

Minutes of the INTOSAI Public Debt Committee Meeting

Mexico City

November 11-12, 1999

Country Participants

- • Mexico
- • Canada
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- • Korea
- • Portugal
- • United Kingdom
- • United States
- • Zambia

The meeting opened with a welcome from Mr. Gregorio Guerrero Pozas, Auditor General of Mexico. The meeting was divided into two sessions. The first session, which took place in the morning of November 11, was taken up by two presentations from Mexico:

- “Public Debt in Mexico” by Dr. Carlos Garcia Moreno, Director General of Public Credit from the Treasury Department of Mexico; and
- “Banking Fund for Savings Protection in Mexico” by Adolfo Rivera Castro, Director General of Economic Research and Analysis from the Contaduria Mayor de Hacienda

The second session, which was the normal business of the committee, began in the afternoon of November 11 and concluded the next day. The following is a summary of the various elements of that meeting.

1. Final Draft on “Guidance for Planning and Conducting an Audit of Internal Controls of Public Debt” (US), and on “Guidance on the Reporting of Public Debt” (UK) were discussed.

The committee felt that both documents were virtually finished except for a few minor changes. Once completed, the following process would take place:

- UK and US would publish in English based on a format which those countries and Mexico would agree upon. Mexico would also determine the number of copies and the distribution list. The publications would be sent to Mexico for mail out;
- UK and US would e-mail final versions to Canada and to Mexico for translation into French and Spanish respectively. French text would be sent to Mexico for publication.

- Mexico would be responsible for finding resources for translation into Arabic and German, though Egypt and/or Yemen might be able to help with the former and the INTOSAI Secretariat with the latter.

The committee believes that with the publication of these two documents, it has issued the base information that SAIs and treasury departments of countries need for identification, measurement, reporting and auditing public debt. It also believes that while these two documents are essentially complete, they are "living" documents and will certainly have to be revisited in the near future. Whether that means a new round of publication or revising the internet version which will be posted to the PDC website was not resolved.

2. The Zambia Audit Office presented a draft of a submission to the World Bank for support to develop a system for identifying, measuring and reporting on public debt. This is a joint effort by the Zambian Treasury and Audit Office, both of which were helped considerably by Jose Oyola from the US. At the May meeting, Zambia will give an update on the project at which time, the committee will consider what, if any it can do beyond its current publications to help other countries in need of specific help to identify, measure, report and audit public debt.

The committee also expressed its gratitude to Jose Oyola for his considerable efforts in bringing this project along.

As part of this project, the committee discussed the broader issue of INTOSAI's relationship with the World Bank and International Monetary Fund (WB/IMF). In particular, the committee has always believed that WB/IMF ought to be insisting that countries seeking help and support, should be required to obtain assurance from the SAI about the credibility of financial information they provide to WB/IMF. To date, Canada and the US have had discussions with various people and organizations at WB/IMF, and while they agree on the need for credible audited financial information, it never seems to go any further.

The committee asked the US (and possibly Canada) to explore this matter. One way of pursuing this is to seek the advice of the American C&AG and the Canadian AG on ways to raise the importance of this matter with the heads of the WB/IMF.

3. Mexico presented the current developments of the PDC website. The site will contain a variety of information including committee membership, documents, links to other sites such as Treasury and SAI sites in various governments as well as central banks.

The Committee agreed that the site should be up and running as soon as possible, possibly early in 2000. Changes would be made once the site was live. It also agreed that the site should conform to INTOSAI standards.

Mexico indicated that it would take full responsibility to manage the site and act as its host. Information for the site would come from the member SAIs. On a specific note, members were asked to provide up-to-date information about themselves. For example

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(A photo would also be welcome)*

4. The two new projects were also discussed - "Financial Condition and Public Debt" (Canada) and "Commitments and Contingencies" (US). The two reports, once finalized, are not intended to provide specific "how-to" audit guidance for SAI but rather are guidelines for information that SAIs should expect to find as part of appropriate risk management and public debt disclosure public debt. Even though the specific numbers on a financial statement may be credible, they do not always provide adequate information for the user to get a sense of the overall financial well being of a government. On the 1st paper, the intention is to inform SAIs of the extent to which early warning signals can be developed to disclose more completely, the financial state of the assets and liabilities of a nation that can affect government financial condition and public debt.

On the 2nd paper, the intention is to inform SAIs about the moral and legal obligations, commitments and contingencies that the government needs to consider in arriving at a figure for public debt and to explain the context of the numbers.

The committee concluded that drafts of these two documents would be discussed at the Spring meeting.

5. The committee invited Korea to give a presentation on sovereign debt management in Korea. It pointed out the efforts by Korea, in cooperation with the World Bank to develop a risk management system to reduce the exposure to currency and interest rate fluctuations.
6. The committee discussed future meetings. It concluded that it would have to meet semi-annually if it wanted to report its two new projects at INCOSAI, 2001.

Accordingly it was agreed to meet in London. A potential date would be May 4-6.

7. The final item on the agenda was other business. The following items were discussed:

- Members were concerned that we do not know what other committees of INTOSAI are doing. One possibility is to seek to ensure those minutes of all INTOSAI committees be circulated among all committees.

Canada will look into this and how it could be accomplished

- At future committee meetings, it was proposed that if member SAIs have completed interesting audits which they have been reported on, they could be discussed so that committee members could learn from each other.

Canada and possibly the US agreed to present recent audits to the committee meeting in London in Spring, 2000.

- Based on the cooperation of the Zambia SAI and Treasury, committee members thought it would be useful to invite to the Committee's next meeting, other developing nations whose SAI and Treasury were working together.

The SAI from Zambia agreed to determine if there were other African nations whose SAI and Treasury were working together and possibly extend an invitation to one or two such countries for the London meeting.

- Canada proposed that the committee consider altering its mandate to include not only public debt but also the audit of the regulation of financial institutions. It made this proposal on the basis that many of the recent debt crises were brought on by poor regulation and disclosure issues among the financial institutions. Countries like Korea did not have a serious public debt problem, but there were serious problems in the financial sector that, once exposed, led to a debt crisis.

Also the IMF, World Bank and BIS are focussing on the importance of transparency in this area. Some SAIs were already becoming involved in auditing the effectiveness of publicly-funded regulation, and there was no reason in principle why this work should not include financial regulation.

It was agreed to discuss this further at the next meeting in London.

LIST OF PARTICIPANTS

MEXICO

C.P. Gregorio Guerrero Pozas (Chairman)
Mr. José Miguel Macías Fernández
Mr. Guillermo Ortiz Islas

CANADA

Mr. Jeff Greenberg

UNITED STATES

Mr. Paul Posner
Mr. José Oyola
Ms. Elizabeth McClarin

UNITED KINGDOM

Mr. Tim Burr

PORTUGAL

Mr. Luis Manuel Queimado

KOREA

Mr. Bok-Dong Ha
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Mr. Keuk June Kim (Embassy)

ZAMBIA

Mr. F.M. Siame
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