

INTOSAI Public Debt Committee Meeting
Sofia, Bulgaria
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**Member States Questionnaire on
Contingent Debt**

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Objectives

- to feedback to Committee members the responses on the questionnaire on contingent debt
- to consider how the Committee wishes to take this work forward

Reminder

- questionnaire considered and agreed at 2004 Committee meeting in Moscow
- included nine sections:
 - what is contingent debt?
 - identification & classification of contingent debt
 - assessing the expected costs of contingent debt
 - reporting of contingent debt
 - budgeting for contingent debt
 - control mechanisms and risk management
 - the audit of contingent debt
 - key strengths & weaknesses
 - evolution & future

Responses (1)

- we received 15 responses to the questionnaire (Argentina, Brazil, Bulgaria, Canada, Fiji, Finland, Lithuania, Mexico, Norway, Portugal, Russian Federation, Republic of Korea, Sweden, United Kingdom, United States)
- prepared a paper summarising responses & highlighting key messages

Responses (2)

- paper organised in two parts:
 - Part A – executive summary. Key themes & issues arising, identifies possible future actions, numerical summary of responses
 - Part B – question by question analysis of the responses received
- what were the key messages?

What is contingent debt?

- widespread recognition
- precise interpretations varied

Identification & classification

- approaches varied
- few countries applied the Polakova matrix
- focus on contingent liabilities arising from State guarantees

Assessing expected costs

- most respondents attempted to calculate likely costs of explicit contingent debt
- two respondents indicated that quantification of implicit contingent debt took place

Reporting of contingent debt

- publicly available disclosures made by almost all respondent countries – often through financial accounts
- focus on explicit rather than implicit contingent debt

Budgeting for contingent debt

- over 50% of respondents indicated that the expected costs of contingent debt were recognised in the Government's budget
- once again - focus on explicit rather than implicit contingent debt

Control mechanisms & risk management

- nearly all respondents indicated the existence of control mechanisms to limit/manage contingent debt – usually some form of regulatory framework
- around 50% noted active management of risks by the Finance Ministry

Audit of contingent debt

- all respondents indicated that the SAI had responsibilities for the oversight/audit of contingent debt
- numerous examples provided of positive outcomes achieved through SAI involvement
- two thirds of respondents felt there was scope to enhance their role

Key strengths

- responses revolved around systems and controls for the oversight, limitation and disclosure of information on contingent debt

Key weaknesses

- recognition that controls, monitoring and reporting arrangements often applied to a limited range of contingent debts – e.g. explicit state guarantees
- deficiencies in risk management and centralised oversight of contingent debt
- weak links with budgetary processes and lack of focus on sustainability

Evolution & future

- approaches to contingent debt have developed over time in response to the particular circumstances in each country
- most respondents did not indicate that significant developments in this area were underway or planned

Looking ahead – possible options

- what should the Committee do now?
 - publish the survey results
 - extend the survey to other INTOSAI members
 - develop good practice
 - incorporate relevant issues into the IDI course on public debt audit