



**Magnus Borge, Director General of the IDI
Luis Esteban Arrieta, Programme Manager,
INTOSAI Public Debt Committee Meeting
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Mr Chairman of the INTOSAI Public Debt Committee and Senior Auditor of the Mexican Federation, Committee members, distinguished guests:

Introduction

Firstly, I would like to express my gratitude for the invitation to participate in this important Committee meeting and to share the results of the Public Debt Auditing Programme within the framework of the public debt audit. Capacity Strengthening Project, being presently developed in cooperation with yourselves and the OLACEFS Presidency and Secretariat, a pilot region for its development and implementation.

Concerning the activities concluded during 2003 my colleagues, Mrs Else Karin Kristensen, Sub Director General and Mr. Luis Esteban Arrieta Castellar, Programme Manager of the IDI, informed about the results obtained during the last meeting held in Mexico City; therefore I shall not elaborate more than required on the subject.

We have decided to do this presentation in two parts. I will be presenting the first part in English, and the points to be dealt with are: concluded activities, goals proposed considering the results obtained, and finally the sustainability factors of the programme; thereafter my colleague Mr. Luis Arrieta, whom the majority of you already know, will be speaking a little about the course material result of the process, the lessons learnt, and finally provide information about the programme impact on the region, which I'm sure will be of great interest to you all. His presentation will be in Spanish.

However, before embarking on the substantial report of the cooperation project between the IDI and the Public Debt Committee, we would like to give a broader overview of the IDI, how it is working and what it is doing.

The IDI is for short often called "the training arm of INTOSAI". It was set up in 1986 to help enhancing the audit capacity of SAIs of especially developing and emerging countries.

The IDI training approach

This report uses the phrase "IDI training approach" on several occasions, and it is useful to explain what this approach is. The IDI uses a methodology for

modern training of adults that is learner-centred, or experiential. This means that participants in workshops do not listen to lecture after lecture, but take part in regular case studies and exercises that immerse them in the subject and confront them with real-life scenarios. This approach can be challenging for participants that have not experienced it before, but evaluation indicates a clear link to better retention of learning points.

Over several years the IDI has established pools of graduate IDI Training Specialists in all INTOSAI regions. Those Training Specialists were taught to implement this training approach. The Training Specialists are capable of assessing training needs and to design, develop and deliver high quality training courses to meet the needs, both in the national SAIs they are belonging to and through the regional and international cooperation among SAIs. Other key elements of the regional training infrastructure established with the assistance of the IDI are training committees, long and short term training plans, and modern training guidelines.

The IDI Strategic Plan 2001-2006

The IDI is working according to The IDI Strategic Plan 2001-2006 which points out five broad goal areas:

1. To secure and strengthen the training capacity in INTOSAI regions
2. To establish and/or strengthen the network of Training Specialists
3. To cooperate with INTOSAI Standing Committees and Working Groups
4. To expand the IDI's Information Programme
5. To explore the potential of Distance Learning Programmes

Goal 3, "To Co-operate with INTOSAI Standing Committees and Working Groups", is recognised as one of the key areas for the development of world class training courses based on the standards and guidelines of these Committees and Working Groups.

Cooperation with INTOSAI Working Group on Environmental Auditing

The co-operation project with the INTOSAI Environmental Auditing Working Group is an active demonstration of the value of having an international community of training specialists. The project has seen nine Training Specialists from four English-speaking regions developing a two-week introductory workshop on the subject that was delivered, for the first time, to an audience of ASOSAI auditors in Turkey in November 2003. The course was delivered for the second time in Kenya in February 2004 to an audience of AFROSAI auditors and this will be followed by the final adjustment of the course before the course materials are made available to all INTOSAI regions and SAIs through the IDI International Training Directory.

One of the principle virtues of this four-region approach is that it arms each of those regions with one or more Training Specialists who are capable of delivering this workshop, and have some background knowledge of the subject matter.

Developments with other INTOSAI Working Groups and Standing Committees

The IDI is also in regular communication with the INTOSAI IT Audit Committee and the INTOSAI Working Group on the Audit of Privatisation. ASOSAI delivered the first workshop on the audit of privatisation in May 2004 with a subject matter expert provided by the Working Group and funded by the IDI.

Together, these three Standing Committees and Working Groups and the Public Debt Committee, will be collaborating with the IDI in 2004 to write and distribute a survey of SAIs in the IDI's target countries that will help determine which subjects should be priority training development areas in specific regions in the coming years.

IDI International Training Directory

At the end of 2003 the IDI launched the first Internet-based version of its International Training Directory, which contains information on the courses developed by IDI Training Specialists from all INTOSAI regions. The Directory is a tool for sharing and will enable trainers from SAIs all over the world to use tried and trusted course materials without needing to develop them anew.

After this brief overview of some of the IDI's activities we will return to the cooperation project with INTOSAI's Public Debt Committee.

Cooperation with INTOSAI Public Debt Committee

Although it may sound pretentious, I would like to begin by saying that: "the work is done". When during the Committee meeting held in Stockholm in June 2002 the cooperation project between the INTOSAI Development Initiative (IDI) and the INTOSAI Public Debt Committee to develop and implement a Public Debt Auditing Programme was approved, at IDI we immediately began working on the adequate strategy to comply with the general goals proposed, i.e.: Strengthen the public auditing process in the pilot region by means of capacity building and knowledge sharing. Increase SAIs public debt knowledge. Provide for the distribution of public debt auditing material amongst the SAIs, and promote information sharing amongst SAIs participants, Public Debt Committee and other entities, with the exception that it would be implemented in the OLACEFS regions and therefore the programme had to be planned, designed and concluded in Spanish.

For this purpose we developed an Activity Chronogram as from December 2002 and up to May of the current year. The first activities concluded were: the Curriculum Plan Workshop, in December 2002; the Design Meeting, in February 2003, and the Public Debt Workshop, between April and May 2003, already known to you all, as the activities concluded and respective results obtained were outlined, by my colleagues, during the last Committee Meeting, as I previously mentioned at the beginning of my presentation.

Therefore it was only the beginning of what was to be an intense and difficult task, allow me to remind you that as a result of the Public Debt Workshop that lasted five weeks, a draft was obtained for what was to be the three-week Course in Public Debt Auditing. Also, the “trainers” team was selected from those that participated as final developers of the course material and as instructors during its implementation phase. I think that it would be recommendable to send a letter, issued by the Committee, thanking each one of them for the excellent work they have undertaken, which without a doubt influenced the success of the Programme

The tasks that followed were the Course Re-design and Development meeting, held in Brasilia, from the 18th of August to the 5th of September 2003, from which resulted the first version of the course, that was to be later on executed in what was the First Course in Public Debt Auditing, that took place from the 27th of October to the 7th of November 2003 directed mainly at South America’s SAIs. The activity that follows, did not form part of our initial programme and was the execution of a pilot audit in public debt, an activity proposed by one of the World Bank employees that participated in the meeting as expert of the re-design and development course. This activity took place in February 2004, in Caracas, Venezuela and made it possible, not only to obtain an improved course, but also to test the method proposed for the development of this type of audit and to improve the know-how and expertise of our “trainers”. Finally, the Second Course in Public Debt Auditing took place in the Dominican Republic, from the 26th of April to the 7th of May 2004, initially directed at the auditors of Central America’s SAIs. With this activity we foreclosed the proposed chronogram concluding therefore this way the tasks set out for the pilot region.

The cost of this programme, as indicated in the slide, amounted to 4,514,000 (in NOK), i.e. equivalent to 644 857 American Dollars, which we considered to have been a worthwhile investment. With this I take the opportunity to proceed to the next point which is the evaluation of the accomplished goals.

The accomplishment of all the set activities within the established time is in itself proof of the Programme management’s efficiency. Therefore, if we analyze the first goal, i.e. the strengthening of public debt auditing by means of training, we can state that we trained 78 auditors of 18 SAIs of the twenty-one SAIs that form part of the OLACEFS region. This was due in itself to SAIs initiative to send participants and not as a result of our policy.

Regarding the second goal, the SAIs knowledge increase in Public Debt, I can say that said participants, at the beginning of the three mass training activities, showed a know-how on the subject, that averaged 2,8, and once these activities came to an end, the average increased to 4,2 out of 5,0. This data was obtained from questionnaires distributed at the beginning and at the end of the course or workshop, with a classification ranging from 1, lower know-how, up to a maximum of 5, which is equivalent to complete know-how.

The third goal was to facilitate the distribution of public debt auditing material amongst the SAIs, for the above mentioned, and those that participated in each event own the material that was elaborated for each course. Nevertheless, a final version will be ready between August and September of the present year, and will be forwarded to each SAI in CD Rom. At this point it is important to highlight that today we have high quality material available, about which I will not enter into further details, as my colleague Mr. Luis Arrieta will be presenting this aspect in more detail.

The fourth and last goal was to promote knowledge sharing between participants of the SAIs, the INTOSAI Public Debt Committee and other entities. Regarding this I would like to point out that from the beginning we counted with the support collaboration of the SAIs of the region, such as the ones from Mexico, Costa Rica, Panama, Columbia Venezuela and Uruguay, who have supported the programme by allowing the “trainers” to be present at each one of these programmed events. Amongst other supporting organisations, we had the United States General Auditing Office, entities like the World Bank, the Interamerican Development Bank, the UNCTAD, the International Monetary Fund, the Brazilian and Venezuela’s Debt Administrating Offices, KPMG Mexico, to mention only a few. The truth is that we had never experienced something similar, where so many entities were willing to collaborate in implementing a programme of this magnitude.

Finally, I would like to mention that the participants in our courses/workshops, also received training on instruction techniques, work that was carried out by our training experts, who also provided assistance and guidance in order for the course material to suit the base line established by the IDI for the development of this type of material; this was reflected in the capacity of said participants to be able to be multipliers of the new knowledge and know-how acquired.

Regarding the programme’s sustainability, as you may have noticed at some time or another, the commitment by the region’s SAIs will be first priority to conduct the course that will allow for the transfer of knowledge acquired locally and to carry out public debt audits using the human resources prepared during our courses, average between 5 and 3 auditors per SAI involved.

The fourth section refers to risk Management of a public debt portfolio, with the purpose of presenting general elements of assets and liabilities management. The main methods of measuring risk which includes the definition of the benchmark tool to quantify and analyze the strategies used by the debt administrator to identify risks. In order to finalize the “swaps” presentation, as risk cover products that involves financial mediation efficiency so as to obtain funds at lower prices and investments with the adequate yield. This theme occupies the afternoon of the second day, morning of third.

The fifth and last session of this module is to analyze the public debt by means of indicators, this is the way the macroeconomic indicators are usually used to analyze public debt in function of its sustainability, vulnerability, and flexibility, analyzing the qualifications issued by the specialist agencies and that serve as a framework for debt analysis.

Module two composes sessions related directly to the activities that normally take place in a normal auditing process, the ones related to Planning, Implementation and Report. Nevertheless it begins with the theme of Internal Control base lines issued by INTOSAI. This theme extends from the fourth to the eighth day inclusive.

Module three extends through the last two days of the second week: and it deals with Instruction Techniques, with the aim of preparing the participants to implement locally the multiplier effect.

The whole course has been conducted in accordance with IDI method which includes an active participation by the assistants and the carrying out of exercises, questionnaires as well as a case study which is included in module two.

I must confess that it was very enriching task to me to have worked in this programme thanks to the various lessons learnt during its development. In order to facilitate the analysis of the theme, I will divided it into two, the first being of a technical nature, involves the theme itself, developed activities and human type activities making reference to the use of the human resource available.

As far as the first ones (of a technical nature) are concerned, I make reference to the situation diversity existing in the region in what concerns debt management and administration, as in some countries. Aspects such as management of “swaps”, bond issues and risk analysis under the tool denominated “benchmark” are still not known by part of the auditors, which meant that we had to expand the courses theory base and provide examples for the aspects involved. In the same manner, the public debt audit process as such is not applied in all the SAIs of the region. As a result in the same class there were students with experience and knowledge about the theme and others that were not knowledgeable at all with

the area. This led to the extension of module two conducted in the Second Regional Course and the implementation of an exercise as close to reality as possible. For this purpose the pilot audit exercise carried out was of crucial importance and this at the same time allowed for a revision of the method suggested in the course to speed up audits, and which we suggest be revised by the Committee.

Regarding human resources, these may not be tangible, nevertheless I must mention them. We have observed, as a result of the execution of the different activities, that the lack of knowledge in the region about a technique that will ensure the exercise of the public debt audit with the purpose of evaluation, not only financial, such as the revision of the accounts involved in a Debt Situation and the crossing with its supports, without going any further the analysis process itself. The understanding by the auditors that the process has to be checked in order to make sure that its administration and management is being conducted in compliance with established standards and laws, by exercising the due controls and the evaluation of risks in the use of financial instruments, amongst other aspects, meant an additional effort by the “trainers” whom in a professional manner, and apart from managing their daily tasks and respective SAIs, made the effort to execute a high quality work.

I finalize my exposition by mentioning how motivating the future of the programme in the OLACEFS region seems to be, and as mentioned by Mr. Borge, it leads us to think that “our task has been accomplished”, with the knowledge that in the region we started working on the public debt audit process, which is the case of the Paraguay SAI, where the first local auditing course took place, and was dictated by the regional course participants conducted in Colombia and the preparation of the second course, which as I understand contact has been established with Mt. Adolfo Rivera, board official of the EFS of México, who participated as supervisor and expert in the pilot audit and in the second regional course respectively. News such as the preparation of a plan in order for some of the courses’ themes to be handled in countries pertaining to Mercosur, lease Argentina, Uruguay, Brazil, Paraguay and Chile, but this idea is in the gestation phase and hopes to be able to count with the support of management such as the Public Debt Committee. Also we received an encouraging message from Guatemala where they mention the interest shown by the Controller of said SAI to open a branch for the public debt audit directed at the female employees that participated in the second regional course, and to finalize my presentation I would like to bring to your attention the election, as from last year, of one of our “trainers”, of the Venezuela SAI, as coordinator of the team that is responsible for public debt auditing and that is composed mainly by employees that participated in the regional course of 2003.

All this is the result of the positive impact that the programme has had in the region, and which we must continue to support in order for the process to continue producing the results we all expect.

Thank you for your attention and patience, and I will be glad to answer any questions you may have.