Role of SAIs in Strengthening Sovereign Debt Management

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Main Topics

• Governance Framework of Debt Management: Stakeholders and Roles
• Roles of Auditors
• Steps in Audits
• Cases of Performance Audits
Governance Framework of Sovereign Debt Management

The State / The People / Present & Future Citizens

Central Government

Legislature (Parliament, Congress)

Central Bank

Ministry of Finance

Debt Management Units (DMUs)

DMU staff
Front -- Middle -- Back Offices

Supreme Audit Institution

Treasurer & Controller
Budget Planning & Economy
Resource Mobilization Units
Program Execution Units

Sub-national governments

Domestic lenders
Primary dealers in government securities
Banks
Pensions: government
Individual savers

External lenders & monitoring institutions
Multilateral financial institutions
Governments (bilateral loans)
Private (bond underwriters)
Credit rating agencies
Roles of External and Internal Auditors

- Examine **Internal Control** in debt operations to identify and correct weaknesses

- Determine whether sovereign debt operations comply with laws and regulations (**Compliance Audits**)

- Determine whether reports issued by the Executive present in a fair manner debt levels, results of debt operations and related interest costs, in accordance of generally accepted accounting principles (**Financial Audits**)

- Examine debt operations to improve their effectiveness, efficiency and economy (**Performance Audits**)
Steps in Audits

1. **Plan** the audit
2. Develop **audit criteria**
3. Collect **evidence**
4. Develop **findings** and reach conclusions
5. Formulate **recommendations**
6. Follow-up
Cases of Performance Audits

1) Legal framework
2) Organizational arrangements
3) Determination of borrowing needs
4) Debt management strategy
5) Borrowing activities
6) Debt information systems
7) Debt service activities
8) Debt reporting
9) Fiscal risks, with focus on guarantees
10) Market infrastructure risks