



IAN STORKEY  
INTERNATIONAL CONSULTANT

# Audit of Public Debt

Istanbul, Turkey  
10-12 May 2016



# INTOSAI – Public Debt Committee

- Provides guidance on audit of public debt:
  - Guidance for Planning and Conducting an Audit of Internal Controls of Public Debt
  - Guidance on Definition and Disclosure of Public Debt
  - Guidance on the Reporting of Public Debt
  - Guidance for Conducting a Public Debt Audit-The Use of Substantive Tests in Financial Audits
  - An Exercise of Reference Terms to Carry Out Performance Audit of Public Debt
- Also published:
  - Public Debt Management and Fiscal Vulnerability: Potential Roles for SAIs
  - Fiscal Exposures: Implications for Debt Management and the Role for SAIs

<http://www.intosai.org>

# Role of State Audit Office

- At the beginning of an audit of public debt, SAO must decide which components of internal controls to examine and the depth of analysis of each component
- The audit's breadth and depth will depend on the SAO's legal mandate, previous audit work done, and what resources are available to perform the audit:
  - restricted legal mandate to audit sovereign debt
  - broader mandate to review public debt issues
- SAO may lack the technical expertise required to review complex public debt transactions that have significant linkages to fiscal and monetary operations
  - may need to contract specialist auditors

# Performance Audit Definition

A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organisation, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action

# Examples of a Performance Audit

- **Economy and efficiency audits** may, for example, consider whether the entity:
  - is following sound procurement practices
  - is acquiring the appropriate type, quality, and amount of resources at an appropriate cost
  - is properly protecting and maintaining its resources
  - is avoiding duplication of effort by employees and work that serves little or no purpose
  - is avoiding idleness and overstaffing
  - is using efficient operating procedures
  - is using the optimum amount of resources (staff, equipment, and facilities) in producing or delivering the appropriate quantity and quality of goods or services in a timely manner
  - is complying with requirements of laws and regulations that could significantly affect the acquisition, protection, and use of the entity's resources
  - has an adequate management control system for measuring, reporting, and monitoring a program's economy and efficiency

# Examples of a Performance Audit

- **Program audits** may, for example:
  - assess whether the objectives of a new, or ongoing program are proper, suitable, or relevant
  - determine the extent to which a program achieves a desired level of program results
  - assess the effectiveness of the program and/or of individual program components;
  - identify factors inhibiting satisfactory performance
  - determine whether management has considered alternatives for carrying out the program that might yield desired results more effectively or at a lower cost
  - determine whether the program complements, duplicates, overlaps, or conflicts with other related programs
  - identify ways of making programs work better
  - assess compliance with laws and regulations applicable to the program
  - assess the adequacy of the management control system for measuring, reporting, and monitoring a program's effectiveness
  - determine whether management has reported measures of program effectiveness that are valid and reliable

# Audit of the Control Environment

## Six Key Factors

Integrity and Ethical Values

Computer-based Debt Information Systems

Human Resource Policies

Laws, Regulations and Practices

Organisational Structures

External Factors

# Risk Assessment

## Operational Risks

Segregation of Duties or Functions

System and Technology Risks

Procedures Risks

Inadequate Staff Expertise

Disaster Recovery Risks

Product Risk

Documentation Risks

Valuation Risks

Fraud Risks

# DeMPA DPI 5: Audit (Dimension 1)

**Score C**

- An external financial audit of DeM transactions is undertaken annually
- External compliance audits conducted in the past two years
- Audit reports are publicly available within six months of the completion of the audit

**Score B**

- *Plus...* regular external performance audits as well as internal audits of the effectiveness of the internal control system used for government DeM

**Score A**

- *Plus...* external performance audit reports are made available to the public within six months of completion of the audit

# Example of a Performance Audit Report: New Zealand Debt Management Office 2007

CAG engaged experts from KPMG to undertake a performance audit of NZDMO on our behalf because of the specialist and technical nature of the work of NZDMO.

The audit looked at the effectiveness of NZDMO's operations, including its governance and policy framework.

CAG compared NZDMO's policy framework to the following internationally recognized guidelines produced by the Organisation for Economic Co-operation and Development (OECD), Bank of International Settlements and the International Monetary Fund.

CAG also compared NZDMO's operational activities to OECD central government debt statistics, other similar entities such as the Australian state/Commonwealth borrowing authorities (CBAs), and similar financial institutions or corporate entities that undertake financial risk management activity within Australasia.

<http://www.oag.govt.nz/2007/nzdmo/docs/oag-nzdmo.pdf>



# THANK YOU



## Contact Details:

Ian Storkey

Email: [ian@storkeyandco.com](mailto:ian@storkeyandco.com)

Website: <http://www.storkeyandco.com>

# Useful References

- Australian Accounting Research Foundation (2002) *Performance Auditing* AUS 806  
[http://www.psc-intosai.org/media/17373/australia\\_-\\_performance\\_auditing.pdf](http://www.psc-intosai.org/media/17373/australia_-_performance_auditing.pdf)
- Australian Accounting Research Foundation (1995) *Planning Performance Auditing* AUS 808  
[http://www.psc-intosai.org/media/17377/australia\\_-\\_planning\\_performance\\_audits.pdf](http://www.psc-intosai.org/media/17377/australia_-_planning_performance_audits.pdf)
- European Union Performance Audit Manual (2015)  
[http://www.eca.europa.eu/Lists/ECA/Documents/PERF\\_AUDIT\\_MANUAL/PERF\\_AUDIT\\_MANUAL\\_EN.PDF](http://www.eca.europa.eu/Lists/ECA/Documents/PERF_AUDIT_MANUAL/PERF_AUDIT_MANUAL_EN.PDF)
- Office of the Auditor General of Canada (2015) *Performance Audit Manual*  
<http://www.oag-bvg.gc.ca/internet/methodology/performance-audit/manual/index.shtml#objective>
- US GAO (2011) *Government Auditing Standards*  
<http://gao.gov/assets/590/587281.pdf>
- US GAO (2014) *Standards for Internal Control in the Federal Government*  
<http://www.gao.gov/assets/670/665712.pdf>