

INTOSAI Public Debt Committee Meeting  
Argentina June 2006

Guidance for Substantive Tests in Public Debt Audits  
&  
China Audit Manual for World Bank Loan Projects

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# INTOSAI Public Debt Committee Meeting Work Performed So Far

## Drafts of

1. Guidance for Using Substantive Tests in Public Debt Audits
  
2. Audit Manual of World Bank-Supported Projects, NAO of China

# Guidance for Using Substantive Tests in Public Debt Audits

- Draft incorporates sections of two documents presented and discussed at PDC meetings in past two years. This guide incorporates the feedback received at those meetings.
  - The Audit of Public Debt – Application of INTOSAI Auditing Standards (1st Draft), prepared by UK National Audit Office
  - Guidance for Using Substantive Tests in Audits of Public Debt, prepared by US Government Accountability Office.

# Guidance for Using Substantive Tests in Public Debt Audits - Contents

- CONTENTS
- Part 1- Purposes and definitions of substantive audit procedures
- PART 2 - Analytical Procedures
- PART 3 - Substantive Audit Procedures for Derivatives
- PART 4 - Substantive Audit Procedures for Unrecorded Contingencies
- PART 5 - Sampling Procedures
  
- NEXT STEPS
- Incorporate new materials
- Make a final revision by PDC members
- Translate in several languages
- Include final product on PDC internet site

Audit Manual of World Bank Loans  
Multilateral Loans – Importance for INTOSAI Members

- Multilateral loans are a significant percentage of public debt in many INTOSAI countries
- Multilateral loans have complex terms that auditors need to consider in audit planning
- Auditors may be able to link use of loan proceeds to output measures, and thereby conduct performance audits
- Some INTOSAI members provide auditing services to multilateral institutions

# Audit Manual of World Bank Loans

## Largest WB Borrowers in 2005

<i>Country</i>	<i>IBRD Commitment Amount</i>	<i>IDA Commitment Amount</i>	<i>IBRD/IDA Commitment Amount</i>
<b>Turkey</b>	1,800.1	0.0	1,800
<b>Brazil</b>	1,771.8	0.0	1,772
<b>India</b>	1,748.5	1,137.8	2,886
<b>China</b>	1,030.0	0.0	1,030
<b>Colombia</b>	912.0	0.0	912
<b>Romania</b>	786.0	0.0	782
<b>Indonesia</b>	680.8	236.4	917
<b>Pakistan</b>	347.4	500.0	847
<b>Vietnam</b>	0.0	698.8	699
<b>Bangladesh</b>	0.0	600.0	600

# How World Bank Selects Auditors for WB-financed Projects

- WB requires audited financial statements of projects supported by the WB.
- Many SAIs audit WB-financed projects.
  - Audits of Expenditures and Internal Controls in Executing Agencies
- WB is also performing assessment of national capacity for auditing, government governance and transparency.

# Case of China SAI

## Audit Manual of Multilateral Loans (extract)

- **Chapter 2 Audit Preparation**
  - Understand of the Project Entity, Set the Materiality Level, Audit Risk Analysis, Prepare Audit Program
- **Chapter 3 Test Internal Controls**
  - Review Internal Controls and Perform Tests of Internal Control for Compliance
- **Chapter 4 Perform Substantive Tests**
- **Chapter 5 Financial Statement**
- **Chapter 6 Audit Report**

# INTOSAI Public Debt Committee Meeting

## Possible Initiatives by PDC

Include Audit Manual on PDC Internet Site

Invite INTOSAI members to share similar  
audit guidance products

- INTOSAI Board Meeting
- 2007 INCOSAI in Mexico