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ASSESSMENT OF HUMAN RESOURCES EMPLOYED IN DEBT CONTRACTING

1. INTRODUCTION

Under the terms of reference laid down by the Governing Board of INTOSAI, the Public Debt Committee (PDC) was given the task of publishing guidelines and other information for use by Supreme Audit Institutions (SAI) to encourage the sound management and proper reporting of public debt.

This audit term of reference has been prepared for the investigation into the Human Resources Employed in Debt Contracting for the government of Fiji.

The investigation theme is the result of the INTOSAI Public Debt Working Group Meeting where members have identified the need to enhance the Public Debt Working Group Strategic Plan with recommendations on public debt.

The paper's main objective is to present to the Working Group members the Terms of Reference on how the six (6) spheres which was presented in the 2009 meeting in Kiev 2009 will be conducted.

2. MANDATE

The Working Team on the theme Assessment of Human Resources Employed in Debt Contracting is headed by the SAI of Fiji in collaboration with SAI Mexico and Zambia. The investigation has been approved by the Working Group on Public Debt in July 2008.

3. OBJECTIVE

The principal objective of the investigation is to perform sufficient audit work to enable the Auditor General to form an opinion on the affairs of the Debt Management Unit in relation to Human resource engaged in Debt Contracting.

4. SCOPE OF WORK

The audit would cover all the six spheres identified in the progress report presented to the Working Group on Public Debt meeting in Kyiv, Ukraine in September 2009. The investigation shall entail the following specific tasks

Integrity and ethical values of senior public debt officials: Staff involved in debt management should be subject to a code-of-conduct and conflict-of-interest guidelines regarding the management of their personal financial affairs.

The investigation will be carried out in line with the Guidance for Planning and Conducting an Audit of Internal Controls of Public Debt which was prepared by the Public Debt Committee in May 2000. That is, the SAI would obtain oral and documentary evidence to determine whether a code of conduct exists and how it is implemented and would examine documentation to determine the debt manager's attitude to internal controls.

The recommendation shall specifically address any problems which might exist and which could compromise integrity of the Unit;

Human resources policies, investigation into this area will be focused on:

- the competence levels and financial skills (knowledge on financial instruments and market risks) desired for the staff managing public debt instruments, as well as the public policy skills needed, and
- the senior officials' responsibility to correctly assign employees with the appropriate skills to each task.

SAIs would examine documentation determine the debt manager's recruitment, retention, and remuneration policies and practices. SAIs would also need to obtain evidence by observation and examination of documents to determine this.

Recommendation shall address issues in the competency and the allocation of appropriate officers to the different tasks at Debt Management Unit.

Organizational structure, which might require:

- the identification and assessment of the different management functions and reporting responsibilities, particularly at two levels: high-level functions (involving coordinating debt operations with the government's fiscal and monetary operations), and operational functions (involving managing specific debt transactions).
- verification that the organizational framework for debt management is well specified and ensures that mandates and roles are well articulated.
- examination of the relationship and communication flows among debt managers, fiscal policy advisors, and central bankers to confirm that they share an understanding of the objectives of debt management, fiscal, and monetary policies given the interdependencies between their different policy instruments.

SAIs would obtain evidence by observation and examination of documents to determine the organisational structure of debt management.

The analysis will deal with the weaknesses identified in the organisation structure and the in the process and procedures within the Debt Management Unit.

Computer-based debt information systems, referring to:

- accurate and comprehensive management information system with proper safeguards at disposal to debt management activities.
- the expertise that public debt personnel must have on general controls related to IT, meaning application controls imbedded into the specific computer system used by the Ministry of Finance and/or the Central Bank to manage sovereign debt. One example is the personnel's expertise on the Debt Management and Financial Analysis System (DMFAS), a computer system designed by the United Nations Conference on Trade and Development (UNCTAD).

SAIs would obtain evidence to evaluate general controls of computer-based debt information system. SAIs would also need to obtain evidence to evaluate application controls of computer-based debt information system.

The effectiveness of the controls in the management information system to prevent usage by unauthorised users and the processes/procedures for the accessing of hard copy printouts shall be determined.

Laws, regulations, and practices: SAI's would obtain evidence to evaluate this sphere of investigation which refers to;

- acquisition of knowledge on the respective legal framework and actual debt procedures in each country, which is necessary to gain an understanding of the environment in which debt managers operate.
- verification that written procedures are in fact followed in practice,
- examination on how public debt estimates are programmed into the budget as a use and source of budget resources,
- examination on how public borrowing is used to fund temporary cash operating deficits, which requires close communication between cash and debt management staff.

- verification that appropriate legal advice is provided to debt managers
- examination on sound legal features, which must be incorporated to transactions undertaken by debt managers.

External factors: affecting the government's ability and willingness to service its debt. This includes external sources of information (such as the World Bank, the International Monetary Fund, United Nations, OECD, creditor organizations and credit rating agencies), to verify information provided by debt management staff, which might allow the SAIs to evaluate the likelihood of sovereign debt defaults.

5. METHODOLOGY

Documentary research: The investigation would include documentary research which involves the use of documents as source materials: publications, certificates, and innumerable other written, electronic, or other 'hard copy' form.

Consultation with members of the WGPD on their practices: Consultation would also be carried out with other members of the Working Group on Public Debt on practices of their different countries

6. EXPECTED OUTPUTS

The investigation shall produce the following:

- A report examining the code of conduct that may exist and bind the public debt managers and how it is implemented including recommendations for improvement if there is such cases as if they are non-existence.
- A report providing insight into the recruitment process into the Debt Management Unit and whether there are policies in place for the retention and remuneration of public debt managers.
- A report examining the organisational structure of debt management and how well the link with other stakeholders is working, e.g. fiscal policy advisors, central bankers.
- A report on management information system with recommendations on general controls and application controls which may be lacking.
- A report on the whether laws, regulations pertaining to the raising of public debt are in fact followed in practice and recommendation on improvement of the legal framework and debt procedures.
- An overall assessment on the external factor affecting government's ability and willingness to service its debt.

7. MEMBER SAI

The investigation is being led by theme leader Fiji in collaboration with SAI of Mexico and Zambia. The addition of any new member will be decided by the Working Group on Public Debt in the meeting in Mexico City.

8. PROJECT TIMEFRAME

The investigating team shall provide a final paper on the theme 'Assessment of Human Resources Employed in Debt Contracting by November 2010.