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Dear colleagues,

I am pleased to present, on behalf of Mr. Juan M. Portal, CPA, Auditor General of Mexico and Chairman of the Working Group on Public Debt (WGPD), the report of this INTOSAI entity's activities since the 7th meeting of the KSC Steering Committee, held in Washington DC, in October 2015.

The previous WGPD's annual meeting took place from July 5 to 7, 2016 in Nanjing, China, with the participation of 30 delegates representing 14 member SAIs, namely: Austria, Azerbaijan, China, Fiji, Finland, India, Indonesia, Korea, Mexico, Moldova, Portugal, Romania, Russian Federation, and Zambia. Representatives from the INTOSAI Development Initiative (IDI), the World Bank and the National Academy of Economic Strategy also attended the meeting.

During this meeting, we addressed the Working Group's administrative status, progress made and reached agreements on the next steps regarding our different projects, as referred below for your consideration.

I would like to start by highlighting that the Accounts Chamber of the Republic of Azerbaijan has recently joined our Working Group, so our membership currently comprises 25 SAIs. This quantity could shortly increase since we have recently received a request from the State Audit Office of Georgia to be admitted as new member; in addition, we have established communication with the Court of Audit of Cape Verde to exchange information on our technical activities and products.

Relating to the ISSAIs Harmonization Project, and as reported in our previous meeting, during the last years the Working Group has revised the existing professional standards on public debt to ensure its validity and relevance. This revision has concluded considering the following five key criteria: usefulness, updating required, potential harmonization with other Working Group's products, alignment to other standards in the ISSAI Framework –particularly the revision by the PSC of ISSAIs 100 to 400–, and harmonization of the general ISSAI terminology.

In 2015, the KSC Steering Committee approved the revised version of the ISSAIs 5410, 5421, 5422 and 5430, as well as the withdrawal of ISSAI 5420 from the INTOSAI Standards Framework. In this regard, we have established communication with the PSC Secretariat, which have provided valuable feedback to follow the Due Process applicable to the ISSAIs updating. Since the changes made to these ISSAIs are not of substance, but mainly refer to minor editorial changes, there is no need to expose them for comments by the INTOSAI Community. For its presentation before the INCOSAI, we are currently translating

the English revised versions into the other INTOSAI official languages, as well as drafting the preamble of each document, and updating the corresponding forewords posted on the ISSAI website.

In addition, I am glad to inform that we have concluded the revision of ISSAI 5440 “Guidance for Conducting a Public Debt Audit - The Use of Substantive Tests in Financial Audits”. Therefore, I kindly ask the members of the KSC Steering Committee to also endorse the revised version of this document, so that it could be submitted for the INTOSAI Governing Board and the INCOSAI approval. Its updated version does not contain changes of substance, so the procedure previously stated could be followed.

As part of our working agenda, this fall we will start the updating of ISSAI 5411 “Debt Indicators”, as it will also be subject to the 5-year revision. The Working Group will keep the KSC Steering Committee informed on this matter.

Other relevant activity of the Working Group is based on its Strategic Plan’s objective to prepare and publish guidelines and other material to be used by SAIs in order to encourage the sound management, proper reporting, and auditing of public debt. That is why a Working Group’s permanent agenda item refers to the development of investigation themes.

In this sense, I would like to mention the progress achieved regarding the development of the draft ISSAI 5450 “Guidance of Auditing on Public Debt Information System”. From July to September, 2013, and according to the Due Process, it was published on the Website of the ISSAI Framework as exposure version for comments by the INTOSAI community, receiving inputs from 22 SAIs¹.

Due to the nature of the comments received from the INTOSAI community and considering the lessons learned after using this guideline as reference to conduct a coordinated parallel audit, the document was revised and submitted to the PSC for re-exposure. During the second exposure period, from January to March 2015, additional feedback was obtained from 4 SAIs².

After confirming that the exposure comments had been appropriately reflected in the revised version, the WG members approved that the draft ISSAI 5450 could be forwarded to the KSC Steering Committee for endorsement at this meeting, so it could be submitted afterwards to the Governing Board and the INTOSAI Congress for approval as a new international standard. In the meantime, the Working Group Chair is responsible for its translation into the INTOSAI official languages.

¹ SAIs of Argentina, Australia, Canada, Chile, China, Honduras, Hungary, India, Kazakhstan, Kuwait, Latvia, Malaysia, Moldova, Netherlands, Oman, Poland, Thailand, United States of America, United Arab Emirates, United Kingdom, Vietnam, and Zambia. Comments are available upon request to the WGPD Chair.

² SAIs of Australia, India, Mexico, and the United States of America. Comments are available upon request to the WGPD Chair.

Regarding other research topic, the WGPD still works on the development of a guidance to establish an effective public debt management office, according to international good practices. This project is expected to be the Working Group's first INTOSAI Guideline on Good Governance (INTOSAI GOV). To this end, the WG's Chair will expose this document for comments by the INTOSAI Community.

During our last meeting, the WG members acknowledge the existence of areas of opportunity to develop additional guidance material for public debt auditors, particularly regarding the stages of debt authorization and contracting. The WGPD Chair will shortly launch a call for candidates to integrate sub-groups responsible for drafting these materials.

Now, I will refer to the outcomes of the "Coordinated Parallel Audit of Public Debt Management Information Systems". Its objective was to assess the appropriate implementation of management and control process in relation to the efficiency of Public Debt Management National Information Systems. During the 2013-2014 period, 9 SAIs³ participated in this initiative, while 4 SAIs⁴ took part in the project as observers.

The parallel audit demonstrated that the government bodies established reliable and sustainable Public Debt Management Information Systems along with respective infrastructure, which were developed and maintained at the state-of-the-art technological level. In general, the reviewed information systems ensured capturing, processing, and reporting debt data and transactions in accordance with the national requirements and users' expectations of working capacity of the system, facilitating the management of public debt.

However, the audit revealed some deficiencies in relation to relevant aspects of the overall debt management IT system, including but not limited to areas of opportunity dealing with the information system strategy, the alignment to the auditees' strategy goals and core business processes, the integration of the debt management into an Integrated Financial Management Information System (IFMIS) or its interconnection with the Debt Management and Financial Analysis System (DMFAS), the division of roles and responsibilities among the debt management personnel at technical level, and the staff's regular training.

This initiative was based not only on the Guidance for Conducting a Public Debt Audit, developed by the IDI in collaboration with this Working Group, but also on the draft ISSAI 5450. Its final report, including the audit team's recommendations to their respective governments, is available for your reference and will be shortly published on our Working Group's Website.

³ SAIs of Brazil, Bulgaria, Fiji, Georgia, Moldova, Romania, Ukraine, Yemen, and Zambia.

⁴ SAIs of China, Egypt, Mexico, and the Russian Federation.

In terms of the implementation of our Strategic Plan's first goal, "Capacity building and enhancing SAI expertise", a key initiative is the public debt-related trans-regional capacity building programs, developed by the IDI with the Working Group's support.

In this regard, it is worth mentioning IDI's Trans-regional Programme on Strengthening Public Oversight and Audit of Sovereign Lending and Borrowing Frameworks, which was executed from 2012 to 2015. Its objective was 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. The report including the objectives, results framework, changes, and results of this Trans-regional Program could be made available by the IDI or this Working Group's Chair for your reference. In 2016 and 2017, IDI has foreseen the following actions:

- The drafting of a compendium of findings and a summary and analysis of the findings from the programme,
- The updating of the guidance prepared by the IDI and the Working Group on public debt management and a Quality Assurance mechanism, and also
- The identification of the lessons learned.

The Working Group will provide assistance in terms of resource persons to complete these tasks.

Other project in which the Working Group could provide support to the IDI is the development of a community of practice for public debt auditors (PDA platform), which will be hosted within the KSC-IDI portal (<http://intosaicommunity.org/>). The Working Group and IDI will jointly define the corresponding work plan to design and develop this platform, which is aimed to promote the capacity development of SAIs about public debt auditing.

On a different matter, our Working Group has established a task team responsible for revising this technical entity's Strategic Plan, so that it could be updated considering new developments and challenges regarding public debt auditing, and also aligned –to the extent possible– to the new INTOSAI Strategic Plan 2017-2022. The SAIs of Argentina, Mexico, Moldova, and the Russian Federation, have expressed their willingness to take part in this initiative. The task team's member SAIs and work plan will be informed in due time.

Following the INTOSAI's motto, in 2016 the Working Group maintained a collaborative relationship with the World Bank Treasury, and the OECD. In this sense, it is worth highlighting the recent agreement reached with the World Bank

Treasury, to launch a virtual mechanism for knowledge-sharing between public debt auditors, and the World Bank experts on public debt management. This virtual forum could be included as one of the elements of the community of practice to be developed with IDI and the KSC.

As you know, the SAI of Mexico has chaired this technical entity since 1991, when the formerly known Public Debt Committee was created, by a decision of the INTOSAI Governing Board at its 35th meeting. After almost 25 years, the WG Chair has called for nominations to occupy this honorable position. We are confident that a renewal will bring new perspectives to continue effectively addressing the Working Group's agenda, considering its relevant contribution to the INTOSAI community.

Following the call for candidates and a consultation process, the WG members approved the SAI of Argentina's application to take over the WGPD Chairmanship from the XXII INCOSAI on. For a smooth and adequate transition of the working agenda, the SAIs of Mexico and Argentina have regular videoconferences. This way, the next INCOSAI will be the ideal setting to hand over the WGPD Chair.

As new Chair of this Working Group, the SAI of Argentina will shortly confirm the venue and dates of the 2017 meeting.

Last but not least, I want to recognize the Working Group members' active participation and commitment to the different activities and projects conducted throughout the last two decades and a half. I also express our thankfulness to the SAI of India, as Chair of the KSC Steering Committee, for its valuable support.

Ladies and gentlemen, thank you very much.

Mr. Juan M. Portal, CPA
Auditor General of Mexico and
Chairman of the INTOSAI Working Group on Public Debt
September 2016

Motions for endorsement by the members of the KSC Steering Committee:

1. To take note of the Working Group's annual report.
2. To endorse the revised version of ISSAI 5440 "Guidance for Conducting a Public Debt Audit – The Use of Substantive Tests in Financial Audits", so that it could be submitted for the INTOSAI Governing Board and the 2016 INCOSAI approval.

3. To take note on the actions carried out by the Working Group's Secretariat, in coordination with the PSC Secretariat, for the following revised ISSAIs to be approved by the INTOSAI Governing Board and the XXII INCOSAI:
 - ISSAI 5410 "Guidance for Planning and Conducting an Audit of Internal Controls of Public Debt".
 - ISSAI 5421 "Guidance on Definition and Disclosure of Public Debt".
 - ISSAI 5422 "An Exercise of Reference Terms to Carry out Performance Audit of Public Debt".
 - ISSAI 5430 "Fiscal Exposures: Implications for Debt Management and the Role for SAIs".
4. To take note on the actions carried out by the Working Group's Secretariat, in coordination with the PSC Secretariat, for the ISSAI 5420 "Public Debt: Management and Fiscal Vulnerability: Potential Roles for SAIs" to be definitely withdrawn from the ISSAI Framework.
5. To take note that, in fall 2016, the Working Group will start the revision of ISSAI 5411 "Debt Indicators".
6. To take note on the current status and actions carried out for the document "*Guidance on Auditing Public Debt Information System*", to be submitted to the INTOSAI Governing Board and Congress for approval as ISSAI 5450.
7. To take note that the guidance to establish a "*Public Debt Management Office*", will be shortly exposed for comments by the INTOSAI community, so it could follow the Due Process for potential/future endorsement as the Working Group's first INTOSAI Guideline on Good Governance (INTOSAI GOV).
8. To take note that, following a call for nominations and the WGPD members' approval, the SAI of Argentina will take over the Working Group's Chairmanship from the XXII INCOSAI on.