

63rd Meeting of the INTOSAI Governing Board

Chengdu, China – November 20 & 21, 2012

18A – Annual Report of the INTOSAI Working Group on Public Debt

Mr. Juan M. Portal, CPA

Auditor General of Mexico and Chairman of the WGPD

Dear members of the INTOSAI Governing Board,

I am glad to provide you with a brief report on the activities carried out by the Working Group on Public Debt since our last meeting in Vienna, in October 2011.

First of all, and in addition to the collaboration with the IDI, our membership now comprises 25 Supreme Audit Institutions. During the last year, the SAIs of China, India, Indonesia, and Romania joined the activities of the Working Group.

While it is evident the importance of sound public debt management for global economies, the awareness on the relevance of its supreme auditing in the national checks and balances systems has been raised. In this regard, due to its tasks, the Working Group has become a forum to share lessons learned and good practices in government auditing related to public debt, and to promote measures to either prevent future financial crises or to mitigate its impact on public debt, particularly in developing countries.

In April 2012, in Washington D.C., a joint meeting was held with the members of the Task Force on Global Financial Crisis. During this event, we reported on the mission, strategy, products and ongoing activities of the Working Group, reaching agreements on an appropriate coordination with the Task Force, in order to foster the cooperation and analysis of public debt issues, from various perspectives.

At this point, it is worth mentioning the IDI's work on public debt, in particular the *Transregional Capacity Building Program for Audit of Public Debt Management*, which was aimed at strengthening the SAIs' institutional capacities and, thereby, has also contributed to the sound public debt management and auditing.

We hope to continue collaborating with the IDI due to the results achieved, specifically during the last decade, and the interest expressed by the INTOSAI community. In this regard, we addressed, during our meeting in Helsinki, in September 2012, a proposal to jointly explore the feasibility to develop a capacity building program focused on the audit of legal frameworks for lending and borrowing.

Regarding the investigations conducted by the Working Group, I would like to point out the development of four investigation themes: the first one has been led by the SAI of the United States of America on *“The Impact of Financial Crisis on Public Debt”*, the second one is headed by the SAI of Brazil on the *“Evaluation of Information Systems related to Public Debt Management”*, the third one refers to the investigation led by the SAI of Mexico on the *“Debt Management Office”*, and the last one has been concluded by the SAI of Ukraine on *“Contingent Debt”*.

These studies address technical aspects of interest to our mandate and will be subject, given the relevance of their contents and progress made, to the Due Process established by the INTOSAI Professional Standards Committee, in order for them to be reflected in existing ISSAIs, or to even be presented as new ISSAIs or INTOSAI GOVs related to public debt during the XXI INCOSAI.

Thanks to the approval of the Steering Committee of the Knowledge Sharing Committee, in its meeting held in Luxembourg, this process has started. Currently, the members prepare the exposure drafts corresponding to a *“Guidance to Audit Information Systems related to Public Debt Management”*, a guideline on *“Debt Management Office”*, and an investigation regarding *“Contingent Debt”*.

Special mention deserves the investigation on *“Contingent Debt”*, since it has contributed to the design of the initiative *“conduction of coordinated and parallel audits on public debt”*. To this end, a work plan will be shortly defined and implemented by a task team to be led by the SAI of Ukraine, which will focus its efforts on developing a concept framework of parallel and coordinated audits of public debt management information systems.

In relation to other investigations, while the study focused on the *“Risk assessment and reduction of probable effects on debt structure”*, led by the SAI of Yemen is still in process, the one related to the *“Assessment of human resources employed in debt contracting”*, conducted by the SAI of Fiji, has been included in the investigation on Debt Management Office led by the Mexican SAI.

Last but not least, there is an investigation on the *“Government Support during Financial Crises: Impacts on Public Debt and Potential Roles for SAIs”*, led by the Office of the Auditor General of Canada. The Working Group has decided to submit it as an input to the Task Force on Global Financial Crisis, in view that the covered topics are relevant to the long-term financial sustainability.

Regarding the ongoing project of ISSAIs harmonization, the Working Group is conducting a revision of the public debt-related ISSAIs. This effort is subject to a defined

work plan and criteria, and is conducted by task teams that are headed by the SAIs leading the original investigation. We aim at concluding the revisions, so they could be endorsed in 2013.

Other activities planned for the next year include the revision of the Working Group's Strategic Plan. The final product will be presented before the members during the next annual meeting, to be held in Santiago de Chile, from May 27 to 29, 2013.

A second survey on the Working Group's impact on the INTOSAI community will be conducted. The first survey was completed in 2005 and proved to provide relevant input to strategically focus our Working Group's efforts.

Additionally, we will keep continuously updating our website, where the INTOSAI community could find detailed information about our activities, meetings, products and organization.

Finally, I want to acknowledge the Working Group's member SAIs for their participation, productivity and commitment to our Organization's goal regarding knowledge sharing on public debt auditing.

Ladies and gentlemen, thank you very much.

Mr. Juan M. Portal, CPA
Auditor General of Mexico and Chairman of the WGPD

Request presented before the INTOSAI Governing Board

- Take note of the Working Group's annual report, which includes:
 - The plan for the following three documents to comply with the Due Process: a "*Guidance to Audit Information Systems related to Public Debt Management*", a guideline on "*Debt Management Office*", and an investigation regarding "*Contingent Debt*", so that the Working Group could present them as new ISSAIs or INTOSAI GOVs related to public debt during the XXI INTOSAI Congress, to be held in China in 2013.
 - The progress made on the revision of existing ISSAIs regarding public debt auditing, and
 - The activities foreseen in 2013.