

SUMMARY OF COMMENTS ON THE HANDBOOK ON PDM

	Reference	Comments/Suggestions	Disposition
	<i>Claudia Isern, Debt Policy Division, Strategy, Policy, and Review Department, International Monetary Fund</i>		
1	General Comments	The handbook is comprehensive and we are sure that this specialized document will be extremely helpful to the various SAIs who may not have the technical knowledge to conduct audits on public debt management. Below are the main comments we would like to highlight for your consideration, in addition to the specific section by section comments, which are included in the attached file.	
2	Discussion on the entire cycle of the audit:	To guide SAIs to complete the audit cycle of PDM, it would be useful to have a complete discussion of the audit process, including how the audit should be submitted back to Parliament, publication of the audit report and results, discussion of results, feedback and implementation of recommendation by the DMO, public discussion, and role of the public accounts committee in following up on the recommendations. This will help ensure that the audit report produced does not just go to a bookshelf but are used to the fullest extent to ensure transparency and accountability.	<i>The suggestion on the incorporation of the audit process would be addressed in the guidelines (GUID) on PDM being developed by the Working Group on Public Debt. The GUID discusses the audit phases, namely audit planning, conducting an audit, and reporting and follow-up, under the three audit streams, financial, performance, and compliance audits.</i>
3	Discussion on guarantees:	A comprehensive discussion on guarantees is warranted. Mention of guarantees appear occasionally when referenced to best practices but there is no guide on how to conduct audit on guarantees. This area has received critical attention, most recently from the case of Mozambique.	<i>To ensure that the nature, audit issues, and strategy, inter alia, relative to guarantees, such as those arising from public-private partnerships (PPPs) and contracts are extensively discussed, separate audit guidelines would be more beneficial. We are contemplating on proposing a non-IFPP document for the WGPD to work on – may be included in the WGPD Workplan 2020-2022. For the Handbook, we may provide clarity on its scope and coverage.</i>

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4	Discussion on an effective sanctions regime:	Additional specific areas of transparency in PDM may need review for auditing. For instance, best practices in debt management requires accountability and assurances of integrity by agencies responsible for debt management. Promoting the rule of law through an effective sanctions regime will enhance the accountability and instill discipline in enforcement of public debt management. Public debt auditors could check whether the legal framework provides an effective sanction regime for non-compliance and whether there are other measures the government could take to establish compliance with the legal framework of PDM. Furthermore, laws could specify consequences for noncompliance, thereby bolstering accountability.	<p><i>Is this practice common in other countries?</i></p> <p><i>Suggest for Marcelo to comment if a brief discussion/statement could be considered under Chapter 1.6 Best Practices in PDM and in the audit questions under Audit Objective 1 which may be stated as-</i></p> <p><i>Does the legal framework provide for an effective sanction regime for non-compliance?</i></p> <ul style="list-style-type: none"> - Inserted audit question #6 under Chapter 2.3, 1st objective <p><i>MT In general the issue of sanction is covered in the context of the civil service regime. We should/could reference to that under chapter 1.6</i></p> <ul style="list-style-type: none"> - ok

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5	Coverage of public debt:	<p>We welcome the upfront definition of debt in the Handbook (Section 1.1) as “financial claims that require payment of interest and/or principal by the debtor to the creditor at a date, or dates, in the future,” which is consistent with the statistical definition in the Public Sector Debt Statistics: Guide for Compilers and Users. The Handbook then explains why differences between fiscal policy objectives and debt management objectives may justify a narrower definition of debt (debt securities, loans, and other accounts payable). However, it would also be useful to note that depending on the respective legal framework of each country, the coverage of public debt will be different. The audit should be consistent with the domestic laws of the country and its specific mandate. Please note that the coverage of public debt in the DeMPA is explicitly on central government, which may add to the confusion.</p>	<p><i>The scope of public debt indeed differs among sovereigns. This could be emphasized as suggested as well as the disclosure on the coverage of DEMPA.</i></p> <p><i>Suggest that either Marcelo or Tomas comment on or respond to the changes needed.</i></p> <p><i>Added para in page 8 of the Handbook</i></p> <ul style="list-style-type: none"> - Ok.

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6	Reporting of broader public debt:	Where the public debt coverage is narrow, the question arises who is responsible for collecting and monitoring the broader public sector debt, including off-budget entities and other contingent liabilities. Such a question should be asked in the audit process and if it is found that there is no entity responsible for such activities, a recommendation should be made to set in motion a process where someone is made responsible for centrally collecting and monitoring statistics of the broader public sector debt. If the law requires modification to provide for the legal mandate, this should also be included in the audit recommendation.	<p><i>An audit question on the reporting of the broader public sector debt can be considered under the 2nd objective on performance audit to assess whether a government entity undertakes the collection of data, monitoring and reporting.</i></p> <p><i>The audit question may be stated as-</i></p> <p><i>Is there a government entity and mechanism in place for ensuring that the total public sector data is collected, monitored and reported?</i></p> <p>-ok inserted as Chapter 7.3, audit question no. 1 under audit 2nd objective in Chapter 7 – Debt Reporting</p> <p><i>MT Agreed</i></p>
7	Debt instruments:	The handbook could (i) highlight the need for detailed reporting by debt instruments, in line with Chapter 6 of the IMF's Public Sector Debt Statistics Guide for Compilers and Users, 2013 (Table 6.2). Indeed, in practice, governments contract debt other than loans and securities, including suppliers' and buyers' credits, promissory notes, and other. The audit should examine the legality and consistency with established policy of all such instruments and the legitimacy of such claims; and (ii) organize the auditing activities of the debt instruments held by counterparty taking into account the institutional coverage and sectorization of the public sector, as highlighted in the IMF's Public Sector Debt Statistics Guide for Compilers and Users, 2013.	<p><i>There are indeed other forms of debt as stated.</i></p> <p><i>Suggest to have Marcelo comment on this and if a short discussion on it could be provided in Chapter 7 – Debt Reporting</i></p> <p><i>A sample audit objective may be included if a discussion will be considered.</i></p> <p>MT added in chapter 7.2</p> <p><i>ok</i></p>

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8	Transparency:	Some creditors may impose non-disclosure agreements. It would be useful for the audit to assess whether such agreement is consistent with domestic laws and if not, to opine whether a new law or regulation is needed that sets the parameters for whether such contractual agreements are permissible under the law.	<p><i>In the context stated, a related audit question regarding non-disclosure agreements may be included under Chapter 5-Borrowing Activities, however, it could not be considered under the sample audit objectives.</i></p> <p><i>Suggest for Marcelo to comment if this can be considered and if a brief discussion could be provided for it</i></p> <p><i>Added para in page 22 Chapter 5</i> - ok</p>
9	Internal control function:	Compliance audit reviews the extent of effectiveness of internal controls. Yet, under the section on institutional and organizational arrangements (Section 3.1), discussion on best practice in internal control functions is entirely missing, although this is reflected in the section on audits (Sections 3.2 and 3.1). We consider this an essential function that is often missing in DMOs and would highly encourage audit recommendations to ensure that such functions are put in place in DMOs.	<p><i>Under Section 3.1, we find relevant discussions on best practice in internal controls for DMOs.</i></p> <p><i>Suggest for Marcelo to confirm and provide comments or inputs as necessary.</i></p> <p>I also confirm that what we have included at section 3.1 is pertinent MT (ok done)</p>
10	Relationship with internal audit:	The handbook is silent on the relationship between internal and external audit and this can be elaborated.	<p><i>A brief discussion may be included under Chapter 1.7 on the audit of PDM. We will provide this portion.</i></p> <p>- Last three paras. added in Chapter 1.7.3 as suggested. (ok done)</p>

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11	Human resource and capacity issues:	Performance audit should also examine the adequacy of human resource allocation and capacity. In many low-income countries, excessive number of low capacity staff are hired that are unable to fully perform the functions (often seen in back offices), often appearing to be an employment program, rather than allocating few qualified staff that are adequately compensated.	<p><i>Chapter 3 – Auditing Institutional and Organisational Arrangements used Staff Capacity and Human Resource Management as the illustrative example under 3.3 Performance Audit Objective no. 3. The comment is adequately addressed in this section.</i></p> <p>- (ok done)</p>
	<i>UNCTAD – Jerry Telling</i>		
12	General Comment	We find the Handbook to provide an excellent, comprehensive set of explanations and guidelines that are targeted at the level appropriate to auditors.	

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13	Chapter 9, para. 9.1.1	<p>The description of DMFAS could usefully be updated to reflect latest developments.</p> <p>Suggestion: UNCTAD's Debt Management and Financial Analysis System (DMFAS). The DMFAS is specialised debt management and financial analysis software. It enables the debt office to develop a debt database containing detailed and aggregated data on public and publicly guaranteed short and long-term debt (external and domestic). It covers a large range of debt instruments (short or long-term debt), including loans (bilateral, multilateral, private) and debt securities (bills, bonds with fixed or variable coupons, promissory notes, etc.), as well as Sukuk (Islamic securities). The system also allows for the recording and management of grants, on-lent loans, private non-guaranteed external debt and short-term external debt (aggregated or detailed basis) and real transactions (real drawings and debt service operations). The classification of instruments in DMFAS reflects the current international standards.. Because the system can process large quantities of debt data, more time and energy can be deployed on analytical and management tasks. Its design allows for easy customization and adaptation in accordance with the needs and preferences of each client institution. It is regularly enhanced so that it remains current with, and helps establish, best practices in DeM. In order to improve overall public financial management, The DMFAS software can be interfaced with other integrated financial management systems using web services.</p>	<p><i>Agree to update and replace 9.1.1, para. 2, page 85, as suggested. Relevant para. highlighted.</i></p> <ul style="list-style-type: none"> - Revised 2nd para. under Chapter 9.1.1. (ok done)

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14	9.1.2, page 87	<p>The phrase 'An assessment of the quality of the database will reveal the weaknesses as well as the strengths of the DMO ' could usefully be complemented by the addition of a description of those strengths.</p> <p>Suggestion: Change to: 'An assessment of the quality of the database will reveal the weaknesses as well as the strengths of the DMO in being able to compile and record accurate, consistent and comprehensive data...'</p>	<p><i>Agree to replace the highlighted text with the suggested change.</i></p> <p>- Revised as suggested. (ok done)</p>
15	9.1.3	<p>It would be useful to emphasise the important of achieving straight-through electronic processing of debt operations</p> <p>Suggestion: In the list of bullet points on page 89, add a reference such as 'Ideally, the integration of the PDMIS with the other public finance management systems should enable straight-through two-way electronic processing of debt operations such as payments'</p>	<p><i>May be inserted after the last paragraph of 9.1.3, before the highlighted text.</i></p> <p>- Revised as suggested.(ok done)</p>
16	9.6.2	<p>The mention of DMFAS in this example could lead to a misunderstanding and is not necessary</p> <p>Suggestion: Replace 'DMFAS' with 'debt management system</p>	<p><i>Agree to replace DMFAS as suggested.</i></p> <p>- Revised as suggested.(ok done)</p>
	<i>Tomas Magnusson</i>		

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18	1.1, para. 8	<p>On page 8, the following is stated: "(i.e., in case of default, the government takes over the loan from the creditor)." This is a mistake. When the government assumes the payments obligations under a government loan guarantee, it is stepping into the shoes of the defaulted borrow, i.e. it takes over the loan from the borrower.</p> <p>Suggestion: Change the text within the parentheses to: "(i.e., in case of default, the government takes over the loan from the <u>borrower</u>)." </p>	<p><i>Agree to replace with the suggested text.</i></p> <ul style="list-style-type: none"> - Revised as suggested.(ok done)
19	1.1, para 10	<p>On page 8, the following is stated: "Based on this broader definition, the Guide on Public Debt Statistics lists the following instruments as debt instruments: special drawing rights (SDRs); currency and deposits; debt securities; loans; insurance, pension, and standardized guarantee schemes; and other accounts payable."Among this list, "standardized guarantee schemes" is mentioned. On page 41 of the Guide, however, it has been clarified that only "provisions for calls" under standardized guarantee schemes should be considered a debt instruments.</p> <p>Suggestion: Change the wording as follows: "Based on this broader definition, the Guide on Public Debt Statistics lists the following instruments as debt instruments: special drawing rights (SDRs); currency and deposits; debt securities; loans; insurance, pension, and <u>provisions for calls under standardized guarantee schemes</u>; and other accounts payable."</p>	<p><i>Agree to replace with the suggested text.</i></p> <ul style="list-style-type: none"> - Revised as suggested.(ok done)

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20	1.2, para. 3	<p>On page 12 the following is stated: "As explained later in this Handbook, the laws should grant the executive sufficient flexibility to manage debt effectively, establish clear performance benchmarks, and require timely audited reports that legislators can use to prepare budgets and approve debt decisions." Commonly, the Parliament does not approve debt decisions. That is delegated to the executive branch. The parliament, however, should evaluate the debt management activities against the stated debt management objectives.</p> <p>Suggestion: Change the quoted sentence as follows: "As explained later in this Handbook, the laws should grant the executive sufficient flexibility to manage debt effectively, establish clear performance benchmarks, and require timely audited reports that legislators can use to prepare budgets and <u>evaluate the debt management operations.</u>"</p>	<p><i>Agree to change and replace with the suggested text.</i></p> <ul style="list-style-type: none"> - Revised as suggested. (ok done)
21	1.3, para. 9	<p>On page 16, the following is stated: ..., "taking into account the guidelines established by EBDM." It's unclear what is meant by "EBDM".</p> <p>Suggestion: Delete "taking into account the guidelines established by EBDM"</p>	<p><i>Two options: Ask Marcelo to clarify; or delete the phrase as suggested.</i></p> <p>MT Agreed to delete</p> <ul style="list-style-type: none"> - Deleted the phrase as suggested.(ok done)

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22	1.3, para. 10	On page 16, the following is stated: "The middle office fixes the primes that have to be paid for guarantees as well as the margins to be charged for on- lending operations, and monitors other implicit contingent liabilities." It is unclear what is meant by "primes". Should it be "price"? The middle office does not monitor "other implicit contingent liabilities".	<p><i>Suggest to clarify with Marcelo</i></p> <p>MT it means price</p> <ul style="list-style-type: none"> - Revised as suggested. <p>MT it is true we could delete other implicit liabilities</p> <ul style="list-style-type: none"> - Revised as suggested.(ok done)
23	1.4	The heading of this chapter 1.4 is wrong. Suggestion: Change the heading to "Importance of sound government debt management".	<p><i>The discussion under 1.4 – Role of Multilateral Institutions is misplaced here. Since the discussion relates to importance of sound PDM, as suggested, we deleted the Role of Multilateral Institutions as a sub-topic as there is already a brief discussion on lenders institutions in the first two paragraphs on page 13, and we replaced the sub-topic heading as the importance of sound PDM and move to 1.5.</i></p> <ul style="list-style-type: none"> - Revised as suggested.(ok done)
<i>Angelika Pasterniak (Court of Accounts, Austria)</i>			

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24	General	<p>I would like to thank you sincerely for the opportunity to comment on the Handbook on Audit of Public Debt Management. I have read the Handbook with great interest because it is particularly valuable for our work.</p> <p>I have appreciated the structure of the Handbook since it is perfectly clear and each chapter - representing a special audit field - has the same sections.</p> <p>Thank you again for your outstanding work which will support auditors all over the world in conducting their audits on public debt.</p>	

25	Specific comments	<ol style="list-style-type: none"> 1. Include a list of abbreviations 2. There are some repetitions that might be shortened: e.g. figure 1 and figure 4 are the same, figure 3 and figure 5 are very similar, and the text in section 3.1 (starting at p. 36) is very similar to the text in section 1.2 (starting at page 11) 3. There are also some formatting flaws which you might have already mentioned (e.g. text box on page 29, position of figure 4), and I did not understand the last sentence in section 1.6.3 ("In addition, item 1.1 includes ...", p. 23) since there is no "item 1.1" in the paragraphs above. 	<ol style="list-style-type: none"> 1. <i>Agree to include (It is suggested that the IDI take charge of this)</i> 2. <i>Fig. 1 is presented in Chapter 1, page 12 while Fig. 4 in Chapter 3, page 38 (Figure 4 was presented based on Archana's suggestion during the drafting stage, shall we just refer to Fig. 1 when discussing the same in Chapter 3?;</i> <i>While Figures 3 and 4 talk of DMOs, Fig. 3 focused on the DMO Units and Functions and their relationships as presented in page 15; in Chapter 5, page 38, Fig 5 is presented to support the discussion on how DMOs shall be organized. Suggest to retain as presented.</i> <i>I didn't seem to see clearly the similarity to the text in section 1.2 and 3.1. Suggest to retain as presented.</i> 3. <i>On formatting flaws, agree to fix; on the last sentence in section 1.6.3, perhaps</i> 4. <i>Marcelo can clarify this.</i> <i>Marcelo: the comment relates to last paragraph before Chapter 1.7, stated as "In addition, item 1.1 includes the conceptual framework of this toolkit".</i> ERROR I DROPPED THE SENTENCE (ok done)
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	<i>National Audit Office of Lithuania</i>		
26	Chapter 1, para. 1.1.2 – Borrowing Instruments	"The parties involved in these operations are the lender of money and the borrower. The parties to a loan contract may be individuals, legal entities, banks, or governments." In case of public debt, one party always is the government or an institution acting on behalf of the government, and the other party can be an individual, legal entity, bank or government.	<i>Is the SAI proposing this paragraph? If yes, this may be appropriately inserted after the first two paragraphs under 1.1.1 - Types of debt, to introduce the type of creditor. Suggest for Marcelo to comment.</i> MT Looking again into Section 1.1.2 agreed with the inclusion. Refer to third paragraph under Chapter 1.1.1 (ok done)
27		Loan agreements, issuance of bonds and treasury bills are discussed in this paragraph. However, some governments issue green bonds and have retail market.	<i>We may add this in the discussion on bonds and notes on page 10. Suggest for Marcelo to comment.</i> MT Agree this could be included - Inserted under Chapter 1.1.2 as suggested. (ok done)
28	1.2 Main Participants for PDM	Independent Fiscal Institutions are non-partisan public bodies aimed at promoting sustainable public finances. Bureau of statistics is involved in preparing of debt reports in some countries.	<i>Agree, however, we are only discussing here the "main" participants in PDM, or those which performs main functions of PDM. (ok)</i>

29	2.1 Legal Framework for PDM	<p>A handbook for SAIs of Audit of Public Debt Management states that borrowing purposes should be included in a primary legislation. However, the objectives of issuing the guaranties and on-lending should also be included in the primary legislation.</p>	<p>TM. The comments are valid. It is common to find in the primary legislation that the government can only issue guarantees when it is deemed to be in the public interest. In this regard, public interest could be defined as "promotion of economic development, including development of disadvantaged regions, promotion of small and medium-sized enterprises (SMEs), and correction of market failure where creditworthy borrowers may not have access to credit markets, and strengthening of the national security".</p> <p>In Chapter 2 of the Handbook, we only cover the legal framework for "public debt management", which normally does not include guarantees and guarantee management. What we could do is to add a footnote in relation to the borrowing purposes, where we add example of guarantee purposes, using the text I sent to you. To include a good definition of the objectives in guarantee management is a bit tricky. The simplest objective is to promote development of the economy with due regards to the risk, however, I have not seen that in any legislation. I agree that the guarantee purposes should be part of the primary legislation, enacted by the parliament.</p>
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			<i>Inserted footnote as suggested. (ok)</i>

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30	2.1.2 Borrowing Purposes	This paragraph concentrates on borrowing purposes, but public debt management is closely related to contingent liabilities and on-lending. So why we suggest to expand this paragraph by including examples of purposes of guaranties and on-lending.	TM. The main advantages to include this restriction in the legislation are to avoid issuances of guarantees to circumvent the ordinary budget process, e.g. to guarantee a loan to an SOE to enable it to meet its obligation to pay salaries to its staff members. Such a weak SOE should either be liquidated or supported by budget means. (ok done)
31	2.5 Sources of Evidence in Auditing Legal Framework	We suggest to include the Debt Management Strategy as a source of evidence	<i>Agree to include since this should form part of the legislation for PDM. Inserted as item 3) under 2.5 Sources of Evidence – Suggest Marcelo to confirm</i> MT agreed - Inserted as agreed.. (ok done)
32	4.3 Representative AQs on the DMS	As stated in handbook, the objectives of debt management should be in primary legislation and repeated in debt management strategy. One of audit questions could be: is the objective in strategy in line with the one stated in primary legislation?	<i>Audit Questions provided are those relevant to the sample audit objectives and were only examples and are not exhaustive. The suggested audit question is valid but does not fit into the sample audit objectives. Considering it would require adding another sample audit objective and related audit questions. (ok)</i>

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33	5.1 Public Borrowing Cycle	There is no reference to retail market in this paragraph.	<i>Perhaps Marcelo can respond to this</i> MT it is true. It should be added Added MT para added at 5.1 (ok done)
34	7.1 What is Public Debt Reporting?	In some countries, the debt reporting process requires active participation of bureau of statistics.	<i>Agree to include; Note that in the first paragraph, the statistical reports are mentioned as part of public debt reporting.</i> - Included as suggested.. (ok done)
35	7.3 Representative AQs	Public debt reports should be prepared in a timely manner. This requires a process of collecting of information to be in place. One of audit questions could be: how is information collected? Are there rules under which public sector entities have to provide information about their debt obligations, not only loans or securities, but also financial lease.	<i>Agree to include these questions which are very relevant and valid.</i> <i>However, in the case of financial lease, we suggest if Marcelo can comment or respond to this as there is no discussion related to this in the Handbook.</i> I would add the questions without specifying the instrument type MT. (ok done)
36		One of the audit questions could be: does the debt statistics bulletin include on-lending?	<i>We may include this under Audit Objective 2.</i> - Included as suggested.(ok done)
37	8.5 Sources of Evidence xxx	We would advise to add the following sources: The law which contains on-lending purposes; Documentation on risk assessment of lender; Documentation sent to the government showing that funds are used under requirements stated in on-lending agreement;	<i>May be restated and considered for inclusion under Chapter 8.5</i> - Included as suggested.(ok done)

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38	9.4 Audit Criteria for PDMIS	There is no reference to INTOSAI audit guidelines ISSAI 5450 "Guidance on Auditing Public Debt Management Information Systems" in the Chapter 9. We would advise to follow these guidelines in case they are not included in the Chapter 9. In case they were taken into account, in should be mentioned there.	<i>Reference to ISSAI 5450 may be indicated, where appropriate, however, it is our understanding that this ISSAI will be subject to consolidation on IT-related subject specific ISSAIs or guidance.</i> CORA Inserted footnote linking para.2 – INTOSAI information system audit guidelines to ISSAI 5450. (Ok done)
<i>Thailand</i>			
39	Chapter 1, last para, page 7	This specific paragraph mentions the main role of debt manager, which is to achieve the executing of public debt management activities in accordance with the purpose of public debt. The middle term strategy formulation is used as the tool of debt management which is the flow analysis of settlement in both actual and estimated settlement under circumstances. Risk analysis of the public debt management is the most important. The draft handbook refers to the scenario analysis as the analysis tool of the complex circumstances and then lead to the prediction of what is going to happen (if....then).	<i>Suggest to have Marcelo evaluate the comment</i> MT The concepts raised in this comment are already included in the Handbook. It is not necessary to include additional explanation (ok)
40	9.1 sub-topic 2	Suggestion: As the handbook mentions the importance of the risk analysis of public debt management, the responsible public entity should carry out risk analysis by using the specified tool. Therefore, on the opinion, the handbook should elaborate on principal, process of the analysis and feature of the analysis report in order to increase the auditors' understanding and ability to apply in their audit as well as identify references for further study.	

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41	Chapter 1, topic 29, p. 22	<p>The draft handbook refers to the principal of promoting the responsibility of the borrower and the lender (UNCTAD), which determines responsibilities of sovereign borrowers, should carry out risk assessment by using stress test of public debt management based on the sudden changes on economic and financial events. The stress test is a tool that examine the ability of financial instruments or financial institutions whether they can deal with economic crisis.</p> <p>Suggestion: For understanding the tool mentioned above, the handbook should elaborate on principal, process of analysis, and feature of the analysis report of the stress test for the benefit of public debt management audit as well as identify with references for the further study.</p>	<p><i>Suggest to have Marcelo evaluate the comment</i></p> <p>MT agree to include a phrase in this relation already included</p> <ul style="list-style-type: none"> - Included as suggested.(ok done)
	<i>Turkey</i>		

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42	Chapter 2	<p>Compliance audits of legal framework has not been included in the Chapter 2 (AUDITING THE LEGAL FRAMEWORK FOR PUBLIC DEBT MANAGEMENT)</p> <p>Suggestion: The SAIs can carry out compliance audit on the legal framework of the PDM. The legal framework mostly includes more than one document. It includes rules, laws, regulations and etc. In some countries even the constitutions have provisions about the public debt. These documents are mostly connected to each other in terms of authority to edit. The legal framework should be in line with the hierarchy of norms. In other words, the laws should be in accordance with the constitution and regulations should be in accordance with the laws. In this context, the compliance audit on the legal framework of the PDM will be on the compliance of the legal documents in terms of hierarchy.</p>	<p>Cora In para 2.2, it was mentioned that in general, carrying out performance or compliance audits allows SAIs a better overview of the legal framework, and it was clearly explained how performance audits of Legal Framework may be undertaken. In the case of compliance audits, the legal framework shall be considered the criteria for audit and these are exemplified in Chapters 3 to 9 when conducting compliance audits of debt-related activities.</p> <p><i>(ok)</i></p>

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43	Chapter 5	<p>Financial audits of the borrowing activities has not been included in the Chapter 5 (AUDITING BORROWING ACTIVITIES)</p> <p>Suggestion: The SAIs can carry out financial audit on the borrowing activities of the PDM. The borrowing activities should be recorded and reported with the applicable financial accounting and reporting framework because borrowing activities result in the change in the borrowing liability of the government. A financial audit focusing on determining whether the borrowing activities with respect to sovereign debt is presented in accordance with the applicable financial accounting and reporting framework is necessary for the transparency of these activities.</p>	<p><i>In the context stated, financial audit under Chapter 7 – Public Debt Reporting may be referred to</i></p> <p>- ok</p>
44	Chapter 8	<p>Financial audits of the on-lending activities has not be included in the Chapter 8 (AUDITING ON-LENDING ACTIVITIES)</p> <p>Suggestion: The SAIs can carry out financial audit on the on-lending activities of the PDM. The on-lending activities should be recorded and reported with the applicable financial accounting and reporting framework because they result in the change in the borrowing liability of the government. A financial audit focusing on on-lending whether the on-lending activities is presented in accordance with the applicable financial accounting and reporting framework is necessary for the transparency of these activities.</p>	<p><i>On-lending activities do not change the level of liability of the central government but of government corporations or the government entity to which on-lending is made.</i></p> <p><i>Financial audit on-lent activities are already considered in Chapter 7 – Debt Reporting.</i></p> <p>- Ok.</p>

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45	Chapter 9	<p>"Characteristics of a good public debt management information system" A good PDMIS should: 1) identify of standards related to information security 2) have an emergency action plan in case of an information loss</p> <p>"Security Management Controls" is a general control for the IT functions and it should be included in the "9.1.2 Controls for information systems"</p>	<p><i>Suggest for Marcelo to evaluate the comment</i></p> <p>MT agreed it should be included as requested (ok done)</p> <p>Done</p>