

# **Experience of the Accounts Chamber of the Russian Federation in Performance Auditing of Public Debt Management**

## ***Slide 1 (Intro)***

Dear Mr. Chairman!

Dear Members of the Working Group!

First of all, let me express my profound gratitude for the opportunity to share our achievements in performance auditing of public debt management.

The fact is that the Accounts Chamber of the Russian Federation did not apply this type of audit to debt issues before because of the specific nature of public debt management and its place in the budgetary process.

This year, in accordance with the Work Plans we have successfully completed a performance audit of public debt management by the Ministry of Finance itself taking into account the objectives and tasks of the governmental debt policy.

In view of these circumstances, within the framework of the conducted performance audit and as the first stage in applying that type of audit, we determined the public debt performance audit in terms of ensuring the achievement of objectives and carrying out the debt policy governmental tasks.

## ***(Slide 2)***

In the auditing period (from 2007 to 2010) most of the basic goals of the debt policy remained immutable, namely:

- To ensure the federal budget balance while preserving the high degree of debt sustainability achieved in the last years;
- To develop our national market of government securities;
- To continue reducing a relative amount of external debt of the Russian Federation.

In the course of the control activity, we arranged day-to-day cooperation with the Ministry of Finance in order to work out coordinated approaches to performance audit of public debt management in the Russian Federation.

Discussion of these issues confirmed that the detailed efficiency assessment of public debt management requires a multiple factors analysis and application of rather sophisticated mathematical methods. It can be explained by the necessity to take into account and estimate quantitative equivalence of all the risks related to debt management.

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Therefore, as an initial point of interaction between the Ministry of Finance and the Accounts Chamber of Russia in the sphere of the efficiency assessment of public debt management, we have agreed on key indicators to estimate the achievement of one of the major debt policy goals in any country. I mean ensuring of debt sustainability and current ability to perform obligations.

The list of indicators and indicative values of such indicators we agreed upon was prepared on the basis of both the Russian and the international practice in this area.

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The table you see on the Slide provides, as a reference, the data for the period from the 2004 to the 2006 in a more extended format as compared to the audit period, which was determined in the period from the 2007 to the 2010.

As you can see in this Table, all the indicators in the period from 2007 to 2010 did not go beyond the thresholds of the targeted values.

Taking into account the different focus of the indicative values (being not higher or not lower than a certain threshold), as well as the substantial difference between their levels (from 10 to 250%) we have applied, for illustration purposes, the method of calculation of indicators characterizing the status of indicators in relation to their indicative values.

And the increase in numerical value of these indicators generally speaks for the positive trend, irrespective of the upper or the lower limits set by the indicative values.

Dynamics of indicators calculated using this technique is shown on the Slide.

**(Slide 5)**

According to this technique:

- If the calculated indicator tends to zero, it evidences that it approaches the indicative threshold;
- If the resulted indicator is negative, it evidences that it went beyond the indicative threshold; and
- If the calculated indicator tends to 1, generally it speaks either for efficient debt management in terms of the indicator concerned or for substantial (by many times) underestimation (or overestimation) of the indicative value.

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Taking into account the conducted factor analysis of the changes in the indicators used for the performance audit of public debt management in terms of ensuring debt sustainability and current ability to perform obligations, we noted the following achievements:

- In the audit period (from 2007 to 2010) all the indicators did not go beyond the indicative values;
- Certain indicators were far below the indicative thresholds evidencing that there is a wide area for debt sustainability. And the indicators with the minimum indicative threshold fixed were also at the “safe” level;
- Dynamics of certain indicators and analysis of factors determining these changes showed that some indicators had changed in relation to the indicative thresholds due to general economic factors, as well as by implementation of certain debt-related and budgeting decisions. And several changes were posing certain additional threats to the federal budget (increase in the extent of guarantees and possible increase of costs of the public debt service).

Taking into account all the analyzed factors, as part of the general integral performance assessment of the Russia's public debt management during the period of 2007-2010, public debt management was assessed as quite efficient in terms of ensuring debt sustainability and current ability to perform obligations.

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At the same time, we have coincided in opinion with the Ministry of Finance of the Russian Federation that the agreed-upon criteria can be applied as a separate group of indicators included into the general system of performance indicators for assessment of public debt management.

I believe that this experience of the Accounts Chamber of the Russian Federation in performance auditing of public debt management in our country can be of certain interest for further work of our Group on issues related to the performance audit of public debt management.

Thank you for your attention.

Nikolay Surikov