



Federation of European Accountants
Fédération des Experts comptables Européens

INFO

Standing for trust and integrity

For immediate use: 29 October 2010

Public Debt and Cash Management critical to sustainable economic recovery says FEE

Brussels, 29 October 2010 – FEE (Fédération des Experts-comptables Européens – Federation of European Accountants) issues a Paper on Public Debt and Cash Management to increase stakeholders' understanding, highlight the importance of public sector accounting and call for transparent and accurate reporting by governments.

In the current economic climate, governments have introduced financial packages to ensure the stability of financial institutions and ultimately the stability of their economies. This has resulted in a significant aggravation of budget deficits that need to be financed. This situation is currently highly visible and has been worsened by the funding problems that certain European countries face and the necessity for the European Union to put in place significant support programs.

As a result it has become even more important that the implications of these measures on the current and future financial health of governments are understood and transparently reported. FEE has therefore looked at public debt management, how it is operated by European countries, and what the accounting and accountability arrangements are.

Public debt management is the process of establishing and carrying out a strategy for managing the government's debt in order to raise the required amount of funding. Public cash management is the process of ensuring that government has sufficient cash to meet its day to day needs. Both processes also aim to achieve other desired goals, such as maximising a rate of return on its total available cash and / or minimising risks to liquidity and solvency.

The FEE Paper looks at how public debt and cash management are organised, what the underlying strategies and objectives are, how performance is measured and what the reporting and audit requirements are across Europe.

Commenting the release of the Paper, FEE President Hans van Damme said "More than ever, public sector's transparency and accountability are key issues. Governments – alike citizens and taxpayers – need accurate and reliable information on public sector financial performance. FEE has long been contributing to this debate which we believe is essential to public good."

Caroline Mawhood, Chair of FEE activities in the field of public sector, added: "Across the sample in Europe, FEE found that Government Debt Managers had similar objectives and required staff to have significant experience of the banking sector. The most common form of issuing debt is through auctions and extensive use is made of hedging and risk management. The overriding objective is to ensure that Governments have sufficient cash to meet their day to day costs as they fall due. Importantly the accounts of the debt managers are audited by the country's state audit institutions. FEE's work in this area can give Europeans confidence about their Government's debt management function."

Olivier Boutellis-Taft, FEE CEO, observed that "the public sector has always been a significant economic player in the EU economy and an important component of FEE; our Member Bodies include a large community of accountants in the public sector. Audit firms and auditors in public institutions also make an essential contribution to public sector's transparency. We shall continue working on these matters and aim at improving comparability and reliability."

– ENDS –



NOTES FOR EDITORS

About the survey

This Paper can be downloaded free of charge from the FEE website @ www.fee.be.

The findings are:

- Overall responsibility for public debt and cash management rests, in general, with the Ministry of Finance. Public debt managers have the same basic role; to meet the financing requirements of the government both today and into the future. The research done by FEE suggests that a majority of public debt managers are set objectives which look to minimise cost.
- Employees tend either to be civil servants or recruited directly from the banking sectors. A degree or equivalent education is expected and also considerable experience in the banking sector.
- Objectives are ultimately set by the Government and the Ministry of Parliament and are very specific.
- Most countries have a pool of primary dealers (mainly merchant banks) who are tasked with making the market for government debt. The most common form of issuance is through auctions, primarily to the market makers but on occasion these are also open. The public debt managers make extensive use of hedging and risk management and use some form of cost at risk model, or value at risk model, in determining the level of risk in their portfolios.
- The objectives of all public cash managers are the same; to ensure that the government has enough cash to meet its day to day costs as they fall due.
- The overriding principle is that government will lend to the market when it has surplus cash and will borrow from the market when it is short of cash. There are a significant number of performance measures at all public debt managers. The accounting and financial reporting requirements on the public debt manager are closely aligned with the general accounting requirements of the country concerned.
- The reports and accounts of the national public debt managers are generally subject to a full audit or independent review by the country's Supreme Audit Institution.

About FEE

FEE (Fédération des Experts-comptables Européens - Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all 27 EU Member States.

In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, small and larger firms, business, public sector and education, who all contribute to a more efficient, transparent, and sustainable European economy.

For more information: News@fee.be

Tel: + 32 2 285 40 85

Fax: + 32 2 231 11 12