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INTOSAI



*Guidance on  
Definition and  
Disclosure of  
Public Debt*

INTOSAI PROFESSIONAL STANDARDS COMMITTEE

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PSC-SECRETARIAT

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# **INDEX**

**PART I: INTRODUCTION**

**PART II: THE ROLE OF THE SAI AND RELATED CONTEXT**

**PART III: GENERAL GUIDANCE ON DEFINITION**

**PART IV: GENERAL GUIDANCE ON DISCLOSURE**

**PART V: THE MEDIUM FOR DISCLOSURE**

**APPENDIX A**

**PUBLIC DEBT COMMITTEE**

## **PART I: INTRODUCTION**

### **1. Background**

The Governing Board of INTOSAI established the Public Debt Committee with the following general objectives:

"To publish guidelines and other informational materials for use by Supreme Audit Institutions to encourage the proper reporting and sound management of public debt."

The Committee's first task was to produce and issue to all Supreme Audit Institutions (SAIs) a questionnaire designed to obtain information about the following public debt issues:

Definition

Planning

Management and Control

Measurement

Disclosure

The Committee analyzed responses to the questionnaire and prepared an Interim Report which summarized the questionnaire findings and offered preliminary conclusions. The report was distributed to all SAIs in April 1994.

The Committee believes that adoption of an appropriate definition is a pre-requisite for the study of any aspect of public debt. The choice of definition depends, at least to some extent, on the context within which it is used. Accordingly, this document considers together the related matters of definition and disclosure of public debt.

The current document provides more detailed guidance to SAIs on two of the issues included in the questionnaire and related Interim Report, namely definition of public debt and disclosure of public debt.

Additional guidance to SAIs on other aspects of public debt will be developed and issued separately in future years.

### **2. Other Studies Consulted**

In considering these two matters, the Committee has taken into account work already done by the INTOSAI committees on internal controls, accounting standards, and auditing standards. The Committee has also consulted a number of international organizations with an interest in public debt matters, including the World Bank, the Inter-American Development Bank, the Organization for Economic Cooperation and Development (OECD), the United Nations, and the European Union.

The Committee has also examined the definition of public debt developed and used by the International Monetary Fund (IMF). This is reproduced in Annex 2 of the Committee's April 1994 Interim Report.

And finally, the Committee has taken into account studies published by the Public Sector Committee of the International Federation of Accountants. These studies also examine the definition of public debt, including different ways of recording it which arise from the adoption of various bases of accounting ranging from modified cash to modified accrual and full accrual.

The conclusions on definition and disclosure of public debt drawn by the Committee from considering these various sources are presented in the remainder of this document.

Additional guidance to SAIs on other aspects of public debt will be developed and issued separately in future years.

## **PART II: THE ROLE OF THE SAI AND RELATED CONTEXT**

In an overall sense, the Committee believes that proper reporting and sound management of public debt are matters of great importance in virtually all countries represented in INTOSAI. In this respect, the Committee believes that SAIs should do whatever they can, within the limits of their powers and responsibilities, to encourage the governments they audit to adopt sound and appropriate definition and disclosure practices for public debt.

The Committee recognizes that the amount of public debt that may be incurred and the purposes for which related proceeds may be used are generally matters of policy determined through normal constitutional or policymaking processes within of the country concerned.

In addition, some of the decision taken by governments in raising and managing public debt may well be based on policy judgments which are not readily distinguishable from purely financial considerations. In most countries, there is some limitation on the right of the SAI to examine or question policy judgments, although the nature and extent of the SAI's powers and responsibilities in this regard will depend on the political and constitutional circumstances in the country concerned. SAIs will therefore need to exercise their own judgment when considering the nature and extent of the examinations that they can undertake and the reports that they can prepare on public debt matters within their countries.

While the SAI may have no direct part to play in deciding the level of the purpose of public debt, the SAI may nevertheless have a role in helping to ensure that decisions with respect to public debt are based on the disclosure to all affected parties of complete and reliable information on the likely effects of the proposed borrowing.

After funds have been borrowed, the SAI is also likely to have some responsibility for helping to ensure the publication of complete and reliable information on the government's performance in raising and subsequent management of public debt.

The examination of matters related to public debt may present SAIs with unique problems due to the technical complexity of the subject. This may require, for example, the engagement of individuals with specialized know-ledge or expertise not available presently within all SAIs. Although outputs of this Committee should assist SAIs, they may nevertheless be required to provide specialized training to existing staff or perhaps hire additional staff with the necessary new skills.

In summary, there are a number of possible roles for SAIs with respect to the definition and disclosure of public debt.

**Auditing disclosed debt information:** As reported in the April 1994 Interim Report on the survey, most SAIs fulfill this primary role.

**Encouraging improvements in disclosure:** Where debt disclosure is incomplete, the SAI may wish to identify additional elements of debt that should be disclosed and actively encourage the government to make such disclosure.

**Commenting on the fiscal and economic implications:** In addition, the SAI may undertake independent analyses of the data disclosed to foster improved management of the debt and improved understanding of the current and future implications of public commitments.

Additional information with respect to the role of SAIs in examining and reporting on the definition and disclosure of public debt is set out in Part V of this document that deals with the medium for disclosure.

The remainder of this document identifies a number of factors that SAIs should consider in making judgment as to the nature and extent of their examinations and reports on the definitions and disclosure of public debt. This guidance is in the form of broad principles. These principles do not prescribe or identify definitions of public debt. Rather, they identify various elements which may constitute liabilities of public bodies and the circumstances in which it would be appropriate to disclose them as part of public debt.

Similarly, the guidance provided in this document does not prescribe one basis of accounting or one type of report to be used for disclosing information about public debt. The Committee recognizes that information about public debt may be provided through general purpose financial statements, but also through reports on compliance, performance and individual government departments and agencies.

The guidance in this document will be update and expanded from time to time as additional works is carried out by the Public Debt Committee and by other standing committees of INTOSAI.

### **PART III: GENERAL GUIDANCE ON DEFINITION**

As a pure semantic exercise, the definition of public debt may be of little consequence. However, the use of an appropriate definition in the compilation of the various types of government financial reports referred to above is of considerable practical importance. The reliability of these reports depends to a large extent on the soundness of the definitions used in preparing them. The main requirements for a sound definition include

- \* precision to avoid doubt or dispute about the inclusion or exclusion of particular elements;
- \* clarity to make the reports readily understandable by users;
- \* consistency from year to year, with other financial statistics or accounting records within a particular country and, where relevant, between countries;

- \* appropriateness for the purpose the criteria for inclusion of particular elements should be based on their relevance to the objectives that the reports are designed to satisfy;
- \* comprehensiveness to ensure that all particular elements of debt are brought within the scope of appropriate approval, planning, management and control procedures.

The primary consideration is that the content of government financial reports be appropriate to the purpose for which are prepared. Such reports may be prepared and used for a wide variety of purposes, including those summarized below.

A. Certain reports may assist in the formulation and monitoring of:

- \* general economic policy, because of the effect of public borrowing on the use of resources;
- \* monetary policy, because of the effect of public borrowing on the money supply;
- \* fiscal policy, because of the need to balance the sharing of financial burdens between existing and future taxpayers, and to ensure that the future cost of servicing and repaying outstanding debt will be sustainable; and
- \* exchange rates and balance of payments policies if external public debt is a significant part of a country's total external debt, the division of total public debt between domestic and foreign currencies between internal and external creditors may influence exchange rate and balance of payments policies.

B. Other reports may be used for a variety of international purposes. Some may fulfill obligations of membership in bodies such as the IMF, the World Bank, the OECD, and the European Union, and should be compiled in accordance with the rules of the bodies concerned, including definitions of public debt. Some may demonstrate a country's credit-worthiness.

C. Of particular importance is the use of government financial reports in the rendering of accountability such as that of the executive to the legislature for the exercise of borrowing powers and the use of related proceeds.

D. And various financial reports may be used in the planning and control of a public body's borrowing programs.

In summary, the scope of financial reports on public debt and the nature or type of liabilities shown will vary based on the differing purposes for which the reports are prepared. Different definitions of public debt will be used for different purposes, and there are many instances of variations in scope between the resulting types of reports. For example, reports produced for macroeconomic analysis could well cover the whole of the public sector, whereas the scope of reports used to demonstrate accountability of particular bodies of public administration might be much narrower. In addition, the scope of reports might be quite different as between unitary and federal states. All reports should disclose clearly their intended scope.

The Committee has not attempted to develop one or more model definitions of public debt. Rather, the Committee has identified and defined various elements of public debt which could be considered for inclusion in various types of reports.

Depending on the purpose for which a financial report is prepared, an appropriate definition of public debt might include the following:

\* Liabilities or other commitments incurred directly by public bodies such as

- (a) a central government, or a federal government, depending on the manner of political organization in the country;
- (b) state, provincial, municipal, regional and other local governments or authorities;
- (c) owned and controlled public corporations and enterprises; and
- (d) other entities that are considered to be of a public or quasipublic nature.

\* Liabilities or other commitments incurred by public bodies on behalf of private corporations or other entities.

The appropriate treatment of borrowings by those central banks that are not considered public bodies will depend on the precise status of the banks and their relationship with the public sector.

#### *Elements of Debt to Consider*

As summarized below, the various elements of liabilities and other commitments incurred by public bodies or by corporations sponsored by such bodies may be thought of as lying on a spectrum that extends from direct borrowing through a range of other financial obligations from trade accounts payable to various contingencies and commitments. These commitments may or may not be recorded as liabilities in financial statements. However, they may have a significant effect on future borrowing needs and, therefore, future demands on the country's economic resources. These commitments might include the following:

1. Securities. These include traditional borrowings from creditors, including those within government, under formal agreements which normally specify the amount borrowed, the interest rate charged or discount required, the security to be given ( if any), and the period over which repayment is to be made. For purposes of this document, securities include those executed for the short, medium and long term.
2. Bank loans
3. Loans from foreign governments or international bodies.
4. Proceeds of public savings schemes. These include amounts on deposit in savings banks operated by a government and other similar programs.
5. Issues of national currency, notes, and coins. These include banknotes and coins issued by or for a governments and in circulation.



6. Accounts payable for goods and services.
7. Taxation repayable.
8. Liabilities under long-term leases. Leases that extend beyond one year and that may be for either capital or operating purposes
9. Pension liabilities and health care benefits for public employees.
10. Other benefits provided by public sector entities. These include social commitments that involve explicit or implicit obligations by a government to pay future claims under a variety of programs. While they may be difficult to quantify, they are almost always significant and should therefore be considered, perhaps on a best estimates basis, in any assessment of public sector debt.
11. Guarantees to third parties. These would include, where appropriate, guarantees of borrowing, both by other public sector bodies and by private or quasipublic bodies, together with guarantees for a variety of other purposes such as financing for exports and exchange rates.
12. Indemnities.
13. Comfort letters or other forms of legally non-binding assurances.
14. Insurance and reinsurance programs.
15. Other Commitments. These are other obligations arising from existing contracts, agreements or legislative enactments or regulations that could become actual liabilities upon fulfillment of specified conditions.

Additional information with respect to the various elements of debt that may be shown under different bases of accounting is provided in Statement 4 of INTOSAI 's Committee on Accounting Standards.

While each SAI will need to exercise its own judgement on the appropriate content of reports on public debt produced for particular purposes, those used to assist in the formulation and monitoring of general economic and fiscal policies should normally cover all relevant items identified above. In particular, SAIs should be aware that the existence of various contingencies and commitments such as those described in items 9 through 14 above may well affect the ability of public sector entities to meet future cash requirements. Such liabilities could derive from moral or social obligations in addition to those of a strictly legal nature. The appropriate treatment of these liabilities will depend on their materiality. Additional guidance on contingencies and commitments will be provided by this Committee in future years.

The valuation of liabilities or other commitments included in any definition of public debt may be applied to the total debt outstanding or to the net increase or decrease in debt during some period of time. General guidance on disclosure of public debt is provided in Part IV of this document which follows.

## PART IV: GENERAL GUIDANCE ON DISCLOSURE

In an overall sense, regular disclosure of a country's public debt can reveal whether debt levels have been kept within the country's ability to support them and can help ensure that potential problems are visible. Moreover, such disclosure may provide the impetus to address potential problems before they become crises.

One of the most troublesome issues in public debt disclosure is how to make it understandable, and thus relevant to the reasonably informed and interested, but nonexpert, reader. In considering the adequacy of disclosure, SAIs should look for and encourage the use of generally accepted ways of bringing these huge numbers to life for affected taxpayers. There are a number of what might be called "simple indicators" of a government's overall financial condition that could be considered in this regard. For such indicators are summarized below.

**The interest bite.** This is the percentage of interest costs on borrowed funds to government revenues. It is somewhat analogous to a percentage frequently used by mortgage lenders in determining whether or not an individual can afford to carry increased debt.

**The expenditure ratio.** This is the percentage of total government spending to total government revenue. If this percentage is consistently greater than 100, the revenue shortfall is likely made up by additional borrowings which, over time, could lead to financial instability unless corrective action is taken.

**The tax bite.** This is the percentage of tax revenues to gross domestic product (GDP). Gross domestic product is the value of goods and services produced within a country in a year. If the tax bite increases year after year, it means that more and more of a country's production is being diverted to government and away from reinvestment in the private sector.

**Debt to GDP.** This is the percentage of a government's debt to the country's GDP. If this percentage increases year after year, it means that debt is growing faster than the economy, which could lead to burdensome and perhaps unaffordable debt loads. Both the level of the government's gross indebtedness and that amount net of borrowing between public entities can be useful indicators.

Indicators such as those outlined above should help interested individuals understand more clearly the significance of their government's debts and how their government compares with other levels of government within the country and with governments in other countries.

Another useful report to help people understand debt levels and what caused them is a budget-to-actual scorecard, comparing forecast deficit and debt levels with results achieved.

It would also be useful if the total indebtedness could be analyzed to distinguish between debt incurred to finance revenue producing capital assets and that incurred to finance current account deficits; and if the latter could be further analyzed to distinguish between cyclical deficits, attributable to the national economy operating below normal capacity, and structural deficits, reflecting a continuing imbalance between expenditure and revenue.

It is appropriate to note that indicators need to be exactly defined when used and their informative value and limitations explained. And it should be stressed that in any international comparison,

indicators may be rooted in different basic concepts which may stand in the way of straightforward comparison.

### *Information to Disclosure*

In addition to these general considerations, there are also a number of more specific types of information that SAIs should take into account when reviewing and commenting on the adequacy of disclosure of public debt. These types of information are summarized below under the categories of reporting elements used in Part III of this document.

This information should be presented separately for each public body and in aggregated and consolidated form depending on the purpose of the report within which it is shown. In all cases, consideration might be given to disclosing both total cumulative public debt as of the end of the reporting period and new debt incurred during the period. Public debt should not normally be reduced by related assets such as gold and foreign currency holdings or sinking funds.

In some cases it may be appropriate for these to be taken into account if they are freely available for the redemption of debt, but not if they are retained for other purposes.

#### **A. Securities, bank loans, from foreign governments or international bodies, and, proceeds of public saving schemes.**

1. The total amount due, showing separately the gross amount borrowed and the portion thereof represented by borrowing of agencies included in the entity.
2. Amounts held by foreigners, where possible. This disclosure is important because the outflow of interest and principal to other countries may limit the growth of the debtor's economy. The Committee recognizes that where public debt is issued through marketable notes, the nationality of holders may not be known.
3. Amounts denominated in foreign currencies and the exchange rates used in its valuation. Debt denominated in foreign currencies may be more volatile than debt denominated in the country's own currency because of the effects of changes in exchange rates.
4. New liabilities. For liabilities incurred during the period, disclosure would include the types of lenders, the terms of the issues and loan agreements, and perhaps future disbursements.
5. Types and terms of instruments. For types of instruments, issued debt would be broken down between various major classifications such as bills, notes and bonds. For terms of instruments, the disclosure would set out information respecting maturities, callable features and the like. Other useful information on maturities could be the consolidated amounts due in the short, medium, and long term, and the long-term or average maturity of amounts outstanding.
6. Measurement bases. Both the bases of measurement and any changes since the prior report would be disclosed. The use of different measurement bases can produce significantly different results. For example, depending on the type of bond issue, the market value of bonds can fluctuate widely with changes in interest rates. Different methods of amortizing premiums and discounts can affect significantly the amount of disclosed debt service costs, and debt values may be restated if being retired prior to maturity.

7. Principal repayments. Disclosure would include the amounts of principal repayments during the reporting period, the means used to finance these repayments, and the effects on related sinking fund balances.
8. Debt service costs. This disclosure would include interest payments and other administrative and commission costs paid during the reporting period. In addition, the “interest bite” and the budget-to-actual scorecard referred to in the preceding paragraph would be useful.
9. Restructured debt. Disclosure would include the results of any public debt renegotiations that occurred during the period, together with the terms and conditions of the renegotiated debt.
10. The use of funds. When funds are borrowed for specific projects, details would be shown with respect to the purpose and expected benefits of the projects. Where possible, information would also be provided on expected revenue sources and cash flows to finance the debt and the expected life of the project.
11. Actual levels versus estimates. Disclosure should include an appropriate comparison between the forecasts and the actual levels of total debt, principal repayments, service costs, and interest rates. Explanation for any significant deviation, where possible, should also be given.
12. Risk assessment. Information would be provided to describe potential vulnerabilities to fluctuations in interest rates, currency values, or other factors that affect repayment costs. Debt pegged to floating interest rates would be disclosed, for example. Information would also be provided with respect to actions taken in derivatives markets, such as interest rate and currency swap agreements, in order to limit such vulnerabilities. Because activities in derivatives markets may be highly complex and technical in nature, care should be taken to ensure that the information provided can be easily read and understood by individuals who may not have specialized and technical knowledge of derivatives products.
13. Legal requirements and restrictions. All significant legal requirements and restrictions would be appropriately disclosed. The information provided should be sufficient to demonstrate that all such requirements have been satisfied. In considering what to disclose, a number of sources could be reviewed appropriate, including constitutional and other legal limits on the amount of public debt or debt service costs; limits on the uses of proceeds of borrowed funds; regulations specifying who may borrow on behalf of a public body; laws outlining the public bodies which are responsible for public debt incurred by others; and requirements regarding the currency in which public debt may be held or the lenders who are to be used.

If liabilities were incurred by one public body on behalf of another, disclosure would be limited to the amount of debt, the types of instruments and the use of the proceeds. All other information would be provided by the entity that received the borrowed funds.

#### **B. National currency notes and coins.**

Information would include banknotes and coins issued by the public body and in circulation as of the reporting date, and whether they are backed by retention of separately earmarked holdings of monetary assets. Generally speaking, currency is issued by a country’s central bank and the relationship between a central bank and its government may vary from one country to another. Full details regarding this relationship should be obtained and analyzed in order to determine whether it

would be appropriate to consolidate a central bank with its government for financial reporting purposes.

**C. Accounts payable for goods and services; liabilities under long-term leases; and pension liabilities and health care benefits in respect of public employees.**

These types of liabilities are often recorded in the accounts and reported on the financial position statement or balance sheet of the public body to which they relate. For long-term leases and pension and health care benefits, additional information can be provided in footnotes to the statement.

For leases, this information would include the operating and capital components of the liability and minimum annual payments for each of the next five years. The liabilities for pension and health care benefits are determined by actuaries. Details with respect to the actuarial approach followed and significant assumptions used would be summarized and reported in the footnotes. Sensitivity analyses, setting out the extent to which the recorded liabilities would vary if actuarial assumptions were to change, would also be desirable.

**D. Other benefits provided by public sector entities.**

Disclosure would include the long-term fiscal effects of public pension programs as currently defined and other similar long range commitments of public resources. A brief description of the programs and their sources of financing would be provided as well as actuarial and economic assumptions used, as appropriate, in determining best estimates of costs and benefits. In future years, the Committee will study such disclosure further and provide additional guidance to SAIs to the extent possible.

**E. Guarantees, comfort letters, and other legally non-binding forms of assurances.**

Disclosure with respect to guarantees can include a description of the policies and/or the programs that underlie the guarantees; the maximum exposure to the public body that issued the guarantee, including responsibilities for principal repayment and interest costs, commissions, and exchange rate risks, if applicable (subdivided into domestic and foreign currency denominated responsibilities); amounts paid during the period to honor guarantees; default experience in prior periods; and, where possible, forecasts of amounts that are likely to default in future periods. With respect to comfort letters and other similar instruments, disclosure can include a description of the nature and extent of the assurances; the policies and/or programs that underlie them; amounts paid under them during the reporting period; and, if possible to forecast, amounts that are likely to be paid in subsequent periods. The exchange rates used in the valuation of these liabilities would also be disclosed.

**F. Indemnities.**

Disclosure would include a description of the terms and conditions of indemnity agreements in force; the conditions under which amounts are payable; the amounts paid under the agreements during the reporting and prior periods; and, if possible to forecast, amounts that will likely be payable in future periods.

**G. Insurance and reinsurance programs.**

Disclosure would include a description of the major features of each significant program, its funding, trend information on claims paid and premiums received, and estimates of future losses.

If a fund is maintained, details respecting the value of the fund and its adequacy to cover losses would also be provided.

#### **H. Other commitments.**

The nature and amount of each significant commitment or type of commitment would be summarized and provided. These might include costs expected to be incurred to repair environmental damage.

### **PART V: THE MEDIUM FOR DISCLOSURE**

As explained throughout this document, financial information about public debt may be reported in a wide variety of documents. General purpose financial statements and related notes could disclose many of the items discussed above. In addition, information could be disclosed in financial reports on compliance, performance and individual government departments, and agencies. Other public documents could also be used, including budgets, central bank bulletins, and a variety of other reports to legislatures.

It would be helpful to disclose planned and actual public debt periodically as part of the ongoing budget decisionmaking and accountability process.

Opportunities may also exist in the government's normal fiscal policymaking and reporting cycle for reporting the elements of planned and actual debt.

For example, planned levels of debt could be disclosed in the budget, with the actual levels realized periodically reported during the year as appropriate. In addition, a year-end accounting of debt could be provided, possibly through audited general purpose financial statements and possibly through other types of centrally provided reports. Attachment A to this document provides a simplified illustration of what an overall reporting framework for public debt might look like.

As explained in Part II of this document, SAIs have many opportunities to examine and report on issues related to the definition and disclosure of public debt. The extent of SAIs' concern with the form and content of reports on public debt will vary according to the purposes for which the reports are produced and used. This variation is examined in items A through E that are set out below and with which this document concludes.

*A. Reports produced by governments to assist in the formulation and execution of their economic, monetary and fiscal policies.* These reports may not be subject to formal verification by SAIs.

However, if they are submitted to the legislature to support budget proposals, the SAI might wish to review the reports to determine whether they are compiled on an appropriate basis and whether information is presented in an understandable and consistent manner.

*B. Forecasts of annual changes that are expected to result from budget proposals.* These reports may not be subject to direct verification either, but the audit of subsequent results might provide the SAI with an opportunity to comment on the bases used to prepare the reports.

*C. Forecasts of the long-term impact on public finances of the future costs of servicing and repaying outstanding debt.* Although not subject to direct verification, SAIs might consider and comment on the apparent relevance and understandability of the reports if they are submitted to the legislature.

*D. Reports on results, both with respect to changes in debt and with respect to debt outstanding, to help ensure appropriate accountability of public bodies with borrowing powers.* These “after-the-fact” reports are likely to be subject to formal audit by SAIs, which provides an opportunity to examine and comment on both the reasonableness of the bases on which the reports have been compiled and their general understandability and relevance.

*E. Returns to international bodies.* These returns are to be compiled in accordance with rules prescribed by the bodies, which may also govern the possible involvement of SAIs.

## **APPENDIX A**

### **Illustrative Model of Disclosure**

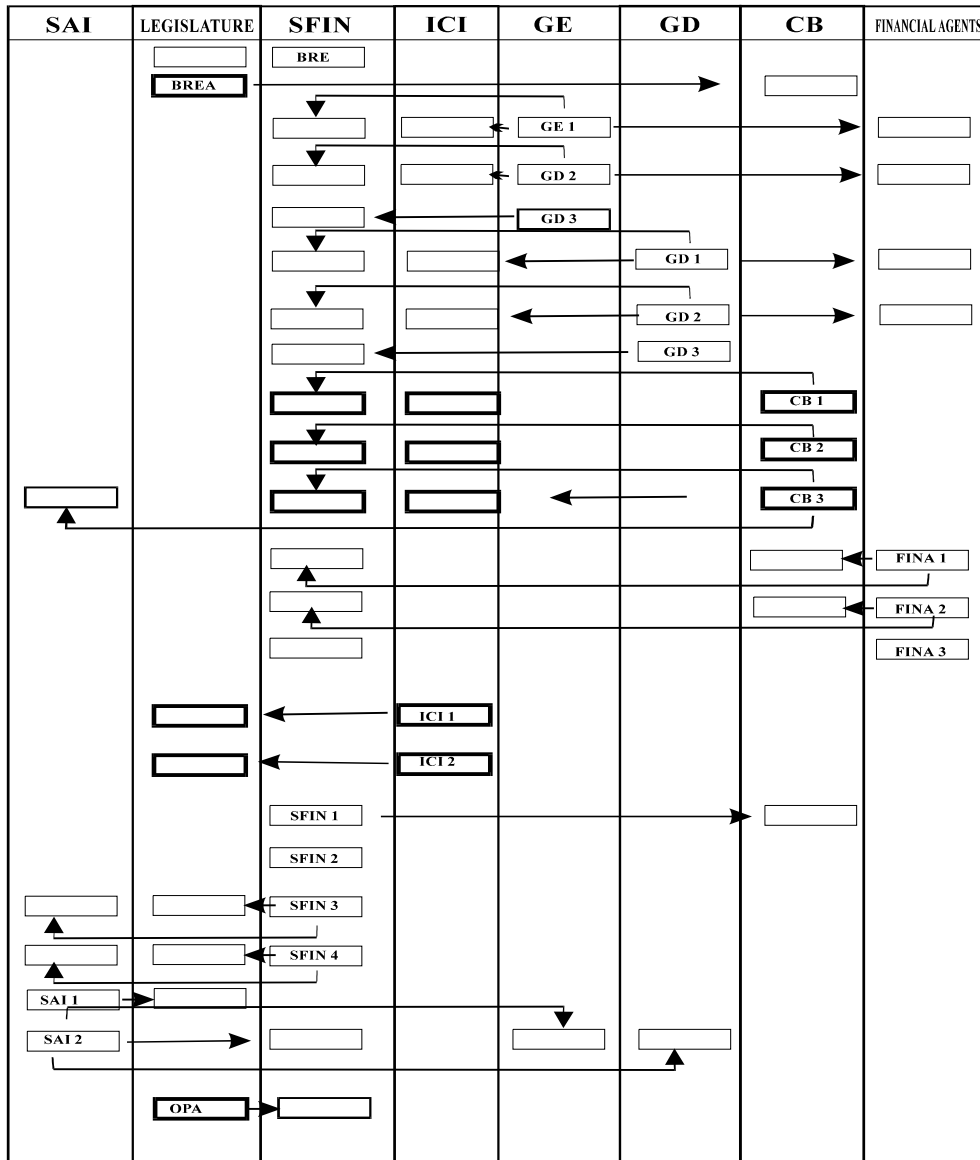
An adequate flow of information is a crucial aspect of any effective control scheme for the management of public debt. Disclosure could therefore, consider two factors: (1) the path of information, e.g., who should inform whom within the government and who should inform the public; and (2) what information could be included in each report and with what periodicity it could be prepared.

A flow diagram is attached describing a possible scheme of debt disclosure, indicating typically where each report originates and where they are utilized. Each report is labeled according to the institution that prepares it, and its contents are described below under each label.

BRE [Budget of Revenues and Expenditures] (Annual). The government (Executive), through the Secretary of Finance (Treasury), normally presents before each fiscal year a budget of expected revenues and expenditures to the Legislature, which includes a proposal for fund allocations, as well as where revenues will originate, and what debt is to be issued. Specific debt ceilings will be set by the Legislature.

BREA [BRE Authorization] (Annual). The legislative body authorizes and publicly discloses the maximum level of new net debt to be issued, as well as the approved application for such funds, where applicable, as part of the general authorization of revenue and expenditure.

**FLOW DIAGRAM OF REPORTS ON PUBLIC DEBT**



PUBLIC INFORMATION  
 OPA = OPINION PUBLIC ACCOUNT

GD1 [Government Departments report 1] & GE1 [Government Entities report 1] (Monthly). This report prepared by each government department or government entity holding public debt includes the terms and amounts of the new debt contracted, as well as payments on loans existing, and details on maturity dates, currency, amortization, and interest payment schedules.

GD2 [Government Departments report 2] & GE2 [Government Entities report 2] (Quarterly). This report prepared by each government department or government entity summarizes accumulated individual balances and payments made during the quarter on capital and interest, expressed in the currency of origin as well as in local currency. A complete schedule of payments on capital and interest should also be kept to the maturity of each instrument. A comparison between programmed and actual amounts is presented here as well as an explanation of the variances with respect to the previous quarter.



GD3 & GE3. (Annual). Each department & entity could prepare for the Secretary of Finance (Treasury) a comprehensive closing report on its performance and finances for the year, which is integrated by the Financial Authority into what is normally named The Public Account. This report includes consolidated information on the state of each entity's debt holdings, describing the new debt issues for the year, actual payments made on capital and interest, and their comparison with estimates and the preceding year. A detailed explanation of any restructuring, assumptions, transferences, adjustments and conciliations at closing, as well as an analysis of financial factors affecting the cost of debt (e.g. domestic and foreign rates, exchange losses, etc.), as compared with the expected outcome should also be included.

CB1. [Central Bank report 1] (Monthly) and CB2 [Central Bank report 2] (Quarterly). The Central Bank could publicly disclose within its monthly and quarterly reports on economic, monetary, financial and commercial performance, the Public Sector debt, as well as its impact on monetary aggregates, reserves, and the capital balance. It also include an analysis of relative and nominal deviations that have occurred during the previous three years.

CB3 (Annual). This report is prepared normally by Central Banks and disclosed to the general public, and is a global account of the various economic aspects, including a description of the public debt balance and its impact on the performance of various economic indicators (Public Deficit, Balance of Payments, Economic Sectors Activity, interest rates, monetary aggregates and other aspects indicative of the behaviour of the financial system). This report is usually used as a general base for planning and analysis by financial authorities, the government in general, as well as by economic consultants and business in general.

Specifically, regarding public debt, this report could analyze the behavior of the total average balance, gross and net, foreign and domestic, for the year, with comparisons with respect to historic trends in real terms, in absolute and relative to GDP levels, explaining for each type of debt the main causes of the movements observed in the balance at closing.

Fin A. [Financial Agents] (Monthly, Quarterly and Annual). Through these reports, financial agents inform the Secretary of Finance and the Central Bank, with varying degrees of detail, on the change observed in market conditions that affect debt service.

Financial agents report on how outstanding debt notes are distributed among residents and non-residents, and on loans contracted to fund the programs of the Development Banks, explaining differences vs estimated figures.

ICI1. [Internal Control Institution report 1] and ICI 2 [Internal Control Institution report 2] (Quarterly and Annual). The Internal Control Institution of the Executive validates in these reports the information on public debt presented in the reports prepared by the Secretary of Finance for the Legislature on a quarterly and annual basis.

S Fin 1 [Secretary of Finance report 1] (Monthly). In this report the Secretary of Finance should inform the Central Bank on new debt issued in a foreign currency, the capital flow for each currency should be calculated separately to allow the Central Bank to take into account this component of the capital flow for monetary and exchange policy considerations and other strategic aspects related to the management of reserves.

This report should also include estimates as to the holdings of government securities by residents and non-residents, which the Central Bank would take into account for exchange risk measurement and reserve management.

S Fin 2. (Monthly). This fundamental report is prepared by the Secretary of Finance for internal use, and should constitute the cornerstone of the overall debt disclosure scheme. It is the first and most detailed concentration of all of the relevant information related to public debt, and based on this report, the rest of the reports prepared by the Secretary of Finance are assembled. Some of the concepts included are the specific terms and conditions of each debt issue (outstanding balance, interest rate, payments made on capital and interest, currency, exchange losses, etc.) and their actual situation, as well as a comparative analysis with respect to estimates and previous years.

S Fin 3. (Quarterly). This report should be presented to the Legislative body, to the Internal Control Office of the Executive and to the SAI. This report should summarize and aggregate information on Public Debt with the necessary degree of detail to allow the members of the Legislature to appreciate the state of the debt, its effect on the situation of the economy and on government management. It should include a comparative analysis against the preceding quarter and 12 month period, as well as actuals versus budget estimates. It could also include an explicative analysis of the evolution of the financial markets during the quarter and how this affected budget estimates. For the case of debt denominated in foreign currency, the variances observed for each individual instrument should be explained, including exchange losses registered per item and currency and country of residence of holder.

For the case of debt in local currency, its net balance, individual placements, the evolution of the mix of instruments, and maturities and repayment profiles should be indicated, as well as the approximate holdings by residents and non-residents.

Guarantees granted by the National Government in relation to debt contracted by State and Local Governments might not be included if its repayment and service is adequately assured by the Federal resources assigned to State and Local Governments (direct deductions are possible). When this possibility does not exist, the guarantees should be included.

S Fin 4 (Annual). This public debt report is part of the overall Annual Public Account usually presented by a Government to the Legislative Body, which is assembled by the Secretary of Finance or the equivalent Financial Authority within the Government. This report should include a consolidated description of the evolution of the balance of the debt and its service for the complete year, in sufficient detail. It should also include an analysis of the variances observed with respect to budget estimates and the preceding years, along with adequate explanations of the effects of public debt on financial market performance.

SAI 1. (Annual). This report should be a part of the integrated report that the SAI presents to the Legislature or the public on the general analysis and audit of the Annual Public Account prepared by the government for the Legislature. This report should include an evaluation of general public debt management performance, as well as its impact on public finance and the performance of the economy for the year. The report could also include an analysis of new debt as a share of total revenues, the terms of its issue in view of prevailing financial market conditions, and if the debt was allocated as authorized in the budget.

On the other hand the SAI should pay special attention to public debt aspects of the financial audits of entities holding debt, as well as that debt which is pegged to specific goals within government

programs. This information as contained in SAI reports to the Legislative body, should allow the legislators to consider the public debt aspects when analyzing the next project to be presented for budget approval.

The SAI would inform on irregularities and deficiencies detected in the managing of debt in the process of its systems (internal controls) and financial audits, and on the efficiency, efficacy and economy with which debt financed investments have behaved. Specific public works audits could also provide additional support in this last case. The SAI should pay special notice to this appraisal of the explanations on variances of actual vs budget presented in the Public Account.

SAI 2. (Annual). This is not a report in the strict sense of the term, but a document the SAI presents to audited bodies in which it informs of irregularities and deficiencies found (when their nature allows), as well as recommendations to correct them.

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