regions, including OLACEFS and ASOSAI, have been held with the participation of SAs Management to ensure proper knowledge on the requirements, relevance and outcomes of the program, and to promote SAs engagement.

To foster capacity building and enhance SAs' expertise in public debt auditing, the exchange of experiences and knowledge is promoted within the Working Group. Its website and the in-person meetings are aimed at creating the virtual space and physical environment to present best practice studies, to discuss on challenges faced, and to exchange views on innovative methodologies and new developments related to public debt auditing.

Following the INTOSAI's motto, the Working Group has maintained a collaborative relationship with relevant partners, including the World Bank, UNITAR, UNCTAD, the Inter-American Development Bank, and more recently the OECD. In this regard:

- A virtual platform for knowledge-sharing with the World Bank will be implemented. The use of this platform will be subject to a one-year pilot test, and a report on the outcomes will be presented to the INTOSAI authorities in 2015;
- The *Trans-regional Programme on Strengthening Public Oversight and Audit of Sovereign Lending and Borrowing Frameworks*, is a joint initiative with IDI, UNCTAD, and UNITAR, and
- The Working Group will follow-up its potential participation in an UNCTAD's Working Group responsible for working on a debt workout mechanism.

Other potential joint projects will be timely reported to the KSC Steering Committee as well as to the INTOSAI Governing Board. We would like to clarify that, at any time, the independence of INTOSAI and that of the Working Group has been looked after.

For the Working Group to be recognized by SAs as the leading forum for its excellence in public-debt-related analyses, research, and capacity building projects, as for the relevance of its publications, as it is stated in our Vision Statement, we have been discussing on the need to review the Working Group's Strategic Plan. A task team appointed for this analysis, concluded that there wouldn't be required a further development due to the nature of our activities; nevertheless, new developments and challenges faced by INTOSAI should be considered, particularly the ongoing work carried out by a Task Force reactivated in the Strategic Goal 4 to assess the validity of the Organization's Strategic Plan. Therefore, to ensure proper alignment to the INTOSAI mission and strategic goals, the task team will be aware on relevant information to be disseminated by the corresponding INTOSAI bodies.

Finally, I convey to you that we have conducted a second survey on the impact of the Working Group's products within the INTOSAI community. The first exercise was carried out in 2005 and proved to be a useful input to strategically focus our efforts. The results will be helpful to define the way forward.

I conclude my participation by confirming that the 2015 and 2016 annual meetings will be held in Zambia and China, respectively.

Ladies and gentlemen, thank you very much.

Requests presented before the INTOSAI Governing Board:

1. To take note of the Working Group's annual report.
2. To take note of the development of the draft ISSAI 5450 "*Guidance on Auditing Public Debt Information System*", that will be presented in the 2016 INCOSAI for its final approval.
3. To take note of the development of a potential INTOSAI GOV "*Public Debt Management Office*", that will be subject to the PSC Due Process and would be presented in the 2016 INCOSAI for its final approval.