

INTOSAI WORKING GROUP ON PUBLIC DEBT ANNUAL REPORT

Dear members of the KSC Steering Committee:

In this report we will offer a brief outlook of the activities performed by the Working Group of Public Debt during the last months, which include two annual meetings, the reassessment of investigation themes of the Group, the presentation of an official product of the Working Group to be endorsed during the XX INCOSAI, the discussion and definition of the Group's Strategic Plan 2011-2016, and the development of International Capacity Building Programs on Public Debt Auditing in collaboration with the INTOSAI Development Initiative or IDI.

The Superior Audit Office of Mexico, in its capacity of Chair of this Working Group is pleased to convey to you that the participation of all its members has kept a steady pace, and that the technical debates has sensibly increased its level. We want to acknowledge also the continuous support of the IDI on our training endeavors which, in time, will yield outstanding outcomes for the INTOSAI community.

We have also found a renewed interest on public debt matters, not only within the Working Group, but also on the international auditing community, given the current economic situation and the impact that the financial crisis has had upon the economic structures of developed countries as well as those which have less solid economic foundations.

The public debt might become one of the most transcendent issues for the near future, and we believe that the Supreme Audit Institutions play a very important role in the assessment on debt contracting bodies as well as in their management performance, and also, in the oversight of governmental supporting financial programs and bail-outs of their banking and financial institutions.

Themes such as risk management, contingent and implicit debt, auditing of new financial instruments, debt sustainability, assets vs. liabilities auditing, to name a few, have become situations that all countries, regardless of their financial status, are facing in the present, and important decisions will have to be made by several governmental agencies in the near future; the input provided by SAIs might prove to be of great value.

Most of the WGPD members, including the Chairmanship, have brought up the project to widen the scope of the Working Group's activities, because the debt-related problems are a real burden not only upon our shoulders, but also, can seriously compromise the living standards of generations yet to come. The efforts of this Group, together with those of the INTOSAI Task Force on Global Financial Crisis can be a very important contribution to the global community.

1. Working Group on Public Debt's Meetings

The most recent annual Meetings of the Working Group on Public Debt (WGPD) were held in Kyiv, Ukraine, on October 7 - 8, 2009, and in Mexico City, on June 14 - 15, 2010.

The meeting held in Ukraine mainly focused on discussing the development status of the Working Group's investigation themes. Particularly, the attending delegations offered reports and made presentations regarding the following investigation themes: "Impact of Financial Crisis on Public Debt", "Public Debt Indicators", "Public Debt Management Office", "Contingent Debt", "Risk Assessment and Reduction of Probable Effects on Debt Structure", and "Assessment of Human Resources Employed in Debt Contracting".

As for the meeting which took place in Mexico City, the presentations were about the following issues: "Impact of Financial Crises on Public Debt & INTOSAI Initiatives", "Debt Indicators", "Review on the National Audit Office of Finland's Annual Audit on Fiscal Policy and Spending limits", "Government Support during Financial Crisis: impacts on public debt and potential roles of SAIs", "Some aspects of the current situation in the debt sphere in the Russian Federation", "Audit concerning Risk Management of Short Term Investments", "Assessment of Human Resources Employed in Debt Contracting", "Fast-disbursing Loan Auditing", "Status on the Trans-regional Capacity Building Program for Public Debt Management Auditing", "Report on the Updating of the WGPD Strategic Plan", "Auditing the National Debt in the United Kingdom", "Contingent Debt", and "Risk assessment and reduction of probable effects of debt structure and internal control system on public debt management".

2. Investigation Themes

The main focus of the WGPD activities is to provide the INTOSAI community with valuable knowledge regarding public debt issues, including guidelines and studies that, following the Due Process for Developing, Revising and Withdrawing ISSAIs and INTOSAI GOVs proposed by the Chair of the Professional Standards Committee, might become ISSAIs. Therefore, we have selected a series of investigation themes that fall within our Group's scope; each of this investigation themes is developed by a leading SAI with the cooperation of several of the WGPD members, in order to advance in the investigation, discuss their findings and present the updated versions of the discussion documents to the Group for their consideration and comments.

However, we found that some of our current investigation themes might overlap with the efforts of other INTOSAI investigating bodies, or can be part of a much wider investigation. Therefore, the WGPD has decided to rationalize its efforts and focus on fewer independent investigations. We have also to bear in mind that the

upcoming endorsement of the ISSAI's due process by the XX INCOSAI requires a more constant and important effort on behalf of those SAIs leading the investigation teams, because it implies the creation of document drafts for exposure to the INTOSAI community, the integration of the comments and observations offered by its members and, in general, a more complex involvement of the Steering Committees and other INTOSAI bodies.

Thus, the WGPD has decided to narrow the number of its investigation themes by leaving behind some of the proposed investigations and merging some others in a more comprehensive research. The themes that will be kept as ongoing investigations are:

1. Impact of financial crises on public debt
2. Public Debt Management Office
3. Contingent Debt
4. Risk assessment and reduction of probable effects on debt structure and internal control system on public debt management, and
5. Evaluation of information systems related to public debt management.

The theme "Government support during financial crises: impacts on public debt and potential roles for SAIs" will be left pending in connection with the outcomes of the INTOSAI Task Force on Global Financial Crisis, in order to avoid a duplication of efforts and to be able to contribute to the debate with material inputs from the point of view of public debt auditing.

Given the eventual endorsement of the due process during the XX INCOSAI, we might also have to review the methods used by our Working Group on conducting its investigations and setting the appropriate timeframes, in order to make them consistent with the INTOSAI - approved processes.

The exposure draft of the document "Public Debt Indicators" is currently under the analysis of the INTOSAI community; we have received very valuable comments from several SAIs regarding its contents, which we have to take into account for developing a final version to be proposed for the endorsement of the XX INCOSAI, thus becoming an ISSAI. Even though the due process is not already in place, we believe that the exposure of the document is of the utmost importance for attaining a high quality level.

Also, the WGPD decided to commission some of its members to revise the existing products, in order to ensure that they are properly updated and valuable for the INTOSAI community, considering the drastic changes in the area of public debt auditing and the new situations to be addressed by SAIs.

3. Strategic Plan 2011 – 2016

Taking into account a request presented by the SAI of India, as Chair of Goal 3 Steering Committee, as well as the development of the INTOSAI Strategic Plan 2011–2016, the Working Group is currently revising its Strategic Plan. The expected outcome will be the WGPD Strategic Plan 2011–2016, which will not only be aligned to the INTOSAI Strategic Plan, but also will make reference to the Working Groups' adapted goals and strategies to be accomplished, including more rigorous processes to develop and endorse official products, as well as a comprehensive revision of those already prepared, in order to determine which products need to be updated or improved.

The Working Group believes that it is important to establish an ambitious strategic plan that will guide its activities in the years ahead. The strategic plan lists a series of activities that the WGPD should undertake in order to maintain its leadership role as “champion” of public debt auditing issues and to promote sound debt management practices for the INTOSAI community during the 2011-2016 period.

The revised version of the Strategic Plan is considered to be an important tool for the Working Group to identify and analyze public debt issues around the world, and develop proposals for dealing with these challenges. As well, the strategic plan should help the WGPD supporting the increasing demands and expectations made by the SAI community.

The Strategic Plan refers to the Working Group's Mission Statement, which defines its business and purpose—that is, what the Working Group expects to accomplish. It is followed by the Vision Statement, which describes what should be accomplished—that is, the outcome.

Finally, the strategic plan refers to the two strategic goals that will support the mission and vision statements: capacity building and enhancing SAI expertise, and the strengthening of the Working Group's capabilities and measuring its impact. For each of the goals, the plan includes a description of specific activities that will support the achievement of the mission statement over the next five years.

The WGPD Strategic Plan was endorsed by its members during the Mexico City meeting, and will be presented during the XX INCOSAI.

Also, new Terms of Reference were approved in the Kiev meeting in 2009 by the members of the Working Group due to the new structures within INTOSAI.

The proposed changes mainly refer to a clearer definition of WGPD members' responsibilities and rights, its membership, the Working Group's communication means and working languages, its meetings, and particularly the reports' disclosure. According to the new Terms of Reference, the WGPD does not only submit a work report to the INTOSAI Governing Board at the INCOSAI, but also

delivers an annual report to Goal 3 Steering Committee, as well as a triennial report to Goal 3 Main Committee.

4. International Capacity Building Programs on Public Debt Auditing

The Working Group on Public Debt acknowledges the efforts performed by the IDI (INTOSAI Development Initiative), in relation to the Transregional Capacity Building Program for Audit of Public Debt Management, which is targeted to developing SAIs of AFROSAI, ASOSAI, CAROSAI, PASAI, ARABOSAI and EUROSAI, based on the experience obtained from training programs previously implemented. I would like to highlight IDI's outstanding work to develop an e-learning platform for this program.

The Working Group actively participates in this Programme providing advisory assistance and trainers. I would like to point out the performance of PhD. José Oyola, representative of the U.S. GAO, who has taken part since 2008 in this program planning and in further developing the referred e-learning platform.

The Working Group confirms its support to the development, implementation and follow-up of IDI's programs.

Likewise, as requested by the IDI, the WGPD has defined a List of Experts in Public Debt auditing. Its goal is to assist INTOSAI in relation to the development and execution of capacity building activities related to Public Debt auditing within INTOSAI. This list is available in the WGPD website. The Working Group has transferred its Website domain, which is now available in www.wgpd.org.mx. The new e-mail to contact the Working Group's Secretariat is secretariat@wgpd.org.mx.

The WGPD has also developed a Handbook for Working Group's Meetings, and has also prepared a document containing the specific terminology on Public Debt Auditing, which is already translated into the INTOSAI's five official languages. This terminology will be included in the online Glossary of INTOSAI Auditing Terminology. A new section will be added to this tool, regarding specific definitions of terms related to public debt auditing, which might prove to be helpful for the SAIs endeavors.

Finally, I want to acknowledge the Working Group's member SAIs, for their participation, productivity and commitment to our Organization's goals.

Ladies and gentlemen, thank you very much.