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The Asian Journal of Government Audits is a popular resource for the SAI community for promotion of sound and effective audit systems. This bi-annual Journal has been in circulation since 1983 and has provided a forum to ASOSAI members for discussion and dissemination of good practices. The Journal accepts articles, special reports, news items and other materials from member SAIs of ASOSAI.

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Dear Colleagues,

We are pleased to bring out the April 2020 edition of the ASOSAI Journal of Government Audit. The theme of the present edition is “**Audit of Public Debt Management**”.

Public Debt Management is one of the most important components of country's financial management and its strategies to manage external debt. The function of debt managers in the treasury department of every country is to ensure that the government does not incur economic or financial setbacks. The objective of public debt management emphasizes on balance between government's financing needs and its payment obligations over medium to long run with wise degree of risk.

The Audit of Public Debt Management is vital to examine whether the governments seek to ensure that the level and rate of growth in their public debt is fundamentally sustainable and the principle of economy is considered while borrowing. Audit would help the policymakers to understand the risks associated with public debt, make their operations effective, enhance the efficiency of internal administrative processes and lead to augmenting public debt transparency and accountability.

This edition includes theme articles on the Audit of Public Debt Management from SAIs of China, Pakistan, Vietnam and Turkey.

We are thankful to Dr. Ho Duc Phoc, Chairman of ASOSAI as well as to Ms. Hu Zejun, Secretary General of ASOSAI for their messages.

We hope that the readers will find this edition of ASOSAI Journal useful and look forward to the continued support and feedback of our esteemed readers to improve the quality of the journal. You could contact us at ir@cag.gov.in or asosai.journal@gmail.com.

(Kulwant Singh)

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From the Desk of Chairman of ASOSAI



Dr. HO DUC PHOC
AUDITOR-GENERAL OF VIET NAM
CHAIRMAN OF ASOSAI

Greetings to all readers!

First of all, I would like to express a sincere and high appreciation to ASOSAI members, in general and to SAI of India – Chief Editor, in specific for their great endeavor and continuous contribution to the development of ASOSAI Journal which has been appraised as a valuable resource for knowledge sharing and collaboration for mutual benefits among SAI community.

With objectives of improving the quality and disseminating best practices in the field of governmental audit, ASOSAI Journal has covered various topics of public audit more in depth professionally and comprehensively, which always keeps pace with changing context of the region and the world. “**Audit of public debt management**” is a traditional topic but always a burning issue and concerns to ASOSAI

community because public debt has been a big problem and challenge faced by most countries in recent times, especially when the management of public debt plays an important role for sustainable development of national finance.

Accordingly, the theme is not only appreciated as a chance for SAI members to share views, experiences and best practices in the field of public debt management, but also highlights ASOSAI community's efforts in dealing with the issue of public debt in Asian countries.

I strongly believe that the topic “**Audit of public debt management**” discussed in this edition will help ASOSAI members and readers insightfully and comprehensively identify the issue so as to find out practical solutions to effectively conduct audits of public debt management in order to make greater contribution to the transparency and accountability of financial system in public sector at national, regional and international levels.

Finally, I would like to send the warm greetings to all readers with the wish for your health, happiness and great success.

From the desk of the Secretary General of ASOSAI



Ms. Hu Zejun,

Secretary General of ASOSAI and Auditor General of the National Audit Office of the People's Republic of China

In times of hardship facing the COVID-19 pandemic, with the joint efforts of member SAIs, the 2020 April issue of *Asian Journal of Government Audit* is made available. In the capacity of the Secretary General of ASOSAI, I would like to bring to all fellow auditors of ASOSAI with this issue of journal, my warm greetings and best wishes for good health.

In 2018, the *Hanoi Declaration* was endorsed by the ASOSAI assembly, and the *Moscow Declaration* by INCOSAI in 2019. Both documents expressed the consensus among SAIs worldwide: SAIs shall play an important role in promoting sustainable development. Early this year, the United Nations launched the *Decade of Action*, calling for the international community to face up to serious challenges to deliver the 17 goals of the 2030 Agenda for Sustainable Development on time. In the past 5 years, significant progress for no poverty, zero hunger, good health and well-being has been made in the Asian region, but with greater challenges to be addressed. The current pandemic is yet another

signal reminding us of the high relevance of these goals with the people's livelihood across the globe, and the great importance of promoting SDG-related audit. In order to facilitate sustainable development in Asia, SAIs are encouraged to be agile and active by strengthening audits of the achievement of the SDGs and national priorities.

The raging of the COVID-19 pandemic has profoundly affected the world, and Asian countries have also been afflicted. In the face of this global public health emergency, the people of all countries have tackled the virus head on, looked out for each other and pulled together as one. At this critical moment, we are very encouraged by the great solidarity, resilience and vitality demonstrated by the ASOSAI community. As stated in the *Beijing Declaration* endorsed by INCOSAI in 2013, international audit organizations are expected to continue to focus their attention to research on major issues of global and regional phenomena and provide SAIs with effective guidance and reference for response. In this regard, with the hope of building a model regional organization, ASOSAI shall reinforce its mission as a bridge and a platform of greater opportunities for sharing experience and knowledge in a number of audit fields including public health and public debt management in the trying times of the pandemic. To this end, the Secretariat of ASOSAI will continue to work with all member SAIs to enhance the positive role of SAIs in tackling major challenges, and to make more contributions to the implementation of the SDGs as well as the improvement of the people's livelihood in our respective countries and the Asian region.

THEME ARTICLES

Strengthening Risk Prevention and Resolution to Improve National Governance

National Audit Office of China

The Chinese government has always attached great importance to the debt of local governments. President Xi Jinping clearly pointed out that“ Governments at all levels must foster the right view on performance evaluation, strictly control the increment of local government debt, and implement lifelong accountability system.” In recent years, China has issued a series of policies and measures to prevent and resolve local government debt risks, made systematic arrangements for local government debt risk emergency response, and gradually improved the implicit debt prevention and control system, in order to effectively regulate local government debt financing and actively resolve accumulated local government debt risks in a steady manner.

As an integral part of the national supervision system, the National Audit Office of the People’s Republic of China (CNAO) adheres to the goal of maintaining national economic security, pays close attention to the changes of local government debts and implicit debts; reveals the prominent problems in the financing, management and use of public debts, and promotes the establishment of a long-term mechanism for government debt risk control, so as to maintain the sustainability of public finance and ensure financial security.

I. Mapping Local Debts and Promoting Standardized Management

The CNAO was one of the first departments that notified the central government of the debt risks of local governments. In 2011, the nationwide audit on local government debt was carried out, but there was no authoritative standard about government debts at that time. The CNAO, based on the debt liability and legal responsibility of governments, referred to international practices and classified the government debts into three types: a. the debt for which the local government bears direct liability; b. the debt for which the local government provides guarantee for repayment; and c. the debt for which the local government may have certain relief responsibility.

This classification method then was adopted by the financial departments and scholars. In 2011 and 2013 respectively, the CNAO organized 41,300 and 54,400 auditors from audit institutions over the nation to carry out the special audits on nation-wide government debts, covering 31 provincial (autonomous regions, municipalities directly under the central government) and 5 municipal governments with independent planning status, 392 municipal governments and 2,779 county-level local governments. The CNAO verified the local governments' debts and implicit debts, and got a clear picture about the debts of governments at all levels and their implicit debts and risks, and announced *China's Local Government Debt Audit Results in 2013* to the public, clarified the public's misinterpretation on China's government debt, and provided the basis and foundation for the central and local governments to make decisions and improve the system.

In 2014, the State Council clearly required that, based on the audit results in 2013, local governments should distinguish the outstanding debts and incorporate these debts into budget management. In the same year, the revised *Budget Law of the People's Republic of China* added provisions allowing local governments to implement debt financing, established a standardized debt financing mechanism for local governments.

A series of policy documents followed make further regulations on local governments' debt financing, such as the *Opinions of the State Council on Strengthening the Administration of Local Government Debts*, *Decision on Deepening the Reform of Budget Management System*, *Notice on Printing and Distributing the Emergency Response Plan for Local Government Debt Risks*, and *Notice on Further Regulating Local Government's Debt Financing Behaviors*. These documents improved the annual budget control mode, set the upper limit of local debt according to the law, clarified the specific responsibilities, investigation and response mechanism and accountability procedures of illegal debt financing, and established the local government's debt risk classification and emergency response mechanism.

II. Focusing on Government Bonds and Facilitating the Use of Funds

Since the revised *Budget Law of the People's Republic of China* took effect in 2014, China has established a standardized local government debt financing mechanism to implement quota management on local government debt. Every year, provincial governments can issue local government bonds within the quota specified by the State Council, and the total debt quota must be reported by the State Council annually to

the National People's Congress or its Standing Committee for approval. In 2019, the total local government debt balance quota approved by the National People's Congress was RMB 24,077.43 billion Yuan. By the end of April 2020, the total local government debt balance was RMB 23,040.2 billion Yuan, within the quota approved by the National People's Congress.

The CNAO highlights the local government debt budget audit as an important task in the annual budget implementation and final accounting audit, following up and focusing on the quota allocation, project application, bond issuance, the spending and performance of local government debt, etc. Since 2019, the CNAO has also paid much attention to the progress of the projects funded by new special bonds.

The audit findings revealed many problems, such as the allocation delay of new special bonds quota by the financial departments, the insufficient information disclosure of local government debt which has retarded the progress of bond issuance, the long-term idle of funds due to lack of projects to invest or the invested projects fail to be implemented as scheduled. In view of these problems found in the audit, the CNAO has put forward constructive suggestions, steadily promoted the reform of special bond management, actively assisted the Ministry of Finance in accelerating the progress of local government bond issuance, defended local governments' legitimate and reasonable financing needs, and laid a solid foundation for legitimate debt financing.

III. Strictly Investigating Illegitimate Debt Financing and Guarding against Risks

In order to actively prevent and resolve systemic fiscal and financial risks, the CNAO has attached great importance to curb the increase of implicit debts of local governments during various audit projects, such as the economic accountability audit of leading officials, the audit on local governments revenues and expenditures, and the real-time audit on the implementation of major national policies and measures that carried out quarterly.

Meanwhile, the CNAO has resolutely initiated investigations on local governments' illegitimate debt financing and implicit debts through government investment funds, special construction funds, public and private partnership (PPP), and government purchased services, revealed the local government debt financing problems and the transmission of risks from fiscal sector to financial sector, which are caused by the fact that some local governments may adopt innovative financial instruments to conduct illegitimate debt financing through financing platforms and state-owned enterprises. The illegitimate debt financing and guarantee problems of local governments found in the audit are handed over for further investigation. Meanwhile, the CNAO has disclosed 30 cases of illegitimate local government debt financing, and 11 rectification cases since 2016. In view of these audit findings, the Ministry of Finance and relevant local governments have actively held accountable to those responsible, urged local governments and relevant departments to reinforce the supervision over risk source, strengthen the budget control, strictly review the project applications, firmly

defend the bottom line of government debt risks, and strictly prevent loopholes of illegitimate debt financing.

IV. Actively Resolving Risks and Promoting Scientific Development

While revealing the risks caused by illegitimate debt financing of local governments, the CNAO has also been constantly promoting the proper disposal and handling of accumulated local government debt risks, paying attention to the effect of control over local government debts and implicit debts, urging relevant departments and local governments to report their debts in truth, establishing and improving the local government debt quota management and overall government debt monitoring and management system.

In 2018, the CNAO and the Ministry of Finance further clarified the types, scope and standards of implicit debts of local governments. The CNAO assisted the Ministry of Finance in establishing an unified overall local government debt monitoring system; urged governments at all levels to make solid efforts in taking the local management responsibilities, established and improved the debt accounts, developed rational plans to resolve the debts, and dissolved the outstanding implicit debts through liquidizing capital assets, vigorously reducing project construction expenditure, the cost on officials' overseas visits, vehicles and official receptions, as well as other general expenditures, in a way to avoid the secondary risk during the disposal of existing debt risks.

In this year, for the red-coded regions with serious local government implicit debt risks, the CNAO will pay close attention to their actual reduction of expenditure in officials' overseas visit, vehicle purchase and

normal maintenance, as well as the implementation of business travel standards of leading officials, and the decoration of existing offices, so as to ensure the local governments with high debt risk to tighten the belt.

The local government debt audits continuously carried out by the CNAO in the past have exerted significant and far-reaching impacts on the debt management of the Chinese government by bolstering China's fiscal policy in a long-term and sustainable way. This fully demonstrates the initiative of *reinforcing public debt audits and safeguarding long-term sustainability of finance policies* recommended by the *Beijing Declaration* of INTOSAI, and highlights the important role of supreme audit institutions in improving national governance.

The CNAO will constantly promote the establishment of a standardized, transparent and effective government debt management system, take active part in learning the advanced experience of other countries in the government debt management and audit, exploring new approaches and expand new areas, and assist financial departments in continuously improving policies and measures on government debt management, so as to promote a healthy and sustainable development of public finance.

Audit of Public Debt Management – SAI Pakistan

Mr. Muhammad Imran,
Assistant Director (IS Audits),
O/o Auditor General of Pakistan

Public Debt

Public debt typically refers to the amount of debt, which the countries owe to lenders. These loans usually come from outside of themselves, such as individuals, businesses, and even other governments. In other words, the public debt is an accumulation of annual budget deficit that the government's outlay in years more than what they earn via levying taxes, etc.

Public Debt Management

The Public Debt Management (PDM) is a process of chalking out the strategy for managing public debt and subsequently executing the same into its letter and spirit to attain the required funds at the optimal cost for a specific period with far-sighted risk factors. The governments usually set other goals associated with PDM i.e. establishing and upholding resourceful markets for government securities. To achieve these goals, the governments harness a Debt Management Strategy



(DMS) that intends to execute over three to five years to get the planned government debt portfolio. As a result, it seizes governments' predilections according to cost-risk trade-off.

Audit of Public Debt Management

In most countries, borrowing powers are conferred with the legislature, whereas in some cases these powers are delegated to the executive of the respective country with strict periodic policies of monitoring. Keeping this in view, one of the ways to monitor the delegation of power is to put faith in independent audits executed by the respective Supreme Audit Institution (SAI) of the country. These audits determine whether the reports of the public debts by the executive depict the true picture of the borrowing or not.

The SAI of the country gets its mandate to carry out auditing on the economy, efficiency, and effectiveness of the PDM from its legal framework. Based on the mandate and other factors, SAI may include the audit of PDM in its strategic and operational plans and ensure that it has a required methodology, competent and professional staff with the capability to identify risk areas in PDM and give independent assurance on the quality of the audit executed. The following are some aspects that SAI can examine while conducting an audit of PDM:

1. Auditing the Legal Framework for Public Debt Management

Legal Framework for PDM confers explicit authorization by the parliament upon the executive body of the government to carry out borrowing activities on behalf of the sovereign.

With regard to the audit of the legal framework for PDM, audit can scrutinize the presence of the following elements in the legal framework.

- a) A deliberate delegation of the sovereign power to borrow if any,
- b) Clear borrowing objectives,
- c) Goals and objectives of the PDM,
- d) Comprehensive plan for annual borrowing, and
- e) Obligations regarding debt reporting.

Respective SAIs may carry out compliance or performance audits to get a better insight into the legal framework that consists of governance, reporting and accountability processes.

2. Auditing Institutional and Organizational Arrangements for Public Debt Management

Institutional and organizational arrangements mean the systems, processes, and policies used by the borrowing agency to plan, legislate and manage its activities. It also inculcates the optimum coordination with other organizations to attain their mandate.

Initially, the SAI may decide that up to what extent it is going to analyze each component of the internal control of the organization. Secondly, it may conduct a compliance audit to scrutinize whether the existing structure and the arrangements, of the organization about the framework of PDM, are up to the mark or otherwise. For example, the SAI may conclude that the segregation of duties is not present in the organization to achieve its goals.

3. Auditing Debt Management Strategy Development

In order to assess DMS with respect to country's debt goal, SAIs may conduct an activity to examine the following avenues defined in the DMS:

- a) Up to what level the foreign currency risk is involved,
- b) What is the structure of debt maturity,
- c) The capability of the government's budget to cope with the changes in the interest rate,
- d) The portion of the public debt indexed to inflation,
- e) The overall scope of DMS and objectives,
- f) The cost of risk of the existing loans,
- g) Prospective sources of getting financial assistance with cost and risk characteristics,
- h) Risks in key policy areas such as monetary, fiscal and market projections, and
- i) Submission of secure agreement on DMS.

4. Auditing Borrowing Activities

The borrowing estimates can be determined by the governments in many ways. Usually, the following equation is used to determine the borrowing needs in a financial year.



Once the borrowing needs are materialized and executed, audit activity can be carried out to ascertain whether the borrowing by the

government was aligned with the optimum estimation process of the borrowing needs. The determination of the most reliable estimates of contingencies is also very pertinent, to be ascertained through the audit activity. Above all, it is also very important to determine whether the principal of the economy was taken into consideration when the process of borrowing was carried out. Moreover, it is also pertinent to address the following questions:

- a) Whether the government has maintained full record of previous debt/borrowings along with debt maturity dates?
- b) Whether the implicit contingencies are counted in the total estimates of debt or not?
- c) Which entity has the responsibility for preparing the government financial statements?
- d) How accurate are the estimates about borrowing?

5. Auditing Public Debt Service Activities

These activities are the financial operations that include the repayment of the principal amount of the loan, interest payment, any commitment fee, commission, service charges, and late interest payments if any.

In order to carry out audit of these activities, SAIs may conduct audit activity to determine whether all the relevant records are completed and accurate so that trustworthy financial data may be communicated. In addition to this, the objective of the audit should be to unfold whether the debt service process, schedules, and budget comply with all the relevant rules, laws and agreements and repayments are made to lenders as per agreements.

6. Auditing Debt Reporting

The purpose of public debt reporting is different for different stakeholders and users. For example, these reports are used to provide financial data for the preparation of financial reports that are subsequently important for both lenders and borrowers.

An audit of these reports highlights if such reports comply with the criteria of accuracy, completeness, consistency, and reliability with existing financial and accounting standards and whether the information that is exposed through these reports is relevant and done in a timely manner or not.

7. Auditing On-Lending Activities

Governments usually do not borrow directly, especially the non-developed countries. In this case, they support public investment initiatives, business needs of the state owned entities and regional business development programs. In on-lending activities, governments act as intermediaries between the lenders and the borrowers.

The audit of lending activities determines to what extent on-lending operations, types of agreements and the major stakeholders are according to the rules, regulations, and policies set forth in the agreements. For example, the primary agreement is an instrument between the lender and the government and the secondary instrument between the government and the borrower.

Conclusion

The above-mentioned auditing guidelines would help conduct the audit of Public Debt Management and to determine whether the

borrowing adheres to the benefits according to the plan. However, not all these guidelines can be executed in a single audit cover. The suitable approach would be the planning and execution of a multi-year audit plan for the comprehensive evaluation of PDM.

Audit of Public Debt Management in Vietnam

The management of public debt plays a fundamental role in sustainable development of national finance. Therefore, the audit of public debt management also plays an equally important role in public debt audit activities of the SAV. By 2011, for the first time, the SAV has started and gradually introduced the audit of public debt management at Ministry of Finance as a detailed audit in the annual audit report on State budget settlement. Especially, since 2016, the SAV organized a public debt audit into an annual thematic audit. The conduct of an audit of public debt management is in accordance with international practice as well as regulations on public debt management under Vietnam's Public Debt Management Law.

I. Current situation of the audit of public debt management in Vietnam

1. Objectives and focus issues of audit of public debt management

1.1 Objectives of audit of public debt management

The general objective of audit of public debt management is to confirm or test the truth or accuracy of public debt report; measure the economy, efficiency and effectiveness of public debt management activities to ensure that the management of public debt including formulation and execution of a strategy for managing the government's debt is effectively conducted in order to raise the required amount of funding at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. It should also meet any other public debt management goals the government may have set, such as

developing and maintaining an efficient market for government securities.

1.2 Focus issues of public debt management

Summary and preparation of public debt reports: the borrowings and repayments of debts by the Government: Foreign borrowing (for covering the State budget deficit, and on-lending); domestic borrowing (issuing bonds and treasury bills; on-lending loans from the government and borrowing balance of State Treasury). Provision and management of government guarantee (foreign borrowing, borrowing from domestic credit institutions, bond issuance guarantee). Local government debt (signed loan amount, actually receiving loan, use of loan, debt repayments, debt balance); Elaboration, promulgation and implementation of legal documents on public debt; Compliance with and use of accrued funds to repay debt and others.

2. Contents and scope of audit of public debt management

2.1 Contents of audit of public debt management

The main contents of audit of public debt management include:

- Checking compliance with the Law on Public Debt Management and relevant laws, legal provisions and regulations on public debt management;
- Verifying public debt reports prepared by debt management agencies;
- Evaluating the economy, effectiveness and efficiency of public debt management activities. It includes trade-offs between expected costs and risks in the government debt portfolio and also the efficient operation of public debt management agencies;

- Conducting the specialized audit of management and use of public debts. It includes the audit of programs and projects using loans from public debt.

2.2 Scope of audit of public debt management

- Agencies auditing public debt management: Ministry of Finance, Ministry of Planning and Investment, on-lending agency;
- Agencies managing and using public debt: Ministries/ branches, localities and investors/ project management units.

II. Some results achieved in the audit of public debt management

With reference to public debt situation and indicators, the government debts as of December 31 were equivalent to 61% GDP in 2015, 63.7% GDP in 2016 and at 61.4% GDP in 2017, public debt continued to rise over the years. However, it was still maintained within the limits of public debt safety approved by the competent authorities in each period¹.

The management of debts at the Ministry of Finance is aiming to identify public debt management functions in three lines. At the Department of Debt Management and External Finance, the departments are arranged and assigned with relatively appropriate functions and duties in accordance with the common approach in the world. The audit results showed that the Ministry of Finance gathered and synthesized public debt data in a relatively promptly and fully manner.

The results of public debt auditing over the years have shown a number of limitations in public debt management, namely: the

organization and management of public debts have not been consistently focused in accordance with the Law on public debt management. Specifically: The Ministry of Planning and Investment shall preside over the mobilization and allocation of loan capital; The Ministry of Finance shall assume the prime responsibility for organizing the capital withdrawal, payment, debt recovery and debt repayment arrangements; localities and enterprises shall be responsible for the implementation of programs and projects using loans...The SAV also discovered and pointed out a number of shortcomings and loss of coordination in the management of public debts at present, causing a reduction in debt management efficiency. Based on the assessment of limitations and shortcomings, the SAV has proposed many recommendations and solutions for management of public debts. In addition, the SAV also pointed out the limitations and shortcomings in regulations and policies related to specific aspects of public debt management, as well as recommendations for amending and finalizing policies.

In general, in terms of the audit of public debt management, the SAV have given a number of warnings about the debt situation of the Government and local authorities despite modest gains. It has contributed to attract the attention of the National Assembly, authorities and public opinion. As a result, it contributes to provide information to warn the public debt management situation for promoting debt management agencies to have better management measures.

III. Development orientation of public debt audit in Vietnam

1. Basis of development

The legal basis and audit basis for auditing the management of public debt have been determined clearly through relevant legislations, specifically: Clause 12, Article 55 of the 2015 State Audit Law on Audited entities defines: "Agencies which are assigned to manage and use public debt"; Article 18, Law on Public Debt Management 2017 on Responsibilities and mandates of the SAV states that "Conducting audits of activities related to the management and use of public debt including mobilization, allocation, use of loan capital, debt repayment, on-lending, Government guarantee; report, publicize audit results in accordance with the Law on State Audit "and other documents related to public debt management, etc. These provide basis for assessing compliance with laws and regulations, the efficiency and effectiveness of public debt management during the implementation of public debt audits. Along with that, the SAV has introduced training material on the public debt audits and organized trainings for the auditors. The SAV has also developed specific audit objectives, contents and methods which are consistent with its annual political missions regarding auditing the public debt management in Vietnam.

2. Shortcomings and challenges affecting public debt audits

Although the SAV has conducted public debt thematic audits, the audit scope was limited within auditing public debt management. There has not been any separate comprehensive public debt audit being carried out since it has not examined the situation of using public debt in the form of Government debt, government-guaranteed debt, and local

government debt due to the big scale and value of such debts. The fact brought about the lack of assessment of the economy, efficiency and effectiveness of public debt management and use. The public debt – related areas are largely extensive with the complicated involvement of units. In recent years, the SAV has just paid attention to the collecting of evidences to assess the follow-up, accounting and synthesization of debt figures and certify them.

In addition, the SAV has not yet provided macro perspectives to inform government agencies to improve their debt management. Despite the fact that the management of public debt in Vietnam shows many shortcomings, the SAV has not given important ideas to enhance the management of public debt. While many issues of public debt management are far different from the standards of public debt management issued by the international organizations yet the SAV has not discovered and made corresponsive recommendations for improvement.

During the auditing process, the SAV only focused on the compliance of the loans, without giving comments on the management for the competent authorities of the Government, the National Assembly and even the public to take corrective measures.

The SAV has not gone deeply into assessing the situation, structure, costs and accounting of public debts to limit financial risks in debt. Many management issues have not been mentioned such as the structure of debts, the source of debts, the sustainability of the loans, the costs of debt, the accounting of debts and the debt management mechanism. The questions such as whether the debt figures are

accurate; are fully accounted; the accounting practice has been in line with the commonly accepted international practices to ensure comparability; How to manage debts; how the debt management institutions are established; what the costs of the loan are and the purposes of the loan, have not fully covered. This is a gap in the public debt audit of the SAV in recent years that need addressing.

3. Solutions to enhance public debt audit

Firstly, the public debt audits should observe the principles of public debt control without compromising the interests of future generations. Public debt audits must be placed in the overall relationship of public finance reform to ensure national financial security and to ensure that public debts being used for the right purposes in accordance with the State Budget Law. Borrowing is only used for developing investment purposes. The process of public finance reform towards publicity and transparency must be in line with the international standards and practices. Similarly, the audits of public debt must be carried out in accordance with generally accepted standards and the results of the annual audit should be made public.

Secondly, besides the thematic audits, the annual public debt audits should link to the state budget settlement audits. Through this connection, auditors can be able to assess the sustainability of the national budget and finance as well as detect the inadequacies in borrowing, repayment, accounting of public debts; the accounting of debts at central and local levels. This will help to show up the annual payment for borrowing costs, as well as serve as the basis for analyzing

and evaluating the sufficiency of the state budget, as well as assessing situation of the state budget.

Thirdly, the thematic audit reports on public debt should be considered in relation to the management of national resources: The SAV needs to conduct a comprehensive thematic audit of public debt. Topics of the audit can range from borrowing, repayment, borrowing costs to debt management, debt management strategies, and loan – related risk management. Through such an audit, the SAV can identify shortcomings in debt management, then make recommendations for more sustainable debt management strategy.

¹ The Strategy on public debts and national foreign debts in the period of 2011-2010 and visions to 2030 stipulates the limits of public debt safety, including: public debt level should be below 65% of GDP and government debt level should be below 55% of GDP.

Public Debt

In the current macroeconomic conditions, public debt, which was an extraordinary source of income for classical concept of public finance, has turned into an ordinary public fund because of the changing world context. Debt figures of many countries have begun to rise at very high rates and this has led to major debt payment problems for both developed and developing countries at the same time. Although both developed and developing countries are applying to borrow more, the purpose and the consequences of the borrowing vary within them. Some countries are trying to transfer the debt amount to the productive areas by using the scarce capital accumulation positively, while others consider it necessary in terms of macroeconomic balances.

Public debt has been defined in many different ways in terms of what public debt is and what is included in its scope. This diversity mainly depends on the purpose for which the public debt definition will be used. The use of an appropriate definition of public debt in the compilation of the various types of government financial reports is of considerable practical importance (INTOSAI, 2000).

The definition of public debt developed and used by IMF (International Monetary Fund) has been stated both in the GFSM 2014 (Government Finance Statistics Manual) and PSDS Guide (Public Sector Debt Statistics-Guide For Compilers And Users), and this definition consists of, total gross debt including all liabilities from the debt instruments which are defined as a financial claim requiring payment(s) of interest

and/or principal by the debtor to the creditor at a date, or dates, in the future (IMF, PSDS Guide).

According to the INTOSAI (International Organization of Supreme Audit Institutions) public debt is defined with various elements of public debt, which can be included in the debt reporting. These elements are mainly:

- The liabilities and other commitments incurred directly by public bodies such as the central government or federal government, depending on the political organization of the country, of the state, provincial, municipal, regional authorities and other governments and local authorities, of the publicly owned and controlled companies and enterprises as well as of other entities that are considered to be of a public nature and of a similar nature (INTOSAI,2000).
- The liabilities and other commitments of the public entities assumed towards private companies or other entities (INTOSAI, 2000).

Public Debt Management

As the share of public debt within the total liabilities of the countries increase, the management of the debt burden has become more and more important for protecting the financial condition of governments. In this sense, public debt management (PDM) can be defined as the process of creating and executing a strategy for managing public debt in order to obtain the required financing amount at the desired risk and cost levels (ISSAI 5440). PDM can be an effective tool in ensuring the sustainability of the public finance as a whole and can reduce a country's financial vulnerability to external and internal shocks.

An effective public debt management also ensures that the debt level is predictable for the other stakeholders of the financial system. A foreseeable level of debt is effective in decreasing real interest rates with decreasing the acceptable risk level in the medium and long term, and contributes to sustainable growth at the macro level by reducing borrowing costs. Accordingly, changing the amount and structure of the debt by the public debt management to achieve certain economic objectives will prevent an unnecessary increase in public spending and minimize the effects of interest payments, contrary to what is targeted by borrowing.

Borrowing is an economically useful instrument if it is used for financing productive areas and by taking into account the risks. As a matter of fact, many studies have demonstrated that there is a linear correlation between growth and borrowing under certain assumptions. The basis of these assumptions is the use of borrowing in value added areas such as investment activities. The public debt can be, under the conditions of a sound administration, a useful source of funds for financing the economic and social development of a state. On the other hand, if the borrowing is done for the purpose of debt service, in other words, if the countries are borrowing in order to make interest and principal payments of the existing debts, it means that help bells are ringing.

Audit of Public Debt

As the economic crises are not isolated cases confined to one specific country in one point in time, there is a strong need for sound public debt and risk management policies and strategies. The importance of auditing public debt emerges precisely at this point. By examining the efficiency of these policies and strategies with an independent and impartial oversight, controlling the compliance of the decisions and practices with the legal framework, and examining the reports for borrowing transactions, it will be possible to detect and prevent the problems that occur in the in public borrowing processes.

In order to ensure transparency and accountability principles regarding public borrowing, public debt management activities should be reported by the units carrying out public debt management and these reports should be subject to external auditing by Supreme Audit Institutions (SAIs) (ISSAI 5440).

SAIs may wish to play an active role in protecting the financial condition of governments by promoting the need for sound public debt strategies and risk management practices, data disclosure policies and effective supervisory-regulatory regime for the banking sector so that the risks associated with future obligations and claims of the public sector as well as possible contingent obligations arising from the private sector can be minimized (ISSAI 5420).

Public debt audit can also be motivating for promoting good practices examples, reducing financial vulnerabilities, preventing possible financial crises caused by public debt management, providing accurate

and reliable information and providing transparent - accountable public debt management.

The Supreme Audit Institutions with their expertise can become an effective warning to financial imbalances and a guarantor for the fiscal sustainability through the public debt audits.

Audit Methodology for Public Debt

Public debt auditing is highly technical issue, as it requires understanding the borrowing needs and motives, examining borrowing and reporting processes, and questioning the debt instruments which can be complex. Due to the presence of these elements, development of a methodology to be implemented in public debt audit and to highlight the issues specific to PD has emerged as a need for the public debt auditors.

Although the audit activities carried out differ due to the legal frameworks of the countries, the borrowing activities subject to the audit and the risks emerging from the debt burdens are similar in many countries. In order to carry out the audit, around certain rules, within the framework of certain standards and guidelines, many methodological resources, that can be the reference source for the auditors, have been developed by international organizations to determine the principles that will guide the audit of the public debt.

Some of the documents mentioned above are as follows:

- Revised Guidelines For Public Debt Management (World Bank and IMF)

- Debt Management Performance Assessment Tool (DeMPA) (World Bank)
- Principles For Promoting Responsible Sovereign Lending And Borrowing (UNCTAD)
- PEFA (Framework For Assessing Public Financial Management) (PEFA Partnership Program)
- Government Finance Statistics Manual 2014 (GFSM 2014) (IMF)
- Public Sector Debt Statistics-Guide For Compilers And Users (PSDS) (IMF)
- Auditing Public Debt Management-A Practical Guide (IDI-INTOSAI/WGPD)

INTOSAI/Working Group on Public Debt

As the interest in the effects of public debt on economic parameters increased, the INTOSAI Governing Board authorized the establishment of a Public Debt Committee (now a Working Group) at its 35th meeting in October 1991. Working Group on Public Debt (WGPD), established within the INTOSAI, has been assigned with the task of publishing guidelines and other information for being used by the Supreme Audit Institutions in order to promote a sound management and adequately reporting of the public debt, all of which fall within the structure of INTOSAI's Goal 3, "Knowledge Sharing".

As stated in the Terms of Reference (ToR) document of the Working Group, the main establishment purposes of the WGPD are;

- Prepare and publish guidelines and other materials for use by SAIs to encourage the proper reporting and sound management of public debt,

- Develop, prepare and propose to the KSC Steering Committee and to other INTOSAI counterparts (ex FIPP) any GUIDs on Public Debt for harmonization according to the new debt control perspectives,
- Develop and prepare handbooks, guidelines and all other materials to be used by SAIs to encourage proper public debt reporting and promote sound management of public debt,
- Identify key issues for the development of responsibilities and procedures for auditing and evaluating public debt,
- Prepare papers examining matters of definitions, reporting, and evaluating public debt,
- Exchange knowledge with other institutions dealing with public debt issues,
- Promote specific studies relating to the mandate of the Working Group,
- Create and sustain a virtual Community of Practice on audit of Public Debt to facilitate exchange of knowledge and experience.

In accordance with the above-mentioned tasks, specific guidelines (ISSAIs-GOVs) (The International Standards of Supreme Audit Institutions) on audit of public debt were prepared and published by the Working Group. These are:

- ISSAI 5410 Guidance for Planning and Conducting an Audit of Internal Controls of Public Debt
- ISSAI 5411 Debt Indicators
- ISSAI 5420 Public Debt: Management and Fiscal Vulnerability: Potential Roles for SAIs
- ISSAI 5421 Guidance on Definition and Disclosure of Public Debt

- ISSAI 5422 An Exercise of Reference Terms to Carry Out Performance Audit of Public Debt
- ISSAI 5430 Fiscal Exposures: Implications for Debt Management and the Role for SAIs
- ISSAI 5440 Guidance For Conducting A Public Debt Audit - The Use Of Substantive Tests In Financial Audits
- ISSAI 5450 Guidance on Auditing Public Debt Management Information System
- INTOSAI GOV 9230 Guidance on definition and disclosure of public debt

GUID 5250 - GUIDANCE ON THE AUDIT OF PUBLIC DEBT

In order to adapt to the changing conditions of audit field and to increase the effective use of the documents produced, INTOSAI established a new Framework for Professional Pronouncements (IFPP) in 2016 at the XXII INCOSAI in order to ensure relevant and practical guidelines for Supreme Audit Institutions (SAIs) and public sector auditors. The transition process from ISSAI framework into the IFPP requires some withdrawing pronouncements.

The documents, like specific guidelines (ISSAIs-GOVs) on audit of public debt ,that provide guidance to support SAIs and auditors in enhancing organizational performance, applying standards and understanding a specific subject matter are grouped into INTOSAI GUIDANCE.

The WGPD is involved in this IFPP process by preparing a INTOSAI GUIDANCE for public debt audit matters and by incorporating the existing public debt ISSAIs within this GUID. The project aims at

developing a new GUID adapting the fundamental auditing principles in ISSAI 100 in the conduct of Financial, Performance, and Compliance Audits of Public Debt. The *GUID 5250 Guidance on the Audit of Public Debt (GUID)*, which is prepared in this context will be effective after the approval of the INTOSAI governing board, will be a beneficial document for the SAIs as it will guide the auditors of public debt.

GUID 5250 Guidance on the Audit of Public Debt is prepared by contributions of the auditors, representatives of Working Group participants including Turkish Court of Accounts, by taking into account the knowledge, experience and encountered difficulties of the public debt auditors.

Although this GUID has the characteristics of a main document, more detailed principles of the audit will also vary according to the implementing country. In cases such as legal frameworks, confidentiality principles and differentiation of the accounting practices of the countries, the implementation of this guide will be shaped according to these conditions.

Turkish Court of Accounts, as a member state of the Working Group, is conducting a study for the purpose of using this GUID in public debt audit activities by preparing an audit document which will be compatible with the local legislation and implementation principles, in order to give a better guidance to Turkish public debt auditors.

CONCLUSION

Understanding the effects of public debt on the financial system is vital in terms of providing a sustainable financial system. SAIs that will be involved in public borrowing processes through their audits will

contribute indisputably to the implementation of governance principles on public debt.

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- 4) INTOSAI Public Debt Working Group, “ISSAI 5440- Guidance for Conducting a Public Debt Audit -The Use of Substantive Tests in Financial Audits”
- 5) Government Finance Statistics Manual 2014 (IMF)
- 6) Public Sector Debt Statistics (IMF)
- 7) Terms of Reference (ToR) (INTOSAI/WGPD)
- 8) GUID 5250 Guidance on the Audit of Public Debt (Endorsement Version) (INTOSAI/WGPD)
- 7) <http://intosaijournal.org/professional-pronouncements-framework-migration-underway/>

Introduction

In recent years, Japan's society and economy have faced difficult challenges, such as accelerated depopulation and rising social security expenses due to the declining birthrate and the aging population. In addition, recovery and reconstruction from the Great East Japan Earthquake (the earthquake and tsunami that occurred along the Pacific Ocean coast in the Tohoku Region on March 11, 2011, and the resultant accident at a nuclear power plant) has become an important issue for Japan, and the administrative authorities are required to deal with these challenges appropriately.

As for the fiscal position of the State government, continual issuance of government bonds is steadily increasing the outstanding debt, which imposes a major challenge in achieving a sound fiscal position. In relation to the public debt management, Japanese government has set targets on fiscal consolidation by the "Basic Policy on Economic and Fiscal Management and Reform 2018" (June 2018, Cabinet Decision) among others.¹ The Basic Policy states that, regarding the fiscal consolidation targets, the government will:

- aim for the primary surplus of the national and local governments by FY 2025;

¹This article is based on the contents reported up to the FY2017 Audit Report (published in November 2018). An Audit Report shows the annual audit results of the Board of Audit of Japan.

- firmly maintain the aim of reducing the public debt to GDP ratio steadily.

In such a situation, the Board of Audit of Japan (BOA) has conducted audits on the government's efforts towards fiscal consolidation.

This article provides an overview of the government's efforts towards the State's fiscal consolidation and also an outline of our audits on them with some related audit cases. Please note that the description in this article is about the situation before the spread of the novel Coronavirus infection.

2. Overview of the government's efforts towards the State's fiscal consolidation (restoration)

2.1 The government's efforts towards the State's fiscal consolidation (restoration)

(1) Japan's Financial Situation

Japan stipulated in the 1947 Public Finance Act that all State expenditures must be financed by tax incomes or other public financial resources in principle, with a proviso that the government is allowed to issue government bonds to finance public works programs and other specific purposes. If the income from issued bonds still falls short of the necessary revenues, the government is allowed to issue additional bonds up to the amount approved by the Diet based on a special law.

However, outstanding government bonds have been constantly increasing, as Japan has issued government bonds every year since it issued them for the purpose of compensating the shortage in revenue

for the first time in FY1965. As of the end of FY2018, the amount of outstanding government bonds (ordinary government bonds), for which interest and redemption payment is financed mainly by tax and other annual government revenues, stands at 874 trillion yen (about 8.04 trillion US dollars, converted at the rate of March 31, 2020, US\$1=108.7 yen in the table “Representative Exchange Rates for Selected Currencies” published by the International Monetary Fund. The same rate is used in parentheses below). In FY2018, 34.7% of the total revenue under the general account relied on government bonds, while expenditure for national debt service (such as government bonds redemption costs) accounted for 22.7% of the total expenditure under the general account. Today, Japan’s finance still remains in a challenging situation.

(2) Efforts towards fiscal consolidation

The government declared the year 1997 as the “the first year of fiscal structural reform.” Since then, the government has promoted efforts to achieve its fiscal consolidation targets.

The fiscal consolidation targets set out in recent years are as follows.

Fig. 1 Fiscal Consolidation Targets Adopted Since 2013

August 2013	Basic Framework for Fiscal Consolidation: Medium-term Fiscal Plan (Approved by the Cabinet)	Achieve a primary surplus of the national and local governments by FY2020 Bring down the public debt to GDP ratio in a stable manner
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June 2018	Basic Policy on Economic and Fiscal Management and Reform 2018 (Cabinet Decision)	<p>Achieve a primary surplus of the national and local governments by FY2025</p> <p>Bring down the public debt to GDP ratio in a stable manner</p> <p>Intermediate targets for FY2021 towards the achievement of a primary surplus by FY2025:</p> <p>(1) Substantially halve the primary deficit to GDP ratio of the national and local governments compared to FY 2017 (around 1.5%);</p> <p>(2) Bring down the public debt to GDP ratio to the low 180%-range; and</p> <p>(3) Bring down the fiscal deficit to GDP ratio to 3% or below.</p>
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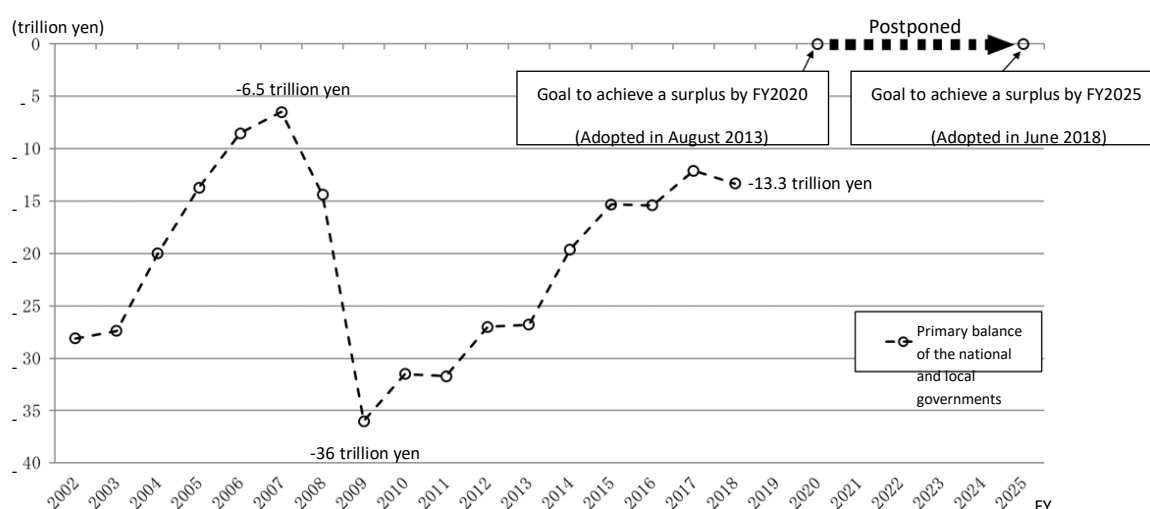
2.2 Trend of fiscal balance

(1) Trend of the Primary Balance of the National and Local Governments

The primary balance of the national and local governments is calculated based on the primary balance data in the National Accounts of Japan. Since 2002, the Cabinet Office has published the figure every year in the Economic and Fiscal Projections for Medium to Long Term Analysis (the “Cabinet Office Projections”). Fig. 2 shows changes in the

primary balance of the national and local governments from FY2002 to FY2018. Although the primary deficit had improved from FY2003 to 6.5 trillion yen (about 59.7 billion US dollars) in FY2007, it worsened to an extreme level in FY2008 and FY2009 due to the global financial crisis. The primary deficit started to improve again from FY2010 due to economic recovery and a consumption tax raise. The primary deficit for FY2018 stood at 13.3 trillion yen (about 122.3 billion US dollars).

Fig. 2 Changes in the Primary Balance of the National and Local Governments

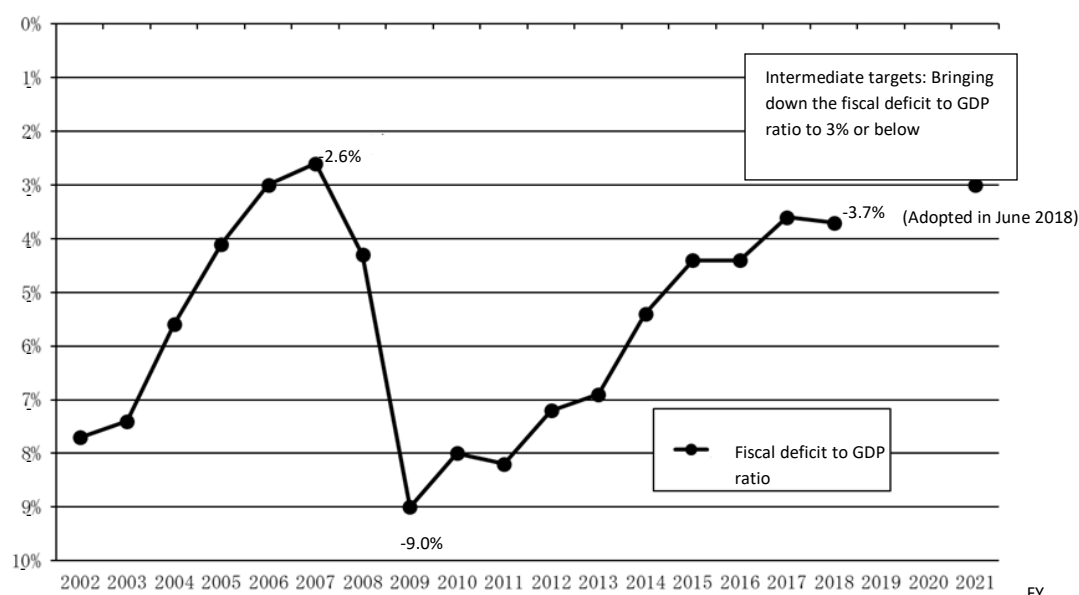


(2) Trend of the Fiscal Balance to GDP Ratio

The fiscal balance to GDP ratio is calculated based on the fiscal balance and GDP data in the National Accounts of Japan. Since 2002, the Cabinet Office has published the ratio every year in the Cabinet Office Projections. Fig. 3 shows changes in the fiscal balance to GDP ratio from FY2002 to FY2018. It has followed the same trend as the

primary balance of the national and local governments. The ratio was negative 3.7% in FY2018.

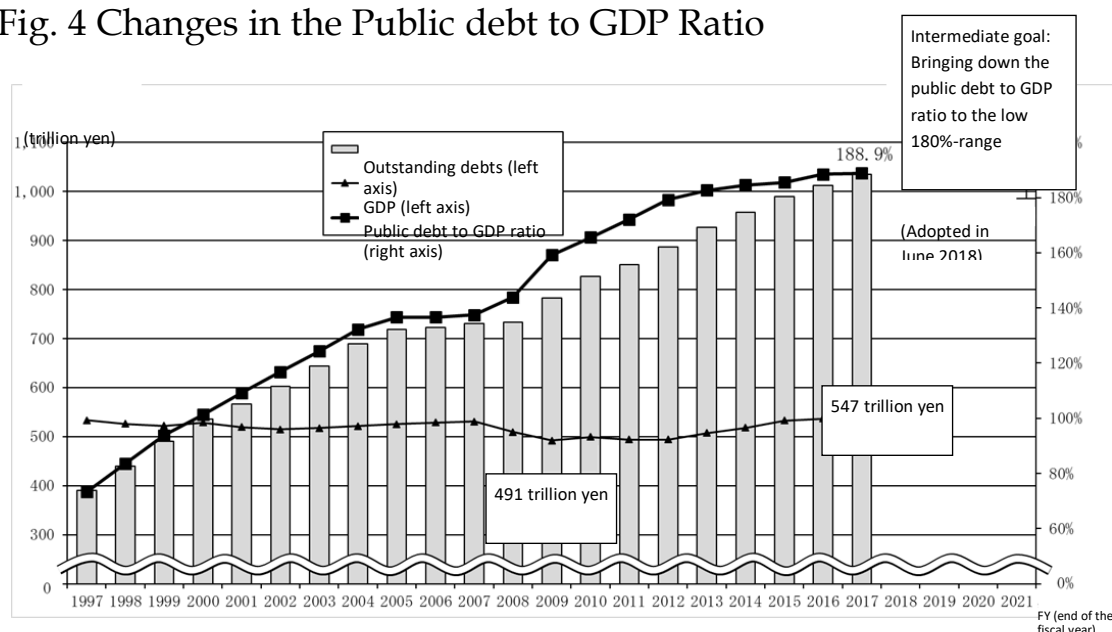
Fig. 3 Changes in the Fiscal Balance to GDP Ratio



(3) Trend of the Public debt to GDP Ratio

Fig. 4 shows changes in the public debt to GDP ratio from FY1997 to FY2017. It has followed a similar path to outstanding debts, as the GDP has remained in a range between 491 trillion yen (about 4.51 trillion US dollars) and 547 trillion yen (about 5.03 trillion US dollars), while outstanding debts have been constantly increasing. The public debt to GDP ratio for FY2017 was 188.9%.

Fig. 4 Changes in the Public debt to GDP Ratio



3. Audit policy and viewpoints of audit on the government's efforts towards the State's fiscal consolidation (restoration)

Since FY1999, the BOA has established and published a Basic Policy on Audit every year. From the early days, fiscal consolidation has been highlighted in the Basic Policies as a major challenge for Japan.

The BOA focuses on the following questions, among others, in analyzing the State's fiscal situation and auditing the government's efforts towards fiscal consolidation:

- (1) To what extent have the targets for fiscal consolidation been achieved?
- (2) What do the State's final accounts look like as a result of the execution of the budget formulated at the beginning of the fiscal year based on the Annual Measure and the supplementary budgets appropriated after that?

(3) How does the government provide the public with information on the current situation of Japan's public finance? Has it published information on the above matters for the public in a timely and appropriate manner?

4. Case(s) of audit and analysis on the government's efforts towards the State's fiscal consolidation (restoration)

This article outlines two cases of audits on the government's efforts towards fiscal consolidation, namely "Efforts towards the State's Fiscal Consolidation" (4.1) and "Social Security Trends and Their Impact on the State's Fiscal Consolidation" (4.2). They were reported as Report on Specific Matters* in the FY2016 and FY2017 Audit Reports, which were audited in 2017 and 2018, respectively.

* Report on Specific Matters: A document reporting audit findings on topics that are deemed to be of high interest to the public, aimed at further cultivating people's understanding and support of public audit.

4.1 Efforts towards the State's Fiscal Consolidation

(1) Background and objective of the audit

Since 1997, the government has set out targets for fiscal consolidation and policies on efforts towards the achievement of these targets every fiscal year (hereinafter referred to as an "Annual Measure") and stipulates them in laws, Cabinet Decisions, etc. The government

formulates a budget based on the Annual Measure at the beginning of each fiscal year (hereinafter referred to as an “initial budget”).

Despite the government’s constant efforts for fiscal consolidation since the declaration of the year 1997 as the “the first year of fiscal structural reform,” Japan’s public finance still remains as a challenge.

In light of this situation, the BOA conducted an audit from the viewpoint of the effectiveness of such government efforts with a focus on questions such as follows:

- (1) To what extent have the targets for fiscal consolidation been achieved?
- (2) How much of the Annual Measure is accomplished?
- (3) What do the State’s final accounts look like as a result of the execution of the initial budget formulated at the beginning of the fiscal year based on the Annual Measure and the supplementary budgets appropriated after that?
- (4) How does the government provide the public with information on the current situation of Japan’s public finance? Has it published information on the above matters for the public in a timely and appropriate manner?

(2) Audit scope and methods (e.g., data collection)

The BOA analyzed the financial statements of the general account for the past 20 years from FY1997 to FY2016 by categorizing and tallying the figures in annual expenditure reports of the general account. The audit also involved the examination of documents provided by

administrative bodies (the Cabinet Office and the Ministry of Finance) and interviews with the staff of relevant departments.

(3) Summary of audit findings and audit results

(i) Audit and Analysis Results

The BOA found that the government did not set fiscal consolidation targets for three fiscal years from FY1999 to FY2001, and therefore, it was not clear how the government would work on its fiscal consolidation during those years.

In other fiscal years, the government set out fiscal consolidation targets with specific numerical goals and formulated budgets based on Annual Measures towards the achievement of fiscal consolidation. The targets shown in the Annual Measures were met in all fiscal years except FY2003, FY2008, and FY2009.

The BOA also compared the State's final accounts against the initial budgets, which reflected each year's Annual Measure. As a result, it found that the annual expenditures did not meet the targets set out in the initial budgets in ten fiscal years.

While the government published the status of achievement of the Annual Measures based on initial budgets, when it formulated supplementary budgets in the middle of the fiscal year for economic, disaster response and other measures, it failed to show in the process of budget appropriations to what extent such budgets would deviate from the targets set out in the initial budgets.

(ii) Audit results

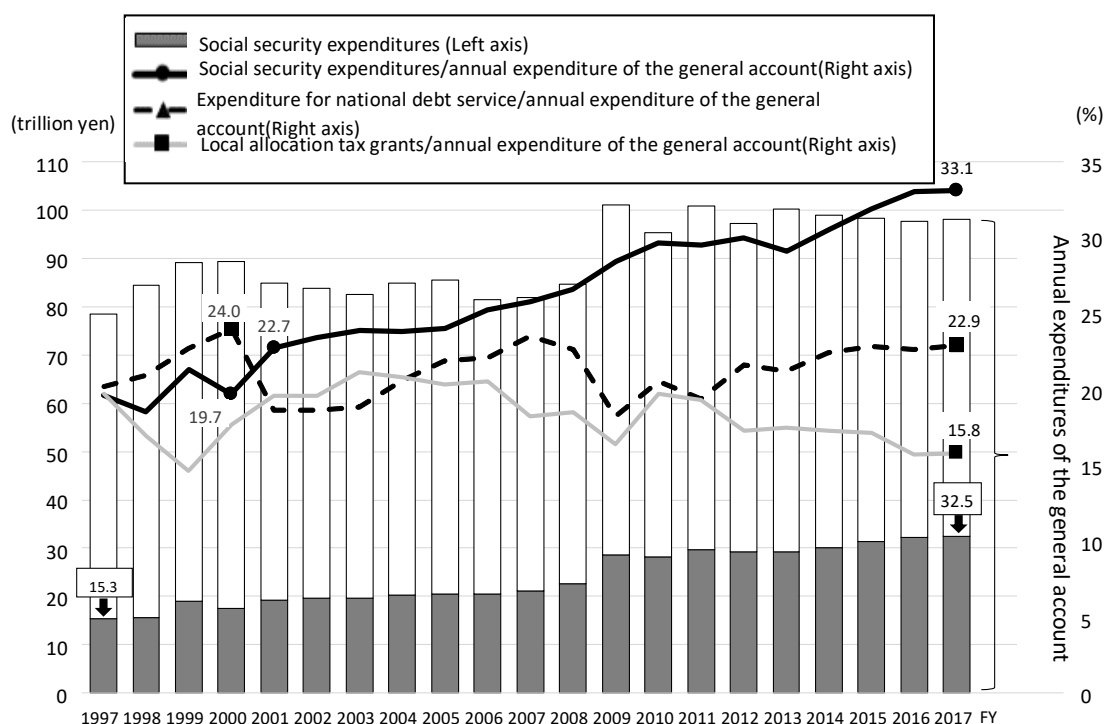
With respect to the efforts toward fiscal consolidation, it is important that the government continues to set appropriate fiscal consolidation targets and make continuous efforts towards achieving them. With respect to the current state of each fiscal year's efforts, it is also important that the government makes further efforts to fulfill accountability to the public by presenting the current state of the efforts made in each fiscal year by using the total amount of the budgets and their final accounts.

4.2 Social Security Trends and Their Impact on the State's Fiscal Consolidation

(1) Background and objective of the audit

Japan's public finance remains in a challenging situation. Looking at changes in the final accounts of the general account, which include social security expenditures, expenditure for national debt service, and local allocation tax grants, from FY1997 to FY2017, social security expenditures have been increasing at a higher level than other categories since FY2001. The figure for FY2017 was 32.5 trillion yen (about 298.9 billion US dollars), accounting for 33.1% of the annual expenditures of the general account (Fig. 5).

Fig. 5 Changes in Social Security Expenditures and Their Proportion in the Annual Expenditures of the General Account



Japan's social security programs include the national pension, health insurance, nursing care insurance, counter measures for the declining birthrate, and employment insurance. The national government covers the costs for these social security programs except for a few.

Since many of these social security programs were developed during the rapid economic growth (from around 1950 to 1970), companies and families are positioned as the main social safety net for working-age populations while national social security programs are deemed as a complementary system for such safety net, resulting in relatively generous treatment for older people. With the aging of population, the impact of social security costs on Japan's public finance is becoming increasingly significant year after year. There is an urgent need for a public debate on the reform of social security programs.

In light of the challenge described above, the BOA conducted an audit on social security programs from the viewpoint of the effectiveness of these programs with a focus on the following matters:

- (1) Payments to the public under the social security programs and social security expenditures in the State's final accounts (in other words, the government's contributions to social security programs);
- (2) The primary balance of the national and local governments, which is an indicator used in the State's fiscal consolidation targets, the impact of social security expenditures on the primary balance, and efforts for social consolidation promoted in relation to social security programs.

(2) Audit scope and methods (e.g., data collection)

The BOA analyzed the financial statements of the general account from FY1997 to FY2017 by categorizing and tallying the figures in annual expenditure reports of the general account. The audit also involved the examination of documents provided by administrative bodies (the Cabinet Office, the Ministry of Finance, the Ministry of Internal Affairs and Communications, and the Ministry of Health, Labour and Welfare) and interviews with the staff of relevant departments.

(3) Summary of audit findings and audit results

(i) Status of social security benefit expenses

Social security benefit expenses constantly increased from 69.7 trillion yen (about 0.64 trillion US dollars) in FY1997 (social security

benefit expenses to GDP ratio: 13.0%) to 116.9 trillion yen (about 1.07 trillion US dollars) in FY2016 (social security benefit expenses to GDP ratio: 21.6%). With further aging of the population, social security benefit expenses are expected to further grow into the future.

Social security benefit expenses are mainly covered by the government's contributions and insurance premiums. Both the amount of the government's contributions and their proportion in social security financial resources are increasing. There is a need for securing financial resources to cover further increasing social security benefit expenses.

(ii) Status of Implementation of the Comprehensive Reform of Social Security and Tax

Since 2008, the government has promoted a policy called the Comprehensive Reform of Social Security and Tax as a means to secure a stable source for social security programs and promote a tax system reform to achieve fiscal consolidation at the same time. Under this policy, the government stipulated in the Consumption Tax Act and other regulations that incomes from consumption tax after FY2014 are to be allocated to social security programs (including pensions and medical and nursing insurances) and programs to tackle the low birthrate. The law also provided that the consumption tax rate would be raised from 5% to 8% in April 2014, and again from 8% to 10% in October 2015. By allocating additional incomes from the tax raises to social security expenditures, the government was able to cut the amount of government bonds, which used to be also issued to finance these expenditures.

However, the government postponed the tax raise to 10% described above in light of Japan's economic situation. For this reason, the increase in tax income was not enough to cover existing social security expenditures, compromising this measure's initial purpose to reduce the issuance of government bonds.²

(iii) Projections Used for the Examination of the Social Security Programs Reform

In June 2011, the government published projections for social security benefits and contributions in order to contribute to the discussion on the reform of social security programs. In March 2012, the government published updated projections titled "Regarding the Revision of the Future Projection of Costs Required for Social Security" (hereinafter referred to as the "2012 Projections") in March 2012. The 2012 Projections have been used as basic data in Diet discussions and thus had a great impact on the development of social security measures in the context of fiscal consolidation.

The actual social security benefits and their ratio to GDP for FY2015 were lower than estimated in the 2012 Projections. One of the possible factors for this is that regarding indicators used in the 2012 Projections (such as the nominal economic growth rate) the actual values were lower than the estimations.

The BOA also found that the government had not shown the portion of national contributions in projected costs required for social security,

² The government postponed the tax raise from 8% to 10% twice—firstly from October 2015 (initial plan) to April 2017, and secondly from April 2017 to October 2019. Eventually, the consumption tax rate was raised from 8% to 10% in October 2019.

which makes it difficult to understand the impact of these programs on public finance.

Furthermore, the government used the initial projections while explaining to the public as well as in various council meetings although the government had neither conducted a follow-up examination of the projections nor compared the projections against the actual figures. From the viewpoint of accountability to the public, the BOA considers it is important for the government to conduct follow-up examinations on future projections and make more efforts to clearly illustrate social security programs' impact on public finance.

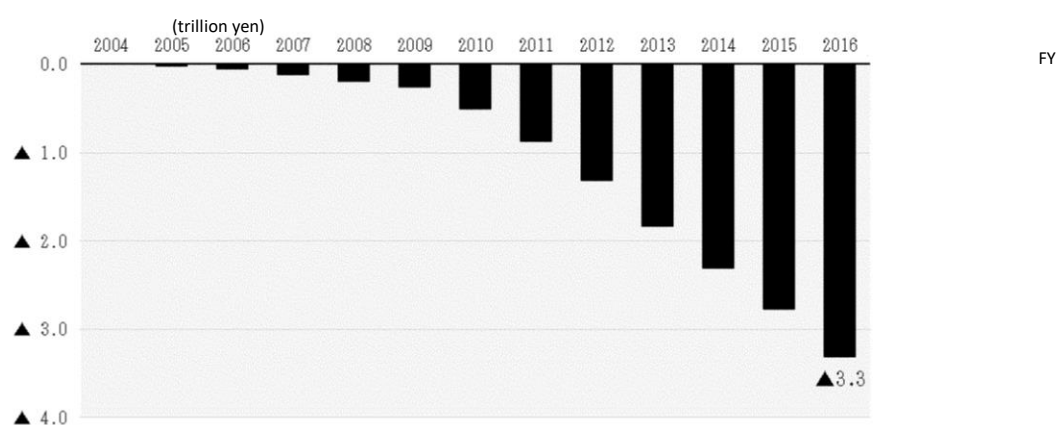
(iv) Projections for Pensions

The government conducted a pension program reform in 2004 to build a sustainable pension program that could respond to changes in social and economic situations and to gained confidence in the public pension system.

The 2004 reform involved the following measures: (1) increasing the State contributions to the basic pension plan from one-third to a half from FY2009, (2) achieving balanced pension finance over the next hundred years by raising insurance premiums until FY2016 and fixing them from FY2017, while utilizing pension reserves, and (3) introducing the Macro-Economic Slide Formula to adjust pension benefits. The Macro-Economic Slide Formula automatically adjusts pension benefits according to macroeconomic changes in pension benefits and State contributions. It is put into effort when wages and prices are both increasing, in order to keep the growth of pension benefits relatively lower than the growth of wages and prices.

As neither wages nor prices had increased since the introduction of the Formula in 2004, the government had not implemented the Macro-Economic Slide Formula, except for in FY2015.³ In order to show the significance of the impact that the Macro-Economic Slide Formula would have had if it had been put into effort, the BOA estimated pension benefits in a scenario where it was explained even in situations where the system would not allow. According to our estimations, the gap between the amount of actual State contributions to the basic pension plan and the estimated amount in the above scenario would total 3.3 trillion yen (about 30.3 billion US dollars) from FY2004 to FY2016 (Fig. 6).

Fig. 6 Changes in the Gap between the actual State contributions to the basic pension plan and the BOA's estimations in the simulation scenario



³The Macro-Economic Slide Formula was put into effort for the second time in FY2019, as both wage and price growth were positive in 2018.

The adjustment of pension benefits by Formula would have had a certain impact on the finance of the pension program, had it been constantly implemented. Under the current pension program where the premiums are fixed, the adjustment of pension benefits by means of implementation of the Macro-Economic Slide Formula is necessary in order to secure pension benefits for future generations. At the same time, it is also important for the finance of the pension program. A delay in the adjustment of pension benefits through the Macro-Economic Slide Formula means that pension benefit expenses remain at a higher level for a longer time, resulting in an increase in social security expenditures.

(v) Audit results

Based on the understanding of the fact that demographic changes will inevitably result in increasing payments to the public and that the government will need a financial sources to cover increased benefits in order to ensure the sustainability of the program, the BOA considers that it is important for the government to illustrate the impact of the social security reform and other efforts on Japan's public finance in a more clear and comprehensible manner from the viewpoint of accountability to the public, while also seeking an effective approach to social security benefits and State contributions through public debate. Based on such debate, the government should continue to promote its efforts concerning pension and other social security programs in the context of fiscal consolidation.

5. Follow-up by the BOA

In addition to the above cases, the BOA, as a public finance auditor, constantly monitors the government's financial management. The BOA, since 2017, regularly audits the primary balance of the national and local governments and other indicators for Japan's fiscal consolidation and publishes the results in the Audit Report every year.

The BOA, by doing so, would like to be constructive to the government's efforts towards sound public debt management and fiscal consolidation.

Other Articles

Auditing in Digital Era: Change Management

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The world of auditing cannot remain untouched by the digital transformation taking place in the audit universe. Technological transformation of the audit universe, on the one hand may bring in greater accountability and transparency and on the other automating repetitive tasks could free up valuable audit time facilitating a more investigative analysis. The insights from auditing procedures are a valuable resource for public authorities. By harnessing the latest technological developments in the audit processes, auditors can provide greater assurance to the stakeholders as examination may move from select samples to analysis of whole population. To meet the challenge and to use the opportunity thrown by availability of huge data and information, it is critical that auditors are equipped with the digital skills

1. Rapid changes in technology are a reality of life. Governments and private entities world over are moving towards digitization for majority of their activities and functions. Very large number of transactions of the government ranging from payment of taxes to submission of compliances by the companies to the Government are digitized. In Indian context major examples are Government eMarket (GeM), Public Financial Management System (PFMS), Integrated Financial Management System (IFMS), IT applications for revenue

collection both by the Union and the State Governments etc. In the changing scenario, the auditor has to adapt himself to the changes in the business environment of the audit universe to be able to provide assurance to the stakeholders as per the mandate of the Supreme Audit Institution. This would require moving towards auditing in digital environment involving data analytics, digitizing audit processes, examining reliability of digitized data sets etc. As the purpose of the audit function has not changed, the focus of audit continues to be on accountability, transparency and probity thereby, making the human element in the audit process most critical.

1. This paper proposes to identify the challenges that auditors face in dealing with volumes of information, digitizing audit processes, auditing by leveraging technology etc. and how the change management is to be implemented to ensure that the process of transformation to auditing in a digital environment is smooth. The paper is divided into three sections. First section deals with the audit process as it stands in the pre digital era. Second section deals with possible contours of the audit in digital era and its comparison to the current approach. Third section regarding Change Management, delineates the roles, responsibilities as well as the expectations of different stakeholders and deliberates on the issues relating to change management.

Section I: Present Audit Process

2. The duties and powers of the Supreme Audit Institutions are invariably defined in the Constitution of the country or backed by the legal framework. There are also International auditing standards and rules and regulations designed by respective SAIs which are the foundation of any audit arrangement. Constitution of India provides for Comptroller and Auditor General of India (CAG). The Parliament has enacted the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC ACT) in accordance with Article 149 of the Constitution.

3. The audit process typically envisages audit planning, audit execution at the field level and reporting initial observations to the executive and finally based on their response to the initial audit observations, final audit report is presented to the legislature. The predominant features of this approach include: (a) audit in the premises of the auditee, (b) sample of transactions to be audited chosen at the time of audit execution in the field, (c) examination of physical records, (d) audit observations based on test check and (e) reliability of evidence based on physical documents.

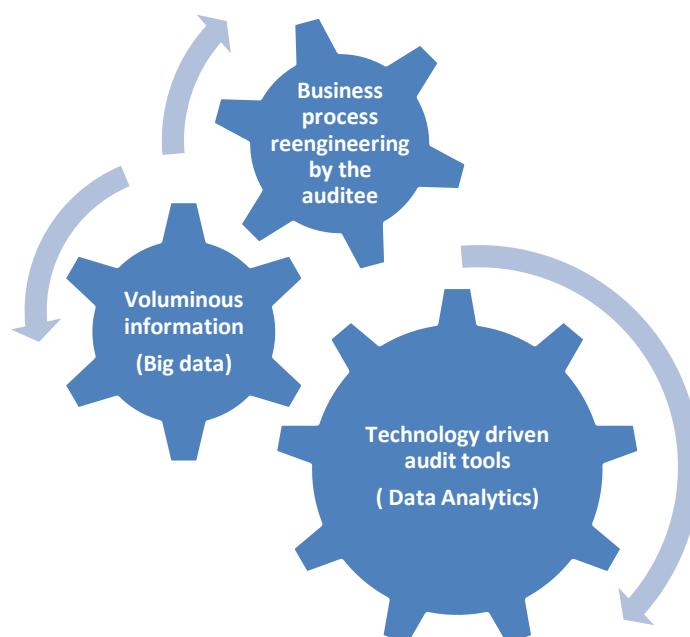
4. Accordingly, the assurance to the stakeholder is also based on test check or sample testing. Challenges associated with test check, sample testing and extrapolations on that basis are well known. Further the audit comment is more on functioning of the auditee unit and its compliance to various laws, rules, regulations and administrative instructions as applicable. While, this approach has been very useful in pin pointing the specific instances of inefficiencies and irregularities,

the holistic picture about overall functioning of the entity does not emerge from such an approach.

Section II: Audit in Digital Era

5. Rapid changes in technology are impacting the business environment and Government transactions. The Government as well as other organisations are engaging in business process reengineering and are also digitizing in areas which could not have been thought of earlier. With details about almost all the transactions becoming available in electronic formats, it cannot be business as usual for the auditor. He has to appreciate the changed business environment and role of technology in the various functions of the Government and understand implications for transactions thereof. In this rapidly changing environment the auditor must know how to audit the processes driven by new technologies and the vast amount of information available in the form of Big Data etc. There is a need for shift in entire approach to auditing which may include redesigning audit processes as well as revisiting the auditing standards. Technology has to be leveraged to transform auditing and improve audit effectiveness going beyond computerization of legacy audit plans and procedures. The auditor should be able to apply technology driven audit tools in the audit process. The inter linkages setting the context for Digitalization of Audit process are depicted in the chart below:

Chart I: Context setting for Digitalization of Audit Process



6. At this juncture it would be useful to distinguish among three different though interrelated aspects of the digitalisation of the audit discipline, namely: IT audit, digital audit and IT support to audit.

7. As the name suggests, IT audit refers to the examination and review of IT systems set up by the auditee organization. IT audit is expected to give us an assurance that business rules etc. have been appropriately factored in, the algorithms are correct and data sets generated by the system are accurate, consistent, secure and reliable. This is critical as with the digital transformation the audit evidence would be generated out of these data sets only. Further, given this assurance from IT audit, many checks which are typically applied in a manual set up regarding arithmetical accuracy etc. may not be necessary.

8. Digital audit is about doing audit differently and not digitalising the current audit practices. It refers to the improved audit process that supports advanced continuous monitoring and continuous auditing. When information is available in physical form, sampling on the full population is inevitable. The digital transformation provides an opportunity to the auditor to visualise, process and examine complete information for choosing the high risk transactions for greater in-depth audit scrutiny. An enhanced vision of the entire data set is possible by identifying patterns, clusters and outliers leading to better appreciation of causality during data analysis. Unusual patterns, proportion of exceptions, event logs of business logic and database applications contain valuable information for audit. Data visualization and big data analytics are the value added exploratory functions. Data Analytics may help auditors manage and interpret an ever-increasing amount of data as well as collect further audit evidence by analysing large populations rather than small non-representative samples. It involves a shift from analysis of a sample of transactions to a review of 100percent of the transactions which may help in detecting anomalies at the transaction level.

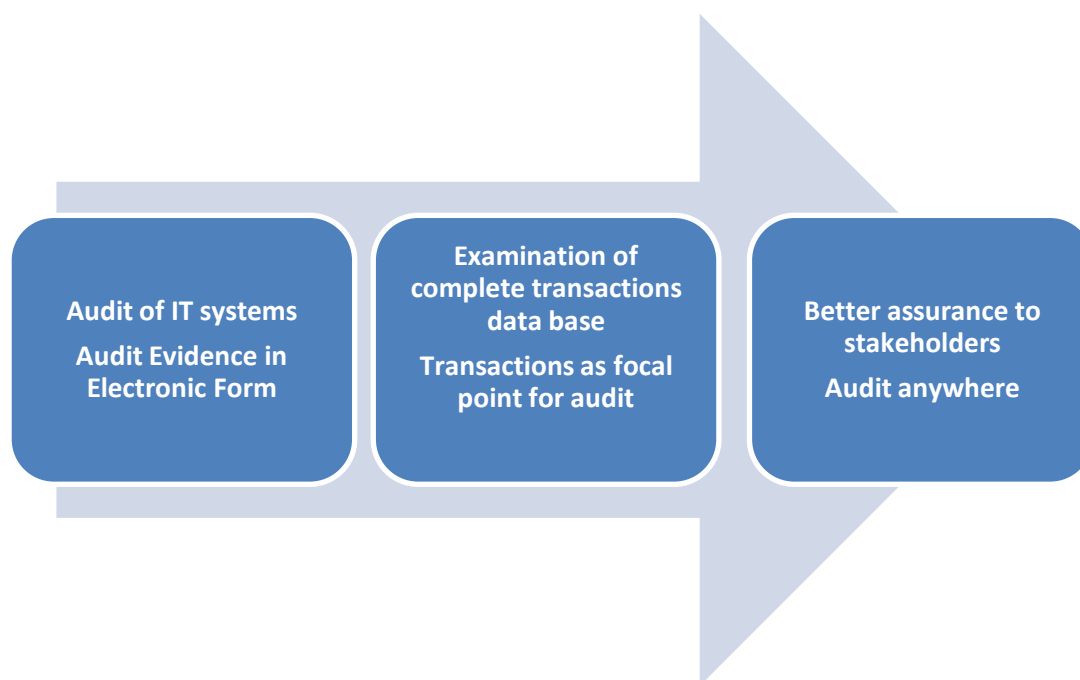
9. IT support to audit refers to the set of IT tools created to facilitate and document the work of auditors. Apart from audit documentation systems, it also covers digital exchange platforms between auditors and auditees to access the data, collect audit evidence or share audit findings.

10. As we move to auditing in a digital environment, there has to be a transformation in approach towards planning, execution, reporting and documentation. First step in such case has to be audit of IT

systems to get an assurance that system has been designed capturing the legal provisions, rules, regulations etc. and it generates reliable, accurate, consistent, secure and authentic information which can be used as audit evidence. In the new format the focal point becomes the high risk transaction rather than the high risk unit. This is a real game changer and a paradigm shift. In this scenario, the audit plan would consist of transactions to be audited rather than the units. The transactions may be spread over different units. In the manual system given the risk profiling of the units, many such transactions would have escaped the audit as the unit was not selected though the transactions were risky.

11. As already mentioned above, the information about transactions would be available in electronic form, therefore the audit evidence would also be in that form rather than the physical paper. In the digital environment the auditor can also be provided access to the data base, information, records, files etc. electronically including through the remote access. It would also facilitate work from anywhere thereby minimizing the necessity of auditor visiting the premises of the auditee as well as the face to face or physical interaction between the auditor and auditee thereby minimizing possibility of collusion, if any. The basic contours of digital auditing that emerge from this analysis are shown in the chart below:

Chart II: Contours of Digital Auditing



12. While the gains associated with the approach are well established we need to understand what are the prerequisites for this approach? First and foremost, unhindered access to data and information as required by the auditor needs to be provided. While this may be provided for in the Mandate of SAI, the Executive has to be on board and should willingly share the information with the auditee. Mindset of both the auditor and auditee has to undergo a change. Secondly, the audit in new regime driven by technology would require different skill sets. The audit organization would need people who are experts in data analytics and data mining. The new age auditor has to be tech savvy and should be able to deal with information available in electronic form. In the digital environment the auditor can also be provided access to the data base, information, records, files etc. electronically including the remote access. This would require

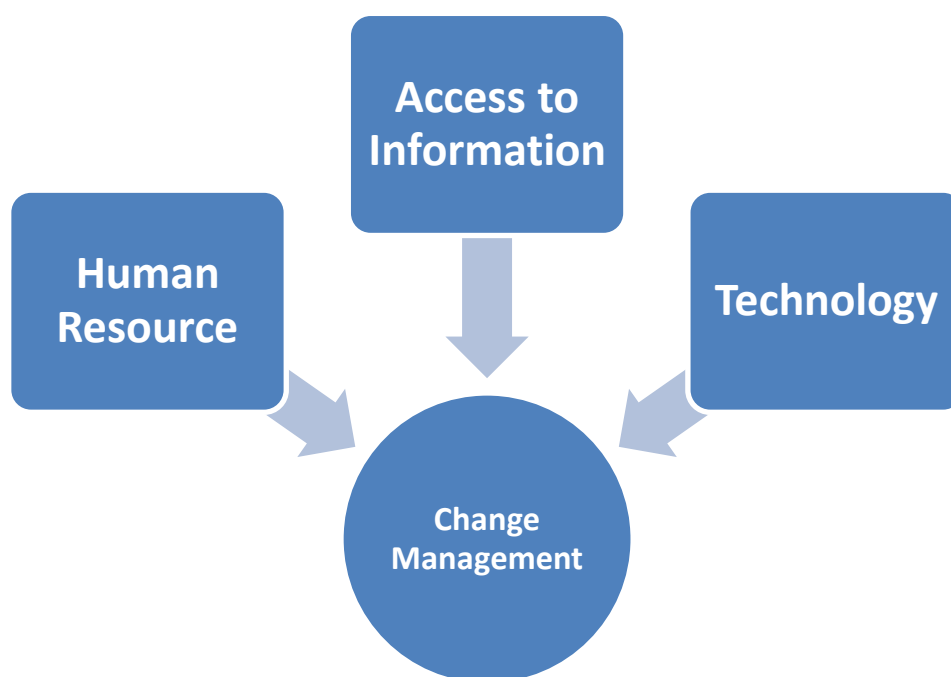
enhancing the infrastructure in the audit offices to improve availability of hardware and other support mechanisms. This entire process would involve change management at various levels within the organization, the auditee and the stakeholders.

Section III: How to manage the Change?

13. A transformational change like digitalizing the audit process would require thorough understanding of the proposed change and a buy in by all the stakeholders. It is a complex process involving, human beings, technology and the external stakeholders. The entire process has also to be seen from the cultural and behavioral perspective as these are slow moving variables and determine the success of any change management process. The change management has to begin from the top i.e. the top management or senior management has to be absolutely convinced about the transformation of the entire audit process and its implications both in the short term and long term. The elements of change management and the nuances thereof have to be specified without any ambiguity. The change management strategy has to be designed in consultation with stakeholders and the detailed plan with milestones should be communicated to all the concerned parties. It has to be planned and executed with strict monitoring and supervision. There could be a Task Force or Team tasked with this assignment. The Middle Management has to be in synchronization with the objectives of the Change Management and should lead from the front. They would have to communicate with the colleagues explaining the need for change, elements of change, their role in the changed circumstances as well as allay their apprehensions and misgivings, if any. The Change

Management process would be an integrated and interactive process involving Access to information, Human Resource and Technology. As indicated in the chart III below:

Chart III: Change Management



Access to Information

14. Why the audit should have complete access to the whole data set?

What surprises can the audit throw at us?

These are the perennial questions with which every auditee keeps grappling? These are a reflection of the eternal fear on part of the auditee as well as Trust Deficit.

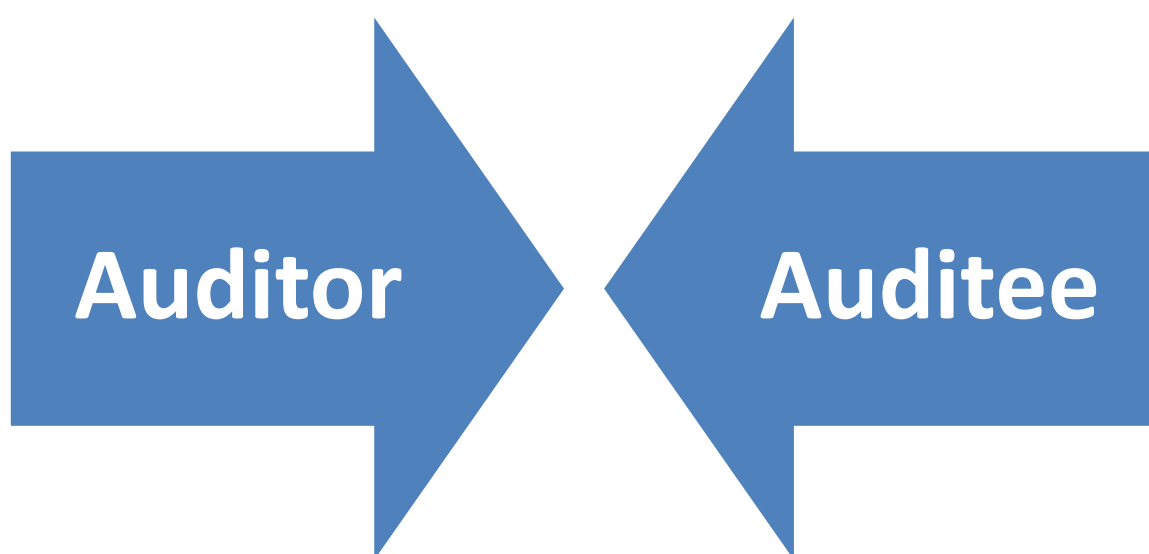
15. As already mentioned, access to information is the most critical component in the entire transformation process. Digitization of the transactions and activities may be carried out by the auditee, the Government Departments themselves or it may be done through an

outsourced agency. Irrespective of the fact, who holds the data, the primary owner of the data is the auditee, if there is any legislative gap on the subject that must be addressed at the initial stage of digitization and business process reengineering. Normally the mandate of SAI regarding access to information is very clear. In spite of the clear mandate and the fact that the auditee also acknowledges the same, the biggest challenge many times comes from the auditee. They are suspicious and unable to appreciate why the auditor should shift from sample based approach as was done in the past. This Trust Deficit has to be resolved by both the parties proactively. The fears and misgivings if any, of the auditee also have to be addressed professionally. Communication is the key.

16. The responsibility of the executive of providing the information to audit is laid down and rights of the auditor are also acknowledged. However, at ground level the gaps do exist. The change management process has to address the issue. The auditee must engage with the auditor right at the inception stage when the digitization process kicks off so that the audit requirements in terms of access to information and data could be built in appropriately. A data exchange environment needs to be created at governmental level to address the requirements of audit as well as auditee. Digital exchange platforms, access through Application Program Interface and an audit module if envisaged at the initial stage of digitization by the auditee, then many of the pain points get automatically addressed. The auditor also must engage with the auditee proactively and allay their apprehensions about privacy and secrecy of data as both of them work towards the common goal of

ensuring accountability, transparency and good governance practices as reflected in Chart IV below:

Chart IV: Engaging with auditee



17. Further, the audit process by definition is an interactive process whereby, the auditor shares the preliminary audit observation with the auditee, and invariably takes into account their point of view and response before finalizing the report for submission to the Legislature. So the fear of surprises thrown by Audit actually appears to be unfounded. However, audit can engage with the auditee to impress upon them to respond to queries of audit before the reports are submitted to the Legislature.

Human Resources

18. A transformational change is quite challenging to implement because of complexities associated with human factor. Even in the technology driven audit process human beings would be most critical

factor on account of skill sets required, changes in cultural beliefs and behavior patterns and last but not least the reorganization itself. The organizational structure may have to be redefined to facilitate audit from anywhere. This may require change in roles and responsibilities and redefining the job profiles. The roles of all the players need to be clearly defined and documented. In view of the remote access to the information and data, visits to the field formations may not be required by the auditor. This issue also needs to be addressed and any apprehensions of the staff properly allayed.

19. New skill sets may have to be identified in the context of audit in a digital environment requiring the data analytics and data mining skills on one hand and capability to audit the exceptional transactions highlighted by such analysis. Skill gap analysis is required to be conducted, which would then be the basis for capacity building requirements for existing staff and hiring of staff in future. Appropriate training modules would be required to be designed to train all the staff in consultation with the subject matter experts. New job profiles may also have to be created to handle technology intense issues. This entire process of reskilling and recruitment for new job profiles would have to be completed in a time bound manner with least resistance from the staff members. Clarity of plan and continuous communication with the staff would be absolutely essential for the success of the change management. Need for change and various elements of change need to be shared with them to ensure that they become the change agents.

20. The Change management here would be very critical from the behavioral point of view as well. While controls would be there, they should not create the fear of big brother watching all the time. Cultural

beliefs and other behavior patterns must be analyzed and appropriate interventions devised so that the organization embraces the change as a way of life.

Technology

21. Technological advances provide a great opportunity to audit. On one hand large volumes of data and information relating to the auditees become available on the other repetitive jobs can be automated. While this is a great opportunity, it also acts as a great challenge. The change management would have to address the issues of how to access the data, process it for audit planning and audit execution and then how to store the data that has been created in the process. The audit institutions have to develop appropriate protocols for exchange of data as well as for audit functions. Further appropriate protocols regarding data itself need to be laid down to ensure uniformity of practices across the various Government agencies. Heterogeneity of data is a major challenge for the auditor as it limits analysis and verification across the data sets. Basic data elements and data standards must be defined either by the Government or an independent authority. It also needs to be recognized that auditors also create data in the audit process. Standards may have to be developed to maintain uniformity across the institutions and over time as heterogeneity in the data structure is given.

22. The Change Management would also have to address the issue of availability of hardware including internet connectivity. Here again laying down of standards and basic specifications may be useful. As this exercise may entail procurements, availability of financial resources and phase plan of procurements may be prepared.

Conclusion

23. Digital revolution is a reality. It presents both the opportunities and challenges to the auditor. Using digital techniques for audit is going to be the way forward with data analytics, undertaking full population analysis, Audit from anywhere etc. Audit would get deeper insight into functioning of the organization and would be able to assess the accountability and probity parameters better. This would also help in giving more broad based assurance to the stakeholders and contribute towards evidence based policy making. Of course, with wealth of the digital information available, the auditor would have added responsibility of maintaining secrecy and privacy of the data shared by the auditee. Appropriate protocols for sharing of information including ethical practices may have to be designed. In the entire process of transformation on account of digitization, the critical role of human factor cannot be undermined to ensure the success.

Note: The views expressed by the author are personal.

Selecting Performance Audit Topics-Advocating Use of Simple Tools for Structured Decision Making

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Performance audit is an ‘audit of operational performance’ from the perspective of efficiency, economy and effectiveness. In view of its focus on the 3Es, it is labeled ‘value for money’ auditing. SAIs having mandate to audit public money are intrinsically inclined to this type of auditing as it offers immense opportunities for intensive exploring and commenting on the utilization of resources by public managers in a holistic and multi-dimensional manner. The subject has a global appeal and it would not be out of place to look for a globally acceptable definition of performance auditing before we delve deep into the topic at hand. INTOSAI has told us that “performance auditing carried out by SAIs is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and/or effectiveness and whether there is room for improvement.”⁴The U.S. Government Auditing Standards consider that performance audits provide “objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with

⁴ ISSAI 3000/17, INTOSAI Framework of Professional Pronouncements

responsibility to oversee or initiate corrective action, and contribute to public accountability.”⁵

The justification for performance auditing was succinctly summed up when it was acknowledged that, “managers and policy makers, particularly in government, want-and- need more from auditors *than stereotyped opinions on financial statements*. They want independently and objectively obtained and evaluated information on operations and performance *and expert advice* on such things as how improvements can be made, how money can be saved or used to better advantage and how goals or objectives can be achieved in better fashion and at less cost.”⁶ On a lighter note, performance auditing seems to be thriving on the inherent limitations of the regularity (financial) auditing! Since these needs and requirements are not ordinary, the corresponding audit type, viz. performance audit, cannot be deemed ordinary and just a run of the mill type of audit work. A typical performance audit assignment is built in to extract and exhaust energies of all those involved in its planning, execution, evidence collection, reporting and, in all likelihood, will stretch to limits the limited resources of the audit establishment. Performance auditors, being part of the public sector, have to wake up to the reality of this huge cost involved in carrying out performance audit assignments and exercise judicious discretion when deciding the quantum of performance audit work of a given year. *Not all subjects require a performance audit while some subjects do require it!* The SAIs need to understand the difference and avoid conducting

⁵Performance Auditing: The Experiences of the United States Government Accountability Office, GAO-13-868T, <https://www.gao.gov/products/GAO-13-868T>, GAO Highlights, under the heading “What GAO Found”

⁶ Performance Auditing: The Experiences of the United States Government Accountability Office, GAO-13-868T, <https://www.gao.gov/products/GAO-13-868T>, page-2 (*emphasis added in italics*)

performance audit of all subjects because that would be neither possible nor desirable. Audit managers, cognizant of this reality, generally do make an effort by scanning the audit universe, identifying, and deciding, doubly assured, that a particular government program, project, directorate, activity, initiative, or service *actually does require* a performance audit. This double assurance means that we become crystal clear in our thinking that the traditional financial attest and compliance with authority audit objectives, approach, methodology and reporting framework would be viewed *inadequate* by the audit clientele and stakeholders who may perceive performance auditing in that particular area to be a necessity. *It is only after this due diligence* that we can conclude, with documented assurance that performance audit of ABC is required and that of XYZ can be done away with, at least for the time being. *Without this due diligence*, there is a likelihood that SAI may conduct audit of XYZ instead of ABC and this may well affect the standing, stature and relevance of the SAI, internally and externally and may also result in loss of potential learning opportunities to the audit staff and additionally will deprive the broader audit community of a valuable performance audit report.

‘What to audit and what not to audit’ should not be a problem decision for the SAI since they enjoy a lot of discretion in selection of topics. National Audit Office of the UK notes that, “While MPs or the Chair of PAC sometimes ask us to examine a particular topic, most of our VFM studies cover subjects *that we ourselves have identified*.⁷ Office of Auditor General of Canada may “consider requests received from

⁷Para 2.3, Value for Money Handbook, National Audit Office, UK (*emphasis added in italics*)

parliamentary committees. However, the final decision about what to audit is made by the auditor general.”⁸Some SAIs, however, may not have much flexibility in the selection of subjects or topics for performance audits. General Audit Office of the US, as an example, “carry out a larger volume of performance audit engagements each year, and that the majority of the engagements we carry out are requested by Congress and not self-initiated.”⁹ The bottom line is SAIs have this luxury, in most or some of the cases, to a great extent or to some extent, to select topics independent of the stakeholders. | The onus is on them to make a judicious selection because “if the selection of audit topics is not done well, all the audit work that follows will have little chance of producing satisfactory results.”¹⁰ Each SAI, therefore, should better ask: How is it selecting performance audit topics? What leads it to select topic A and reject topic B? Does it follow a structured process about documents, the logic behind selection and rejection? SAI may well be surprised to see its experienced audit managers having a *look at* the list of potential subjects, picking ‘A’ and throwing the rest into the proverbial wastebasket of the editors. Notwithstanding the importance of professional judgment, its ‘off-hand’ application, by all means, is a naiveté and the sooner we put an end to that, the better for the SAI to remain relevant and stand tall in an environment where audit universe is expanding and there are growing expectations from SAIs to ‘do more’. This is all the more important when “the SAI lacks the resources to carry out audits of all entities each

⁸Para 3.2, The Office of the Auditor General of Canada: Beyond Bean Counting; available at: https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/201171E

⁹Ibid, page-3

¹⁰ Para 2.1, Value-for-Money Audit Manual, Office of the Auditor General of Canada, 2004

year, then it *will need to make it clear how it prioritizes which audits to undertake.*"¹¹ The way to do it is to channel our professional judgment through adoption of a structured approach when faced with tough choices in the myriad of programmes, projects, systems, entities, activities and situations.¹² This would furnish assurance to the audit patrons that SAI is employing its allocated resources in areas where there is a high likelihood of it *creating a difference*.

Each SAI operates in a unique environment and we should not expect to have a 'one-size-fits-all' type of a decision making instrument albeit it may have some common indicators. Examples could be: materiality, relevance of the topic to SAI's strategic audit themes, issues of national importance, issues having (or perceived to be having) significant risks in terms of efficiency, economy and effectiveness; current and future areas of interest to the legislature, innovations or new initiatives in public governance, impact on the general public, relevance to the country's international commitments and obligations, the nature of the subject and so on. This list obviously is not exhaustive. Any one or all of these have potential to assist the SAI in making an informed choice and fill in the yearly performance audit basket. Above all SAI needs to have confidence that only performance audit methodology would do justice with the topic/issue or theme. Let us now put these indicators to action in two models, simple-to-use, to provide much needed vital base to the professional judgment of the decision- makers.

¹¹ Para 4.11, Strengthening Supreme Audit Institutions, A Guide for Improving Performance, a publication of INTOSAI (*emphasis added in italics*)

¹² Para 2.18, Performance Audit Manual of the Department of the Auditor General of Pakistan mentions that, "Performance auditing can be carried out at the level of an organization, a program or a project. It can also be a government-wide study of a particular issue."

A. Single Indicator Model (SIM)

Assume the SAI has to undertake performance audit of a number of government programs and projects in year x. Since there are hundreds of such projects and programs, the SAI may decide to use 'materiality' as the single indicator to choose most appropriate projects and programs for conducting performance audit. *Materiality* here is definitely in financial terms but it does not equate with the concept of materiality as is understood in case of regularity (financial) audit. Therefore, the term 'materiality' denotes an error or sum of errors that is big enough to influence the decision of the users of financial statements. *Materiality* at the time of topic hunting for potential performance audits mean the monetary threshold beyond which the relative strength of our indicator would change. This is in line with the 80-20 rule¹³ and we would be lucky if we are able to identify and pick 20% of the projects consuming some 80% of the budgetary outlays. To do that we need to determine flooring and ceilings. These terms are primarily used in Economics and here we have ventured to employ these in place of *materiality* to avoid confusion. 'Flooring' means the minimum threshold amount below which a project may not be considered worthy to be performance audited by the SAI. Ceiling(s) may have several levels with appropriate scores assigned: higher the ceiling, bigger the score and greater the chance of selection and *vice versa*. SAI would do well by: (a) having these score cards prepared separately for projects pertaining to health, education, food, communication, finance, environment etc. in order to compare apples

¹³ The 80-20 rule, also known as the Pareto Principle, is an aphorism, which asserts that 80% of outcomes (or outputs) result from 20% of all causes (or inputs) for any given event. (<https://www.investopedia.com/terms/1/80-20-rule.asp>)

with apples and (b) determining the ceilings realistically as per sectoral data profile. Consider this illustration. Based upon project outlays, the SAI measured 35 programs/projects/initiatives of the health sector against flooring and ceilings and documented the results below:

Programs/Project/Initiatives			
Ceilings¹⁴	Score (Assigned by SAI)	Project Category	Result (No. of projects)
PKR 10 billion & above	5	A	3
PKR 7.5 billion-PKR 10 billion	4	B	4
PKR 5.0 billion-PKR 7.5 billion	3	C	5
PKR 4.0 billion-PKR 5.0 billion	2	D	6
PKR 3.0 billion-PKR 4.0 billion	1	E	7
Floor			
Below PKR 3.0 billion	0	F	10

Table-I: Using floorings and ceilings to identify material topics

¹⁴Assignment planners need to be appreciative of the data profile before they determine the threshold/ceilings. These should be neither too broad nor too narrow lest these defeat the very objective of having the indicator.

If the SAI has the resources and can audit three (03) health- related assignments, the problem is solved. Category- A would be the logical choice. However, SAI has a resource crunch and for now can audit only one health-related project. How to select one out of the three fulfilling the criteria? This may force the SAI to develop a side but related indicator showing, for instance, the life span of the three projects with those recently completed (A) nearing completion (B), past the mid-term (C). Variety of responses are expected. One SAI may be inclined towards project C with the objective that audit *recommendations* have high likelihood of adding value during the tenure of the project period. The other one may embrace either project A or B with a view that audit *results and findings* may lead to better and more informed decision-making in new projects. Whatever the choice, it should be logical, convincing and not arbitrary and whimsical.

B. Multiple Indicator Model (MIM)

The second mode of selecting a performance audit topic is to scan the environment and identify a number of 'issues'. We may call these '*current issues, high-risk issues, significant issues, audit issues, or simply issues of national importance*'. These are the issues, which, in the colloquial audit parlance, have a '*scope*'. These may be free-floating or may flow from the strategic audit themes concluded by the SAI in consultation with stakeholders. Here the SAI will not be selecting projects or programs *per se* as was the case in Single Indicator Model. The primary interest rests now on an identified issue and foremost objective is to conclude *on the issue itself*. These issues may flow from public sector procurement, utilization of resources in emergencies,

poverty-alleviation initiatives like provision of cash and non-cash subsidies, drinking water, medicines, school books, shelter, commodities; management of finances, community services like fire-fighting, water and waste management; energy and power sector issues, communication-related initiatives, etc.¹⁵ These are just for illustration purposes and actual issues may well be in a fluid state, new issues quickly taking up the place of old issues. Challenge for the audit management is less to identify and prepare a list of issues and more to develop objective criteria *to allow these perceived to be significant issues compete among themselves* and help SAI make an informed choice. This however is not a simple desk job and requires application of collective decision making tools and techniques like hackathons, brainstorming, Delphi or nominal group technique, etc. In addition to identification and selection of topics, these activities offer additional benefits of promoting a culture of transparency and are expected to boost the institutional memory.¹⁶ The results of these marathon sessions may well produce a table like the one below, *as a first step*:

Table-2: Using multiple indicators to identify audit topics

No	Proposed Selection Parameter	Scores assigned			Explanation
		1	2	3	

¹⁵ Taking clue from the definition of performance auditing, “government undertakings, systems, operations, programmes, activities, or organizations” can be audited with reference to all or some specific E(s). An individual performance audit assignment does not necessarily have to address all the 3Es. The number of E(s) to be audited will be determined by the audit objectives.

¹⁶ If resources permit, SAI may also use peer review at the planning stage.

No	Proposed Selection Parameter	Scores assigned			Explanation
		1	2	3	
1	Legislative interest				Level of legislative interest can be gauged through discussions in the public accounts committees, formal requests from the legislature and following parliamentary debates, etc.
2	Overall estimated audit impact				To what extent audit by SAI will have impact on the governance structures and/or bring tangible improvement in the sector being audited that will lead to efficient, economic, and effective operations of the entities.
3	Relevance to SAI's strategic/perspective plan				This relevance should have documented reference to the Strategic Planning document of the SAI. Strategic Audit Plan of the Department of Auditor General of Pakistan, for instance, mentions the following as emerging areas: public-private partnership, privatization, energy distribution, gender audit, IT/IS/e-governance, environment, forensic and debt management. ¹⁷

¹⁷ See para 6.3.2. of the Strategic Plan 2015-19 available at <http://www.agp.gov.pk/userfiles1/file/Strategic-Plan-2015-19.pdf>

No	Proposed Selection Parameter	Scores assigned			Explanation
		1	2	3	
4	Impact on public				SAIs work for the public and are paid out of public budget. In any Audit Plan, they are expected to give due consideration to the subjects having direct impact on their lives. SAIs are also encouraged to conduct performance audits under citizen-participatory audit approach to provide their <i>raison d'être</i> to the public.
5	Relevance to Sustainable Development Goals				The case for use of this indicator by the SAI could be very strong considering international commitments and obligations which if not fulfilled may cause embarrassment to the country.

No	Proposed Selection Parameter	Scores assigned			Explanation
		1	2	3	
6	Media visibility/ interest of mainstream media				This may come in several ways like entities, programs, processes, situations, etc. getting bad publicity across main-stream media for violation of government rules and regulations, deviation from standard operating procedures/ internal controls, under/non- achievement of intended objectives and sub-standard delivery of services. This is an area with immense risks to the SAI as persuasiveness of the developing/ media story may lead to quick decision- making ignoring the fine issues involved in audit mandate, suitability of the topic more to the compliance or certification audit and less to performance audit, etc.

No	Proposed Selection Parameter	Scores assigned			Explanation
		1	2	3	
7	Relevance to procurement of goods, works and services				Procurement out of public money involves significant inherent risks that may be compounded owing to inadequate or non-existent controls or to control ineffectiveness resulting in non-achievement of intended procurement objectives. The indicator is thus directly related to the audit of economy, efficiency, effectiveness, transparency, and ethics that make up the ethos of performance audit.
8	Level of multilateral agencies' interest				At times donors may show interest in having a performance audit of some project provided of funding provided especially in projects funded through budgetary support.

No	Proposed Selection Parameter	Scores assigned			Explanation
		1	2	3	
9	Evidence or strong perception of risks to achievement of 3Es				Public sector auditors have this unique privilege of being the regular and statutory auditors of government entities. Here the collective wisdom of the audit staff will come into play to make assessment in this area based upon results of previous audits, hitherto untouched areas, change in the status of the entity, entity feedback etc. If it is known that the subject is well worn, it may be assigned low scores to limit its likelihood of being selected.
10	Overall Materiality Considerations				Threshold systems having flooring and ceilings were used to determine financial materiality levels in the single indicator system. Here there is need to consider materiality in its holistic sense as defined in ISSAI 3000. ¹⁸

In the next step, let us brainstorm again and this time come up with a list of *significant issues*. Assign appropriate scores (1, 2, 3) to these issues depending upon indicator intensity (low or nominal, moderate or

¹⁸ ISSAI 3000/84 notes that, "Materiality can be defined as the relative importance (or significance) of a matter within the context in which it is being considered. In addition to monetary value, materiality includes issues of social and political significance, compliance, transparency, governance, and accountability."

medium, high or very high, direct or indirect). The session would conclude with a list of issues, having assigned scores, ranked, and made available for audit as the resources permit. Remember that it is a structured decision-making process and all these tasks have to be performed *within* the brainstorming sessions.¹⁹ Also note that Multiple Indicator Model is not concerned with sectors but issues. Hence, a new or up-graded public health facility may struggle to get high score under materiality benchmarks but may well top many or all the other indicators making its candidature strong viz. other subjects.

Conclusion

Selecting an appropriate subject for performance audit is far from making a 'snap judgment'. It requires structuring the professional judgment of the SAI. Single and Multiple Indicator Models have immense potential to do this job for the audit planners. These tools are *not* in addition to the professional judgment but are meant to substitute raw application of professional judgment. The decision to conduct or ignore the audit should logically flow from the application of these tools. If some issue appeals to the whims but is found lacking in the Multiple Indicator Model, we would reject the assignment without any regrets and stick to our basic principle that an issue would be performance audited *only* when it competes and gets comparatively higher score and those who lag behind, we will say, *thanks*, and move on.

¹⁹These sessions could be recorded to ensure quality participation and for training purposes.

INTOSAI News

The Goal Chairs Collaboration Representatives meeting (GCC) and FIPP Joint Seminar

It was hosted by SAI Norway in Oslo, Norway from 2-3 December 2019. Mr. Kulwant Singh, Principal Director (International Relations) attended the meeting on behalf of the Comptroller & Auditor General of India, the Chair of KSC. The meeting discussed the development of Strategic Development Plan (SDP) 2020-2022, how to improve standard setting process in INTOSAI, appointment of IFPP Chair, improvements in selection process of FIPP members and current roles and responsibilities of the participants.

A delegation headed by Ms. TyttiYli-Viikari, Auditor General, National Audit Office(NAO) of Finland and the Chair of INTOSAI Working Group on Environmental Auditing (WGEA)

Ms. TyttiYli-Viikari made a courtesy visit to the o/o the Comptroller and Auditor General of India, New Delhi on 27 February 2020. The Comptroller and Auditor General of India met the delegation. This was followed by brief presentations by Mr. K. R. Sriram, Additional Deputy Comptroller and Auditor General of India (iCISA) and Chief Technical Officer on Digitization and Data Analytics.

IDI meeting, 16-18 December, 2019

IDI meeting on IDI SDG's Audit Model was held at Jakarta, Indonesia from 16-18 December, 2019. Ms. Reena Saha, Principal Accountant General from SAI India attended the meeting as Resource person for the ASOSAI Pilot Capacity Development Program on "Audit on Implementation of SDGs" for 2020-2021.

ASOSAI News

ASOSAI Seminar on “Quality Control/Quality Assurance (Kathmandu, Nepal in December 2019)



Seminar for Knowledge Sharing

An ASOSAI Knowledge Sharing Seminar on “Quality Control/Quality Assurance” was held in Kathmandu, Nepal from December 2 to 6, 2019 with the administrative support of the Office of the Auditor General of Nepal. Twenty seven participants from twenty four member SAIs attended the seminar with facilitation and technical guidance provided by Subject Matter Experts (SMEs) from the SAI of Nepal and the INTOSAI Development Initiative (IDI). A representative of the Capacity Development Administrator of ASOSAI (SAI Japan) also participated in the seminar for the management of the seminar.

The purpose of the seminar was to share experience and knowledge on Quality Control and Quality Assurance, as well as identify good practices of QC and QA. During the seminar, selected participants made presentations based on their country reports on the above theme, which were followed by Q&A sessions. At the end of the seminar, participants agreed on the identified good practices of QC and QA, and the seminar was successfully concluded on December 6th, 2019.

Second meeting for the 12th ASOSAI Research Project on 22nd- 23rd October, 2019

The Second meeting for the 12th Project was held at Abu Dhabion 22nd- 23rd October, 2019. Ms. Narmadha R., Sr. DAG and Ms. VarsiniArun, Sr. DAG attended the meeting from SAI India.

ACTIVITIES IN MEMBER SAIs

SAI BAHRAIN

NAO Bahrain hosts Seminar on importance of Internal Audit



The National Audit Office (NAO) of the Kingdom of Bahrain organized a seminar on the importance of internal audit. The two-day seminar, attended by more than 150 employees from 55 government agencies, including NAO instructors and experts from the University of Bahrain, Bahrain Institute for Banking and Financial Studies, Deloitte and Touche, Ernst and Young, PricewaterhouseCoopers (PwC) and Klynveld Peat Marwick Goerdeler (KPMG), focused on international standards, important developments and latest practices. The event also highlighted NAO work procedures and processes, including the legal framework guaranteeing NAO's independence as a Supreme Audit Institution (SAI), as well as its audit mandate, objectives and methodology for preparing and issuing reports.

Participants discussed the role of corporate governance in protecting Public funds; whether non-audit services affect auditor independence and audit quality; and importance of international auditing standards, particularly referencing International Organization of Supreme Audit Institutions (INTOSAI) guidance. Key seminar sessions concentrated on internal audit - its critical role in adding value; improving organizational efficiency and effectiveness; and contribution to risk management. Delegates also deliberated the auditor's role in personal data protection, common fraud cases, and auditing disruptive technology risks.

NAO Auditor General, Shaikh Ahmed bin Mohammed Al Khalifa, noted the symposium's ability to create awareness of internal audit and its role in protecting public funds along with strengthening the partnership between NAO and government agencies to promote an integrated approach to auditing.

NAO Bahrain- Staff Earns Award in Regional Research Competition



Abdulrahman Mohamed Abdulla Husain (pictured second from left), Senior Auditor at the National Audit Office (NAO) of the Kingdom of Bahrain, earned third place in the 12th Arab Organization of Supreme Audit Institutions (ARABOSAI) Scientific Research Competition for his scientific research on “Developing Audit Work and Achieving Added Value.” Researching the topic while balancing professional and personal commitments was difficult; however, Abdulrahman considered the competition an opportunity to develop research skills while successfully representing the NAO.

Honoured to personally receive the award from NAO’s Auditor General, H.E. Shaikh Ahmed bin Mohammed Al Khalifa (pictured third from left), Abdulrahman noted, “Taking part in the competition expanded my knowledge and skills in conducting scientific research. I highly recommend this experience.”

NAO Bahrain contributes to Sustainability



Fakhriya Sarhan, Performance Audit Supervisor at the National Audit Office (NAO) of the Kingdom of Bahrain, participated in a workshop on “Sustainable Development: The Concept and Audit” in Jaipur, India. The workshop, organized by the INTOSAI Working Group on Environmental Auditing, provided an excellent platform for participants to exchange knowledge on auditing Sustainable Development Goal (SDG) issues and presented opportunities to engage with field experts; learn about basic concepts; and share best international practices. The event also included a field visit to Barefoot College in Tilonia, India, providing inspiration on meeting present needs while securing future resource availability.

Recognizing the importance of Agenda 2030, the SDGs and their incorporation into INTOSAI Strategic Plan 2017-2022, NAO workshop

participation adds to organizational efforts in cultivating sustainable development capacity.

SAI PMF Workshop helps NAO Bahrain develop skills, experiences



Aysha Adam, Head of Financial Resources at the National Audit Office (NAO) of the Kingdom of Bahrain, participated in the February 2020 SAI Performance Measurement Framework (PMF) workshop hosted by the State Audit Bureau of Kuwait. In cooperation with the World Bank, the workshop aimed to understand SAI PMF - the evaluation process and how SAIs and stakeholders can use performance measurement reports. Training sessions focused on developing skills in applying SAI PMF principles in planning, implementing and reporting; and examined experiences.

SAI INDIA

26th Indo-China Bilateral Audit Seminar held from October 21 to 26, 2019:

The 26th Indo-China Bilateral Audit Seminar was held in Zhengzhou China from October 21-26, 2019 on the topic “How to use the internal Auditor’s results and make the public external audit more effective and efficient”. The Seminar was attended by a four member delegation from SAI India consisting of Mr. A W K Langstieh, DAI, Ms. Srinivasan Snehalatha, DG, Mr. V S Venkatanathan, ACN, Ms. Tripti Gupta, Director.

10th Indo China Young Auditor's Forum, Dec 2-11 December, 2019:

10th Indo China Young Auditor's Forum was held in New Delhi from 2-11 December 2109. It was attended by a delegation of 10 participants led by Ms Qin Jie from SAI China and 10 participants from SAI India led by Shri Varun Ahluwalia, Director. The themes of the forum were 1) Audit of Sustainable Development Goals and 2) Risk Assessment and Sampling for effective audit. The participants also visited iCED, Jaipur from 7-10 December, 2019

A study-cum-official visit to China from 18th to 22nd November 2019:

A study-cum-official visit to China was undertaken by an eight member team from SAI India, led by Mr. Sumant Narain, PDA, NCR & CORE, Allahabad, between 18th and 22nd November 20, with the aim to conduct the first outcome based audit on Timeliness & Punctuality in Train Operations over Indian Railway. The objective was to expose the team to good global practices for benchmarking purposes. During the visit, the team visited CNAO Headquarters, Beijing, its Regional Office at Tianjin and travelled in the high-speed train to Tianjin and back. Field visits to Railway Museum and Beijing South Railway Station were also organized. Besides, the Principal Director interacted with the Ambassador and other officials in the Embassy of India, Beijing.

Visit of 3 member delegation from SAI Bahrain from 10-12 February, 2020:



A delegation from SAI Bahrain consisting of Mr. Qasim Ahmed MansoorAlmadhoob Assistant Auditor-General, Performance Audit, Mohamed Abdulla Alhajeri Head, Information & Follow-Up and Salah Saleh Ahmed Alyafeai Audit Supervisor, Administrative Audit visited SAI India from 10- 12 February, 2020. SAI India shared their experiences and approach on Performance Audit, Environment Audit and Data Analytics. The delegation also has a brief visit to iCISA, Noida.

SCO Seminar in Beijing (China), 29-31 October 2019:

SCO Seminar on the Role of the Supreme Audit Institutions in Poverty Alleviation was held in Beijing (China) from 29-31 October 2019 and was attended by Ms. Hema Munivenkattapa, Accountant General and Mr. Shourjo Chatterjee, Accountant General. In the Seminar the participating countries presented their work with regard to poverty alleviation and its audit.

Urban Forest: An initiative of the office of the Comptroller and Auditor General of India – To conserve Delhi’s Flora by planting and nurturing 12,000 saplings of 59 indigenous species – June 2020

SAI India

“We often forget that we are nature.

Nature is not something separate from us.

*So when we say we have lost our connection with nature,
we have lost our connection to ourselves”*

Over the years, Air Quality Index (AQI) of Delhi has become an increasing cause of concern. Further, one of the office complexes of SAI India located at Bahadur Shah Zafar Marg (near ITO Crossing) has recorded particularly high air pollution levels.

In response to these developments and keeping in view its community responsibilities, SAI India has taken definite measure by creating a dense forest using the Miyawaki method. This forest is a complex ecosystem where species will not just compete, but become super cooperators.

The species have been planted in a multilayered arrangement. Shrubs, small to medium size trees, and tall trees are arranged carefully as peripheral and core plant communities.

- **Habitat for pollinators** – In urban spaces, such ecosystems will restore habitat for birds, bees, butterflies and micro fauna. These are essential for pollinations of crops and fruits and maintain a balanced ecosystem.
- **Forests & Human well-being** – Forests emit volatile organic compounds, called phytoncides. These phytoncides can improve our immunity.

- **Soil conservation & carbon sequestration** – According to a biodiversity study done by the Wageningen University, in a similar project in the Netherlands, “Within a short period of time, solid in the Tiny Forests was developed which matched the quantities of fungi and bacteria of that in mature forests.” Thus, even though these are quasi-natural multi-layered forests, the amount of carbon sequestered and the total positive environmental impact of these forests is likely to be comparable with mature natural forests.

Through this urban forest, the office of the Comptroller and Auditor General of India reinforces its belief in environmental restoration in an action-oriented manner.

More such initiatives can make a big difference to Delhi’s flora, fauna, air, water and soil. Thus, this urban forest aims to inspire citizens to reclaim and restore their natural surroundings.



SAI PHILIPPINES

FIPP approves Working Group on Public Debt's GUID 5250 Endorsement Version

December 2019— The Working Group on Public Debt (WGPD) garnered the approval of the Forum for INTOSAI Professional Pronouncements (FIPP) on the endorsement version of GUID 5250 - Guidance on the Audit of Public Debt (GUID 5250 EV).

GUID 5250 was among the projects outlined in the INTOSAI Strategic Goal 3, Objective 1, on *“Improved development, updating and adoption of audit guidance and contributions to the INTOSAI's Framework for Professional Pronouncements (IFPP) for the performance of independent and high-quality audits of public debt and reporting thereon.”*

The material output of Project 2.9 on the “Consolidating and aligning the audit of public debt with ISSAI 100” will serve as the primary document on, or at the least, a substantial reference for SAIs in their conduct of the audit on public debt.

Following the IFPP's (INTOSAI Framework of Professional Pronouncements) Due Process, the development of GUID 5250 shall pass through four stages, namely, initial assessment and development of project proposal (Stage 1), development of exposure draft (Stage 2), development of endorsement version (Stage 3), and final endorsement (Stage 4).

Since the approval of the proposal in December 2017 (Stage 1), the

WGPD has embarked on an extensive process of discussions among the Project Group, where a total of 20 member SAIs are involved, and consultation with experts to develop the exposure draft of the GUID. This covered the review of six existing ISSAIs on public debt, formulation of a framework or outline to better encapsulate the three audit types (financial, performance, and compliance audits), comparison of activities per audit type recognizing commonalities and distinctions, reference to latest materials and literature regarding public debt and the audit thereof, and four levels of quality review stages, within and among the Project Group, the PSC (FAAS/PAS/CAS), and the FIPP. The exposure draft of the GUID was published at www.issai.org for 90 days and the comments and suggestions from 13 SAIs were carefully evaluated and considered in the endorsement version of the GUID, where appropriate.

The GUID 5250 EV shall be presented to the Governing Board (GB) for final pronouncement in a report by the Knowledge Sharing Committee. The WGPD Chair will supplement such report with an oral presentation before the GB. Once approved, the GUID becomes part of the IFPP on the date it takes effect, and will be referred to as GUID or guidance.

Together with the conclusions drawn as basis for the approval and the Disposition Table, the approved endorsement version of the GUID 5250 are available for viewing at www.issai.org. Currently, the endorsement version is in the process of translation into the four INTOSAI official languages.

WGPD keeps strong collaborative ties with partners and stakeholders

In an effort to support the Working Group on its Objective to have a “wider exchange of knowledge, experience, information sharing and collaboration among the WGPD members, partners, and stakeholders,” the WGPD, through its member-SAIs, forges collaboration through participation in various information-sharing and capacity-building activities on public debt and management, as follows:

E Learning Course on Debt Management Performance Assessment (DeMPA). Members of the Working Group actively joined the online course administered by the World Bank. The virtual course, slated to run from 3 February to 6 March, 2020, aimsto provide knowledge on the revised DeMPA tool, a set of indicators for comprehensively assessing debt management performance in developing countries. At least seven SAIs, including the Philippine Commission on Audit, which are active members of the WGPD, participated in the sessions.

Twelfth Debt Management Conference of the United Nations Conference on Trade and Development (UNCTAD) and the Debt Management Financial Analysis System Advisory Group. WGPD members attended the UN-facilitated biennial forum which tackled development and issues on debt and its management. Following the Conference and the two-day DMFAS Advisory Group Meeting, the Group advised the UNCTAD Secretary-General of its conclusions, which include:

- ✓ Under Best Practices, WGPD recommends to DMFAS user countries the: (1) regular public debt management audits (compliance

and performance) and external evaluations; and (2) work collaboratively with national SAIs.

✓ Under Capacity Development: WGPD (1) highlights the need for DMFAS to provide debt management training for auditors.

Out of these participations, the members are expected to gain knowledge --- in theory and in practice --- on current public debt management guidelines and practices which can be utilized in furtherance of the capacity-building thrust of the Working Group and can be used by the members individually in their respective institutions' public debt audit activities.

Email / Webpage addresses of member SAIs

SAI	Email address	Webpage
Afghanistan	info@sao.gov.af / info.saoaf@gmail.com sao.int@sao.gov.af / saoaf.int@gmail.com	http://sao.gov.af Twitter Account of the SAO - @SAO_Afghanistan
Armenia	vpal@parliament.am	www.coc.am
Australia	ag1@anao.gov.au External.Relations@anao.gov.au	www.anao.gov.au
Azerbaijan	office@ach.gov.az chairman@ach.gov.az	www.ach.gov.az
Bahrain	info@nao.gov.bh , tr.ir@nao.gov.bh	www.nao.gov.bh
Bangladesh	international@cagbd.org	www.cagbd.org
Bhutan	auditorgeneral@bhutanaudit.gov.bt	www.bhutanaudit.gov.bt
Brunei Darussalam	jabaudbd@brunet.bn	www.audit.gov.bn
Cambodia	naakh@naa.gov.kh , sg.audit@naa.gov.kh , chea_sopha@yahoo.com	www.naa.gov.kh
China	cnao@audit.gov.cn , gs@asosai.org	www.audit.gov.cn
Cyprus	cao@cytanet.com.cy	www.audit.gov.cy
Georgia	chamber@gol.ge , chamber@geomail.ge	www.control.ge
India	cag@cag.gov.in pdir@cag.gov.in	www.cag.gov.in
Indonesia	asosai@bpk.go.id international@bpk.go.id	www.bpk.go.id
Iran	pria@dmk.ir	www.dmk.ir
Iraq	diwanirq@uruklink.net	
Israel	sco@mevaker.gov.il	www.mevaker.gov.il
Japan	liaison@jbaudit.go.jp	www.jbaudit.go.jp
Jordan	Audit.b@nic.net.jo	www.audit-bureau.gov.jo
Kazakhstan	int.rel@esep.gov.kz	www.esep.kz
Korea	koreasai@korea.kr	www.bai.go.kr
Kuwait	president@sabq8.org , ir@sabq8.org	www.sabq8.org
Kyrgyzstan	ir@esep.kg , esep@esep.kg	www.esep.kg
LAO-PDR	sao@etllao.com	
Malaysia	jbaudit@audit.gov.my ag@audit.gov.my	www.audit.gov.my
Maldives	info@audit.gov.mv , maldago@dhivehinet.net.mv	www.audit.gov.mv

Mauritius	aud@govmu.org,	www.nao.govmu.org
Mongolia	mnao@mnao.mn	www.mnao.mn
Myanmar	AUDITORGENERAL@mptmail.net.mm	
Nepal	oagnep@ntc.net.np, infoag@most.gov.np	www.oagnepal.gov.np
New Zealand	oag@oag.govt.nz ; information@oag.govt.nz	www.oag.govt.nz
Oman	irdep@sai.gov.om	www.sai.gov.om
Pakistan	saipak@isb.comsats.net.pk	www.agp.gov.pk
Palestine	facb@saacb.ps , pr@saacb.ps ;	www.saacb.ps
Papua New Guinea	agopng@ago.gov.pg gsullimann@ago.gov.pg , agois@ago.gov.pg	www.ago.gov.pg
Philippines	gemcarague@coa.gov.ph, lbdimapilis@coa.gov.ph	www.coa.gov.ph
Qatar	info@sab.gov.qa	www.sab.gov.qa
Russia	zylis@ach.gov.ru, intrel@ach.gov.ru	www.ach.gov.ru
Saudi Arabia	gab@gab.gov.sa , sumaya.almarzooq_i@saiuae.gov.ae ,	www.gab.gov.sa
Singapore	ago_email@ago.gov.sg	www.ago.gov.sg
Sri Lanka	oaggov@sltnet.lk	www.auditorgeneral.lk
Tajikistan	interdep@sai.tj	www.sai.tj
Thailand	int_rela@oag.go.th	www.oag.go.th
Turkey	Sayistay.baskan@sayistay.gov.tr	http://www.sayistay.gov.tr
U.A.E.	president@saiuae.gov.ae	www.saiuae.gov.ae
Vietnam	vietnamsai@hn.vnn.vn	www.kiemtoannn.gov.vn
Yemen	tech_coop2007@yahoo.com coca@y.net.ye	www.coca.gov.ye

Electronic communication between Supreme Audit Institutions is increasing rapidly. In view of this, a list of e-mail and World Web Site Address of ASOSAI members (as available with us) have been compiled and shown in the above table. It is requested that addresses of those SAIs that do not in appear in the table may please be intimated to the Editor for incorporating in the future issues of the Journal. Please also let us know in case there are any modifications to the addresses listed above.

Other important Email/Webpage addresses

	Email address	Webpage
INTOSAI	intosai@rechnungshof.gv.at	www.intosai.org
ASOSAI	gs@asosai.org	www.asosai.org
EUROSAI	eurosai@tcu.es	www.eurosai.org
OLACEFS	relacionesinternacionales@contraloria.cl (Executive Secretariat, SAI of Chile) PresidenciaOLACEFS@asf.gob.mx (Presidency of OLACEFS, SAI of Mexico)	www.olacefs.com
PASAI	enquiry@oag.govt.nz	www.pasai.org
ARABOSAI		www.arabosai.org
INTOSAI Development Initiative (IDI)	idi@idi.no	www.idi.no
INTOSAI Working Group on IT Audit (WGITA)	ir@cag.gov.in	www.intosaiitaudit.org
Working Group on Environmental Auditing	info@wega.org	www.environmentalauditinfo.org
Working Group on Privatisation, Economic regulation and Public Private	Tim.burr@nao.gsi.gov.uk	www.nao.gov.uk/intosai/wgap/home.htm

Partnership (PPP)		
International Journal of Government Auditing	intosaijournal@gao.gov	www.intosaijournal.org
Asian Journal of Government Audit	ir@cag.gov.in	http://www.asosaijournal.org

Tentative Schedule of ASOSAI capacity development activities for 2020-2021

Year	Date	Event	Venue
2020	June (TBD)	IDI's Strategy, Performance Measurement and Reporting Program: Operational Planning Workshop	Manila, Philippines
	September (TBD)	IDI's Strategy, Performance Measurement and Reporting Program: Monitoring & Reporting Workshop	Bangkok, Thailand
	(TBD)	Instructors' design meeting for ASOSAI Pilot Capacity Development Program on "Audit on Implementation of Sustainable Development Goals (SDGs)"	Tokyo, Japan (TBD)
	(TBD)	eLearning Course of ASOSAI Pilot Capacity Development Program on "Audit on Implementation of Sustainable Development Goals (SDGs)"	Online
	(TBD)	ASOSAI Seminar on "Audit on Implementation of Sustainable Development Goals (SDGs)"	Manila, Philippines

2021	(TBD)	Sub-regional Audit Planning Meeting for ASOSAI Pilot Capacity Development Program on “Audit on Implementation of Sustainable Development Goals (SDGs)”	China and Turkey
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