

Capacity Gaps in the Audit of Public Debt and Public Debt Management

SUMMARY OF RESPONSES AND WAY FORWARD

BREAK-OUT SESSION 1

05.6.2024

Overview

- Areas of Public Debt Audit
- Challenges faced
- Steps to address challenges

Areas of Public Debt Audit

- Most countries responded that they have audited some or the other aspect of PD/PDM
- Regulatory framework for PD/PDM differs from country to country
- The extent of PD/PDM audit undertaken is governed by
 - Risk analysis carried out by the SAI and
 - Availability of manpower resources at their disposal

Areas of PD/PDM Audit

- Effectiveness of Public Debt Instruments
- Analysis of Public Debt and its relation to monetary and fiscal policies
- Audits of PPPs, Cash Management, Government Securities
- Borrowing from banks, bonds, instruments, treasury bills, internal and external government guarantees
- Review of Debt Management Strategy and Fiscal Strategy of Government
- Compliance of PDM transactions with budget law authorizations and financing program

Areas of PD/PDM Audit

- Revenue from and expenses associated with debt issuance and management
- Analysis of debt repayment schedule and identification of periods of greater concentration of liabilities
- Identification of omissions and errors regarding economic classification of debt service financial flows
- Inadequate disclosure of debt tools, terms, and conditions
- Debt sustainability analysis
- Debt restructuring and financing

Constraints to PD/PDM Audits

- Limited capacity and expertise
- Lack of specialized knowledge of debt management and limited training and capacity building opportunities (reported by about 7 countries)
- Legal limitation of access to data
- Inadequate legal and regulatory frameworks
- Limited transparency and data availability
- Lack of Time for audit due to other pressing assignments is another major limitation (reported by 3 countries)

Constraints to PD/PDM Audits

- Insufficient coordination between Government agencies affecting correct recording and proper documentation of data included in financial reports
- Inadequate training in IT, considering the fact that most financial records are maintained electronically
- Constraint in obtaining sufficient and appropriate evidence in the audit of PD, examination of key debt documents and records

Suggestions for addressing constraints

- Gain from experiences of other SAIs and benefit from their practices in this field
- Constant evaluation of more relevant and comprehensive methods to develop a standardized guidance for debt sustainability analysis
- Continuous professional development and training to equip officers to audit public debt and public debt management effectively

Suggestions for addressing constraints

- Regular reviews of staff engagements identifying and attending to areas of weakness
- Conducting research on innovations in debt management and evolving financial Instruments
- Recording identified constraints or limitations in the scope section of audit reports
- Eliciting cooperation of relevant stakeholders, such as governments, regulators, auditors, and financial institutions

Way Forward

- Knowledge sharing for PD/PDM Audit between SAIs
- Tool kits could be developed for PD/PDM Audits
- Trainings for SAI Staff in PD/PDM and its audit
- Engagement with the PD regulator of the country for effective access to PD data
- Engagement with credible and independent 3rd party experts in PD/PDA Audits within countries

Thank You

