

## **Annual Meeting of the INTOSAI WGPD, Lithuania, 9-10 June 2011**

### **Request for Feedback** **Draft Practical Guide for Auditing Public Debt Management** *(Experience from Transregional Programme for Public Debt Management Audit 2008 – 2011)*

## **Background**

In 2008 the INTOSAI Development Initiative (IDI) launched a Transregional Capacity Building Programme for Public Debt Management Audit (PDMA) 2008 - 2011. The Programme is in cooperation with the INTOSAI Working Group on Public Debt (WGPD), the Debt Management and Financial Analysis System (DMFAS) Programme of the United Nations Conference on Trade and Development (UNCTAD), the United Nations Institute for Training and Research (UNITAR) and the Commonwealth Secretariat..

The objective of the programme is to enhance professional and institutional capacity of the target SAIs in public debt management audit. One of the outputs of the Programme is a practical guide for auditing public debt management audit. The guide covers audit procedures on nine specific public debt audit topics discussed in the PDMA e-learning course and withdrawn from pilot public debt audit experiences during the Programme. Based on the inputs from participants and subject matter experts during the Audit Review Meetings in March and April 2011, a Draft Practical Guide as of 6 June 2011 is available now for comments and feedback from members of the WGPD and participants of the Programme.

## **Intended Users and Purpose of the Guide**

This *Guide* is primarily intended for auditors and Supreme Audit Institutions (SAIs) who possess little or no knowledge and experience of public debt auditing.

SAIs who are planning a first audit of public debt management auditing can use this *Guide* with their knowledge of specific public debt arrangements in their country and IDI's training materials on public debt management auditing. SAIs who already possess knowledge of public debt issues or who have experience in public debt auditing can use this guide to better scope their public debt management audits and develop their audit work plans.

Nine chapters in Part Three: *Auditing Public Debt Topics* in this *Guide* can be used as a theme (or line of enquiry) for a public debt management audit and the illustrative audit questions therein can serve as research questions in the audit work plan. First-time auditors of public debt will gain a reasonable understanding of public debt issues by reflecting on and answering audit questions in this *Guide*. At the same time, the questions address issues that should be included in most audit plans. Thus, the availability of a comprehensive list of public debt audit questions serves as a tool for both learning about public debt and development of an audit plan.

Like any audit, an effective audit of public debt management issues is critically dependent on a thorough understanding of the subject area and on asking sufficient and appropriate audit questions. Formulating precise audit questions is important because minor changes to them, or to the definition of the problem to be studied, can have major impact on the resources, scope and results of the audit. Thus, SAIs who use the audit questions in this *Guide* should consider the most appropriate way of adapting them to their public debt environment and audit objectives. This guide also provides audit procedures in the form of an audit design matrix to be used for gathering the information required to answer the audit questions.

If an SAI audit team has access to experts in any of the public debt themes selected for their audit, they could use that expertise to complement the audit questions in the *Guide* to ensure greater completeness of the audit work plan. In such instances, we asked the members of WGPD and participants of the Programme to send the IDI their suggestions and additional audit questions to be added to this *Guide*. This feedback will improve the *Guide* and improve its usefulness to the INTOSAI community.

The *Guide* contents are aligned with the International Standards for supreme Audit Institutions (ISSAIs), available at [www.issai.org](http://www.issai.org), and other recommended practices in public debt management and auditing, including practices and experiences from the pilot public debt audits conducted as part of the Programme.

## Outline of the Draft Practical Guide

The guide mainly focuses on performance auditing. There are three main parts of the draft guide, namely Planning Audits, Audits of Public Debt Topics and finally Reporting. Considering that some SAIs conducted financial and compliance audit on public debt, the guide includes a discussion of the three types of audits of public debt in the Planning part.

Outline of the Draft Practical Guide is as follow:

Components of the Guide	Page
Cover page	1
Preface	2
Table of contents	3
Acronyms	4
<b>PART ONE: INTRODUCTION</b> <ul style="list-style-type: none"><li>- Importance of public debt management</li><li>- Roles of Different Key Players to Promote Good Governance in Public Debt</li><li>- Importance of SAI's Legal Mandate</li><li>- Public Debt Definitions</li><li>- Audit of Public Debt Management</li></ul>	6 – 10
<b>PART TWO: PLANNING AUDITS OF PUBLIC DEBT MANAGEMENT</b> <ul style="list-style-type: none"><li>- Similarities and Differences of Performance, Financial and Compliance Audit</li><li>- Define Audit Objectives</li><li>- Develop Audit Criteria</li><li>- Similar audit steps in planning phase (incl. Understanding business entity, risk assessment, prepare audit plan – use of <b>Audit Design Matrix</b>)</li></ul>	11 – 27

- Example of Audit Design Matrix (ADM)	
<p><b>PART THREE: AUDITING PUBLIC DEBT TOPICS</b></p> <p>This part consists of 9 Chapters (Chapter 3 – 11) representing each of nine public debt audit topics (one chapter for each topic):</p> <ol style="list-style-type: none"> <li>1. Auditing legal framework</li> <li>2. Auditing organizational arrangements</li> <li>3. Auditing determination of public borrowing needs</li> <li>4. Auditing public debt management strategy</li> <li>5. Auditing borrowing activities</li> <li>6. Auditing public debt information systems</li> <li>7. Auditing debt servicing activities</li> <li>8. Auditing debt reporting</li> <li>9. Auditing Loan Guarantees</li> </ol> <p>Each audit topic covers same 5 components as follow:</p> <ul style="list-style-type: none"> <li>• Importance of the topic</li> <li>• Audit Approach</li> <li>• Audit Questions</li> <li>• An example of audit design matrix (to be included from pilot audit experiences)</li> <li>• List of further references (to be included)</li> </ul>	28 – 50
<p><b>PART FOUR: REPORTING PUBLIC DEBT AUDITS</b></p> <ul style="list-style-type: none"> <li>- Writing performance and financial audit reports of public debt</li> <li>- Purpose of reporting audit results</li> <li>- Similar features/elements in audit reports of public debt</li> <li>- Reporting Standards in Financial Audit of Public Debt</li> <li>- Illustration/example of good audit report summary (financial and performance audit) – to be included from pilot audit experience</li> </ul>	51 – 59
<p><b>GLOSSARY</b></p> <p>Grouped by three topics: Public Debt, Government Finance/Debt Markets, and Accounting/Auditing/Information Systems</p>	60 – 75
<p><b>APPENDIXES</b></p> <p>Appendix-1 Case studies - to be included</p> <p>Appendix-2 Pilot audit reports or summary of the pilot audit report (audit topic, audit objectives, audit findings and audit recommendations) – to be included</p> <p>Appendix-3 Auditing the Public Debt Information Systems (DMFAS 6 and CS-DRMS 2000+) – to be included</p>	76 – etc

## Requested Feedback

In general, we invite feedback on both the structure and contents of the Draft Guide.

We would also kindly request inputs on the following specific matters:

2. **The length of the Guide:** How many pages are sufficient for a practical guide? (The current draft is 76 pages before adding case studies and a summary of pilot audit reports).

3. **Discussion of the themes in the Guide:** Should we incorporate more materials or all of the contents on nine public debt topics that are now available in the PDMA e-Learning Course into the Guide?
4. **Inclusion of the Pilot Audit Experience and Pilot Audit Reports in the Guide:**
  - a. **The number, length and position of the 29 SAI experiences** that will be used to illustrate the chapters or themes/topics discussed in the Guide:
    - How many country cases are sufficient to illustrate a chapter or theme or topic?
    - Length of each illustration: One or two pages?
    - Position in the Guide: Inside the body on concerned themes/topics or as appendixes?
  - b. **The number, length (coverage) and position of the 29 Pilot Audit Reports** that will be used as examples to show linkage between audit objective, audit scope, audit criteria, audit findings and audit recommendation.
    - How many pilot audit reports should be included? (There are nine audit topics with at least one SAI for each topic. We have 29 SAIs to choose from).
    - Length and coverage of audit reports: Entire audit reports or a summary which covers audit topic and objective, scope, criteria, findings and recommendation? If a summary is preferred, should be one or two pages?
    - Position in the Guide: Inside the body of the guide (Chapter on each audit topic or Chapter on Reporting) or as appendixes?
4. **The flow diagrams:** Should there be more flow diagrams that illustrate the tools and methods for collecting evidence in each of nine audit topics?
5. **Any possible NEW topics** that should be included in the Guide, such as:
  - Sampling procedures in debt audits?
  - Audit procedures used for testing debt information (debt data validation handbook of DMFAS)?
  - Audit procedures used for testing general and application controls in DMFAS 6 and CS-DRMS 2000+ software?
  - Planning process of a FINANCIAL AUDIT of Public Debt, including materiality, preliminary analytical procedures, etc?
6. **The Glossary:** Should it be restricted to terms used in the Guide, or include terms that are relevant to a public debt audit, but not used directly in the body of the Guide.
7. **The delivery of the Guide** for use by INTOSAI community: Hard copy plus electronic delivery, or only electronic?

## Deadline and Contact Details

The IDI kindly asks for feedback as soon as possible and **no later than 31 August 2011**. Please send the feedback to **B. Dwita Pradana, IDI Programme Manager** at [dwita.pradana@idi.no](mailto:dwita.pradana@idi.no)

Based on the received feedback, the IDI and representatives of the programme partners will finalise the Draft Guide in a wrap-up meeting in September 2011.

***Thank you for your kind cooperation***