

**6th Meeting of the Steering Committee of the
INTOSAI Committee on the Knowledge Sharing and
Knowledge Services (Goal 3)**

Cairo, Egypt
October 14 & 15, 2014

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

Dear colleagues,

On behalf of Mr. Juan M. Portal, CPA, Auditor General of Mexico and Chairman of the Working Group on Public Debt, I am pleased to present the report of this INTOSAI entity's activities since the 5th meeting of the KSC Steering Committee in Delhi, in September 2013.

Our annual meeting will be held on October 22-24, 2014 in Seoul, Korea, with the confirmed participation of 38 delegates representing the INTOSAI Development Initiative, 19 member SAIs, and the World Bank, as observer. Therefore, I will make reference to the ongoing projects and future plans of the Working Group on Public Debt, subject to the relevant agreements to be reached in Seoul, and then shared to the KSC Steering Committee for endorsement.

First of all, 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 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 at the end of this month, the responsible task teams will inform on the status of the work conducted following the ISSAIs Due Process. It is worth mentioning that the Working Group is now responsible for the periodic revision of ISSAIs on public debt auditing 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 led respectively by the SAIs of Brazil and Mexico: "*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 led by the SAI of Brazil, “*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 2013, last year, 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*”, under the leadership of the SAI of Ukraine. The comments from the community of SAIs during the exposure period, and the lessons learned during the coordinated parallel audit, will be discussed during our next meeting so as to define whether the revised version should 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 is led by the SAI of Mexico. “*Public Debt Management Office*” is the title given to a document 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, whose comments and also feedback from the US GAO have been considered for discussion during our next meeting. Once approved by the members, it will be sent to the KSC Chair for approval so that it could be submitted to the PSC to initiate the exposure period for SAIs’ comments. This draft INTOSAI GOV would also be presented for final approval by the next INCOSAI in 2016.

I will now address the previously mentioned initiative led by the SAI of Ukraine: “*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. Eleven 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*”.

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 SAIs community, 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 objective was to strengthen the institutional capacities of 29 participating SAIs from 5 regional working groups in relation to the subject matter, and also to promote the sound public debt management and audit. One of the outcomes from this initiative was the guide “*Auditing Public Debt Management*”, previously mentioned, which 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 SAIs Management to ensure proper knowledge on the requirements, relevance and outcomes of the program, and to promote SAIs engagement.

To foster capacity building and enhance SAIs’ 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 for 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. The relevant 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 SAIs as the leading forum for its excellence in 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 within the INTOSAI community. The first exercise was carried out in 2005 and proved to be a useful input to strategically focus the efforts of the Working Group. For the second survey, the original questionnaire was enriched with valuable comments from IDI, and the results will be helpful to define the way forward.

I conclude my participation by emphasizing the active participation, productivity and commitment of all Working Group members SAIs.

Ladies and gentlemen, thank you very much.

Requests presented before the members of the KSC Steering Committee:

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.
4. To allow the Working Group's Chair to submit to the Chair of the KSC Steering Committee a complementary report after its annual meeting, to be held on October 22-24, 2014 in Seoul, Korea.