

Compliance to Comments on the Exposure Draft

SAI	Para reference/ (Pre revised GUID) General Comments	Comment	Action taken
Netherlands	Paras 12/15/19/20 Costs of privatisation	<p>Our main remark is that the <i>costs of privatization</i> may need extra attention in the GUID. Privatization may involve a lot of public money, especially when privatization is used to unburden government budgets (buy now, pay later. And pay double). We are missing a specific focus on this point and attention to its complexity in the GUID.</p> <p>More in detail we call for more attention to:</p> <ul style="list-style-type: none"> • the core of the financial considerations that are made when deciding on a privatisation. That now seems like a kind of intermediate question. • the knowledge and expertise that is needed to assess these considerations. Assessing these considerations requires not only a lot of specific knowledge and expertise on privatisation, but also about which documents matter: In case of public private partnerships: the Public Private Comparator and Public Sector Comparator (see annex) are crucial documents. The assessment and validation of those documents are really crucial to a SAI's assessment of the financial consequences of privatisation. Or, in other words, on the answer to the questions whether the decision of government to privatise was well substantiated. • a corresponding, and also missing, aspect, i.e. the assessment of the 	<p>The concerns have been addressed by modifying the draft. Para 12 (i) Para 35 (b), Para 36 (b) are new insertions addressing these concerns.</p>

		<p>quality of the information (timely, complete, correct, relevant) provided by government to Parliament and on which Parliament agreed with the privatisation.</p> <ul style="list-style-type: none"> • Another closely related and missing topic, i.e. whether Parliament is able to keep on having a reliable and actual picture of the actual budget expenditures in the years after the privatisation, in the case where government still pays for the exploitation of the privatized topic (a road, a bridge, a tunnel). <p>We are missing these aspects in several parts of the GUID. We refer for example, without being limitative, to the planning stage of the GUID and especially paragraph 12, where the financial aspect as a separate topic is missing and 15, where the aspect of informing Parliament properly is missing. In paragraphs 19 and 20 the GUID touches upon financial aspects. It is not made clear here that special knowledge and expertise should be on the team to be able to <i>‘review the detailed financial analyses and technical reports to deepen their understanding of the business estimations’</i>. In paragraph 27 an objective aiming at assessing the quality of information provided to Parliament is missing.</p>	<p>Para 36 (c) bullet 1 inserted addressing the concerns</p> <p>Para 36 (g) penultimate bullet inserted addressing the concerns</p> <p>Addressed above.</p>
Netherlands	General: Information for	<ul style="list-style-type: none"> • A corresponding, and also missing, aspect, i.e. the assessment of the quality of the information (timely, complete, correct, relevant) provided by government to Parliament and on which Parliament 	<p>Para 36 (c) bullet 1 inserted addressing the concerns.</p>

	Parliament	<p>agreed with the privatisation.</p> <ul style="list-style-type: none"> • Another closely related and missing topic, i.e. whether Parliament is able to keep on having a reliable and actual picture of the actual budget expenditures in the years after the privatisation, in the case where government still pays for the exploitation of the privatized topic (a road, a bridge, a tunnel). 	<p>Para 36 (g) penultimate bullet inserted addressing the concerns.</p>
Netherlands	General: More concrete examples	<p>Another suggestion to improve the usefulness of the GUID is to add <i>concrete examples</i> at several places. These examples might help the auditor to understand what the GUID is referring to. As an <i>example (and also not limitative)</i> we refer to paragraph 15: ‘non-achievement of privatisation objectives and non-fulfilment of post-privatisation arrangements’. It would help the auditor to give examples of non-achievement and non-fulfilment.</p>	<p>More examples have been given throughout document, addressing the concerns. Few examples – Para 17, Footnotes inserted in Para 18, etc</p>
Kuwait	Paragraph 2	<p>The State Audit Bureau has no comments on the proposed GUID, except for an addition to the fourth article to be as follows: “The objective of this GUID is to provide a general guidance to the auditor on how to conduct performance audits related to the specific subject matter of privatization of a government function, activity, or public sector entity through various pathways. <u>Thus, each SAI is responsible to develop a detailed guidance based on this GUID, considers the legislation and laws applicable in each country.</u>”</p>	<p>The following is inserted in Paragraph 2, addressing the concern: “Thus, each SAI may develop a detailed guidance based on this GUID, considering the legislation and laws applicable in each country.”</p>
Portugal	General Considerations	<p>The draft GUID 5320 includes relevant and useful guidance in what regards the development of performance audits directed to the privatisation’ processes.</p>	<p>No action required.</p>
Portugal	General	<p>However, we consider that there are some areas of the GUID that could be improved. For instance, the potential lack of technical knowledge of the auditors in the particularities of privatisation’s processes is not</p>	<p>The lack of technical knowledge of the auditors is addressed through section on use of external experts and</p>

		<p>addressed. In this context, the focus of the draft GUID is more targeted to matters of procedures, methodologies and approaches related to Performance Audit than to the core theme of privatisations. This is why matters like business valuation, restructuring processes, evaluation and negotiation of proposals, conflict of interests and fraud management, regulation and economic supervision, privatisation models, risk areas of privatisation activities, obligations and opportunity risks of shareholdings sales, shareholding agreements and corporate governance, among others, are not considered in the document. It would be an added value if the Guid could offer to the auditors' clarification on issues as the above mentioned, and also on formulation of business cases, key-steps of a privatisation process, analysis of market factors, safeguards of the Government step-in rights. It could also be included as an advice the possibility of using external consultants regarding the matter of companies' evaluation.</p>	<p>capacity building.</p> <p>It is correct to say that the draft GUID is targeted towards the audit procedures for auditing the privatisation event and processes rather than concentrating upon the subject matter of privatisation itself. However, the feedback is appreciated as the subject matter is complex. Matters referred like valuation, restructuring, fraud / corruption risk etc have been discussed from the perspective of a performance audit. Also, references to relevant reading material have been added as Annexure 3.</p> <p>Matters given as examples have been viewed from the perspective of auditing them through the section on audit questions and conducting the audit. The draft has also been modified and amplified in this respect.</p>
Portugal	General	<p>It is important to stress that in this audit domain there are also compliance aspects to be considered, especially in what concerns shareholding's disposal.</p>	<p>During the approval process of the project proposal as also the exposure draft by FIPP, it was felt that the audit of privatisation is best addressed through a performance audit although there are certainly</p>

			elements of compliance to be audited.
Portugal	General	On the other hand, moving the privatisation methods to an annex was a good measure, in our view. Nonetheless, the consideration of a list containing the different privatisation methods existing, for instance, in sources like OECD, the World Bank, or others, would be an asset.	References given in footnotes and Annexure 1 and 3.
Portugal	General	It would be also welcomed the consideration of the possibility of adding 3 more annexes: An annex with a list of questions (checklist) for each one of the phases of the privatisation procedure (pre-privatisation, privatisation ‘execution and post-privatisation); Another annex listing the main risks related to each privatisation phase; Yet another annex identifying the methods to use in the evaluation previous to the privatisation and respective advantages and disadvantages	The sections on planning and conducting the audit, although arranged differently, do generally follow the chronological order of the phases referred in the comment. The audit questions and guidance on the review to be conducted have indicative check points. Adding a checklist(s) as annexe may become repetitive and make the document unwieldy.
Portugal	Question 1	The draft GUID is of an outstanding technical quality and in-depthness. Nevertheless, it could be more useful in what relates to the core issue of privatisations’ audit if the concepts and more relevant definitions and matters of this kind of processes were also deepened along with risk areas.	The draft GUID is targeted towards the audit procedures for auditing the privatisation event and processes rather than concentrating upon the subject matter of privatisation itself. However, the feedback is appreciated as the subject matter is complex. Hence, references to relevant reading material have been added as footnotes and in annexures.
Portugal	Question 2	The draft GUID contains indeed a comprehensive list of audit objectives, questions and criteria able to support the auditors at the initial stages of the audit strategy development. However, as stressed in the general comments, the major relevance of these matters would benefit from a dedicated annex, with practical examples and best practices	Matters given as examples have been viewed from the perspective of auditing them through the section on audit questions and conducting the audit. The draft has also been

		withdrawn from concluded audits.	modified and amplified in this respect.
Portugal	Question 3	No doubt the draft GUID congregates diverse and important areas of knowledge and offers important clues for the auditor to follow. The document is, however, complex and difficult to completely understand by an average reader. Especially one that has little experience in performance audit. A more pedagogical, simple and clear approach would eventually be able to reach a higher number of auditors.	Attempt has been made to simplify.
Portugal	Question 4	The GUID tackles, in general, the main inputs required by the different privatisation methods. We must mention that the methods used in our country – Portugal – force us to use also other support material, such as the OECD repositorium ¹ . On the other hand, the GUID doesn't mention the privatisation models linked to the management of public services and infrastructures, that leads to the public-private partnerships (PPP), much used in Portugal.	It is the understanding of the WG that a separate GUID on Audit of PPP is under preparation.
Portugal	Question 5	The draft GUID approaches the issues related to mandate and supervision limits, either in the SAI itself or at the level of the Government. In this context, we deem it applicable to all kinds and models of privatisations. What appears to be a limitation (as said before) is the fact that the GUID only considers that privatisation's audits must be done through the Performance Audit methodology. As a matter of fact, in Portugal these audits follow a combined methodology, as they have also compliance issues to deal with.	During the approval process of the project proposal as also the exposure draft by FIPP, it was felt that the audit of privatisation is best addressed through a performance audit although there are certainly elements of compliance to be audited.
Japan	Table of Contents	Regarding the exposure draft of GUID, we would like to make some suggestions as follows. - In order to make it easier to find the details, how about adding subheadings as shown in the excel file attached?	Concern addressed in the Table of Contents
Japan	Para 20	How about some examples of valuation methods such as Return on	Footnote inserted in Para 23 (in

¹ For instance: Privatisation in the 21st Century: Recent Experiences of OECD Countries Report on Good Practices January 2009

		Invested Capital (ROIC) in para.20?	revised draft); and Annexure -2 which describes key issues in valuation has been inserted.
Denmark	General	<p>Rigsrevisionen, the SAI of Denmark, would like to congratulate the project team developing the draft GUID 5320 – Guidance on performance audit on privatization. Many Supreme Audit Institutions (SAI) have audit tasks related to the privatization of publicly owned assets, and this guidance will surely be relevant for many SAIs.</p> <p>The project team has successfully undertaken the task of consolidating the existing INTOSAI pronouncements on privatization and aligning the guidance with ISSAI 100 and thus migrating the material from the old framework to the new IFPP framework. This general migration effort is an endeavor that the SAI of Denmark fully support and that members of our staff have been actively assisting.</p> <p>Rigsrevisionen is only occasionally involved in audits of privatization and in these audits, the main focus is often on legal aspects. In our experience the wider considerations of the purpose and potential benefits of a privatization are normally part of the political process prior to the parliaments’ decisions of the enabling legislation. Our mandate is directed at auditing the government administration and not questioning the parliamentary decisions. We will therefore seldom have opportunity to make use of the guidance provided and would in practice rarely consider all the aspects of economics, efficiency and effectiveness related to the decision of privatizing as suggested in the GUID.</p> <p>Even though it may be true, that “privatization is mostly done to achieve expected goals in an economical, efficient and effective manner” as the project team notes in the Explanatory memorandum, we find that privatization processes often involves a variety of complex legal issues and that such processes include risks related to the compliance with rules and regulations.</p>	During the approval process of the project proposal as also the exposure draft by FIPP, it was felt that the audit of privatisation is best addressed through a performance audit although there are certainly elements of compliance to be audited.

		<p>We therefore regret that the scope of the draft pronouncement has been narrowed down to only include guidance for performance audits of privatization. We find that guidance on the closely related aspects of compliance would have made the GUID even more relevant for the members of the INTOSAI community.</p> <p>With this single qualification in mind, we welcome the pronouncement and consider that the pronouncement provides INTOSAI's members and others with a better understanding of performance audit of privatization. We also find that it is a good and well-written document.</p>	
South Africa	Paragraph 2	<p>“In the draft of July 2020, privatisation included activity and process, which created the impression that the audit can also be done in real-time. How it is stated now, implies that the performance audit is only done after privatisation has been finalised.”</p> <p>The document (pdf) with our comment is included for consideration (section 1, Introduction, paragraph 2 on page 4).”</p>	It is clarified that the content in the draft nowhere restricts it to only post-privatisation scenario, but also provides for real-time audit, depending on mandate. However, draft has been modified to include possibility of concurrent audit.
Zambia	Questions 1-5	Yes	No action required.
Zambia	General	The GUID explains that an auditor should consider the valuations of the assets while it does not provide any guidance method and process of valuation.	An annexure on ‘Key issues in valuation of the business to be privatised’ has been inserted in Chapter 9. Also, some internationally recognised valuation methods have been listed in footnote in Para 23.
Azerbaijan	General	Privatisation is complex and challenging, and it needs to be done in a right way. In developing countries and economies in transition period privatization bears more actual characteristics, because of large number of SOEs with non-activity or low income and less benefits. And there were many cases in privatisation when SOEs estimated in low valuation and those SOEs had privatised by persons who was in SOE management or by	Draft has been revised by modifying section on fraud / corruption risk. In turn, section on audit objectives, audit questions and conducting the audit have been modified. Material incorporated in Paragraphs

	<p>other inappropriate persons. SOEs are considered at risk of corruption for their common operation in high-risk sectors (e.g., extractive and network industries), engagement in high-value public procurements and inherent ties to public and political officials through their complex ownership structures.</p> <p>From this point of view, it should be useful to pay attention to risk of corruption in privatisation process in this GUID. The Organisation for Economic Co-operation and Development (OECD) published a document named “Corporate Governance. A Policy Maker’s Guide to Privatisation”. In this document identified following main corruption risks and questions for dealing them.</p> <p>Main corruption risk: Undue influence or bribery leading to the wrong decision to privatise or the wrong asset identified for privatisation</p> <p>What tools were used to inform the decision-making process? Did the tools which inform the decision-making process include a sound assessment of risks prone to the sector, including corruption risks?</p> <p>Are there mechanisms to assess the accuracy and reliability of the decision-making process? Are decisions made amongst a few or in an opaque way?</p> <p>Are there adequate mechanisms and safeguards in place, including claims channels for complaints?</p> <p>Does external auditors involved in the process?</p> <p>Main corruption risk: Manipulation or abuse of the methods undertaken prior to divestment that grant immediate benefit or facilitate the future diversion of rents by corrupt actors.</p>	<p>19, 35 (e) and 36 (e).</p>
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	<p>Were decisions about staging privatisation well informed?</p> <p>Does the process seem rushed?</p> <p>Will bidders be offered a monopolistic position in the post-privatisation market?</p> <p>Were adequate competition, or anti-trust regulations and effective enforcement mechanisms in place?</p> <p>Or, if not, was there sufficient time for them to be developed?</p> <p>Is there full disclosure of the potential risks (including corruption risks) posed for the buyer? Are practices of financial and non-financial disclosure, and accounting up to international standards?</p> <p>Is there an integrated system of internal control and risk management?</p> <p>Autonomous and capacitated internal audit?</p> <p>Did employees and management of the company act in a way that supports the integrity of the process?</p> <p>Were any privileged allocations given to employees or managers announced publicly in advance?</p> <p>Were other methods of sale evaluated?</p> <p>What criteria did the seller use to decide on the appropriate method of sale?</p> <p>Is there sufficient time afforded for the capacity-building needed?</p> <p>Main corruption risk: Collusion, bid-rigging and/or bribery affecting the pricing and criteria of sale, and/or the awarding of the sale to an inappropriate buyer</p> <p>Were the good practices outlined in 4.2 used in the selection and work of external advisors? Was there a thorough assessment of the need for contractors and was the process competitive?</p> <p>Have risks and liabilities been calculated in the sale price?</p> <p>Was the sale price based on sound assumptions, arrived at independently</p>	
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		<p>of the buyer and company?</p> <p>Was it used as a guide for the vendor in appraising bids? Were there price hikes or reductions following the initial pricing? To what extent did the state draw attention to promote the opportunity for purchase?</p> <p>Was there more than one bid? Are the evaluators of bids familiar with the bidders? Is there any evidence that would-be bidders were bribed or blackmailed to avoid participating? Has proper due diligence been carried out on the buyer?</p> <p>If another company or group, is the ultimate beneficial owner known? Were there specific criteria to select a preferred bidder, and were they used in the selection of the winning bidder? Did the winning bidder meet specification requirements and have a reasonable business plan (especially in the case of assets that are in the process of liquidation or are distressed)? Main corruption risk: Evading accountability of the privatisation process and stifling oversight in the subsequent allocation of proceeds and delivery of contractual terms</p> <p>Do public accounts adequately reflect the sale proceeds, residual assets or remaining liabilities?</p> <p>Are processes in place to assess the immediate and/or eventual spending of the proceeds received by the state (particularly if diverted to public policy goals)?</p> <p>Is post-privatisation evaluation conducted? Are there any potential conflicts of interests on the part of the evaluators? Have any irregularities been detected and, if so, addressed by the appropriate authorities? Were there any allegations of improper practices during the process?</p> <p>Were they investigated? Was the transaction subject to independent, external audit?</p>	
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Finland		<p>The National Audit Office supports drafting of the INTOSAI Guidance on Privatisation and we see that the Exposure Draft of GUID 5320 depicts the different possibilities for auditing privatisation well. The NAOF does not have comments regarding the details of the exposure draft or explanatory memorandum.</p>	No action required.
Lithuania		<p>Thank you for sharing with us the Exposure Draft of GUID 5320 and the Explanatory Memorandum.</p> <p>Please note that the National Audit Office of Lithuania does not have any suggestions or comments for them.</p>	No action required.
Philippines		<p>Question 1 The draft GUID provides, more or less, clear guidance that will be valuable for the COA, as SAI in carrying out a performance Audit of privatisation activities.</p> <p>Question 2 The draft GUID generally provides list of audit objectives, audit questions and sources of criteria relevant for privatisations (cf. item 27-30), which are supportive for achieving a high quality in performance audits.</p> <p>Question 3 The draft GUID is generally comprehensive enough to assist auditors and fill potential gaps in terms of either experience or knowledge, in such audit engagements.</p> <p>Question 4 The draft GUID sufficiently cover, more or less, in detail, the inputs required for auditing different modes of privatisation.</p>	No action required.

		<p>Question 5</p> <p>The draft GUID generally, have the necessary flexibility to address the concerns arising in different contexts, either in the SAI environment or in the privatisation activity.</p>	
India	Paragraph 11 (revised para 11)	Should be expanded to include ‘Assets’ in keeping with the forms of privatization described in Para 8.	Modified suitably.
	Paragraph 14 (revised para 14)	While it is true that post privatization a situation may arise that the SAI may find the privatized entity no longer in its audit jurisdiction. However, this would imply a move concurrent audit-perhaps an engagement at the stage that the privatization programme / scheme is being conceptualized. The implication of this on audit may be considered.	Modified suitably.
	Paragraph 15 (revised para 19)	May like to add the dimension of Corruption.	Sentence deleted; Material on Corruption inserted separately in 19, 35 (e) and 36 (e)
	Paragraph 21 (revised para 27)	<p>The Auditor may not be able to ascertain the full implications of the privatization objectives. Apart from the obvious transfer of ownership in the case of outright sale, privatization objectives are clearer only in the case of partial privatization like outsourcing, hiving off of service structures; etc.</p> <p>The full implications in fact unravel over a period of time. There are short term as well as long term implications and the timing of audit is crucial while evaluating the success or otherwise of the privatization.</p>	Sentence modified suitably.
	Paragraph 21 (revised para 21)	Language may please be reviewed. This could be interpreted by certain stakeholders as ‘beyond the scope of audit by SAI. Best price under the available circumstances is not beyond the remit of SAI Audit. Timing would be crucial in any government decision making and more so while divesting.	Sentence modified to bring in more clarity.

<p>Paragraph 23 (revised para 30)</p>	<p>Comments by SAI based on ‘post privatization events’ will be intelligence in hindsight. SAI should in fact desist from making recommendations on the basis of ‘post privatization events’.</p> <p>The ‘audit of privatization’ needs to be delinked from post privatization events as otherwise there would be inordinate delay in taking up the subject for audit.</p> <p>Achievement of privatization objectives would be long term and short term.</p>	<p>Sentence modified to bring in more clarity.</p>
<p>Paragraph 25 (revised para 33)</p>	<p>The private sector may value the business opportunity on the basis of immediately identifiable and realizable revenues as against the public sector which is bound by constitutional and societal obligations. Thus, any deal which is amenable for interpretation which should be avoided.</p>	<p>This is an example (real case scenario) adopted from ISSAI 5210. No change here.</p>
<p>Paragraph 26 (revised para 34)</p>	<p>May please be reviewed.</p> <p>Whilst the process of privatization could be amenable for scrutiny, the results of privatization emerge over a period of time. SAI conclusions based on early results in the short term may defeat the very purpose of holding the executive accountable especially where long term benefits are envisaged.</p>	<p>Sentence modified to bring in more clarity.</p>
<p>Paragraph 26 (revised para 34)</p>	<p>This is anathema to private business. The very purpose of privatization is uncoupling of the enterprise from the interests of the State. Any business would have to function within the established regulatory parameters. However, expecting private enterprise to ensure the economic and social interests of the state even after privatization is a misnomer.</p>	<p>Sentence modified to bring in more clarity</p>
<p>Paragraph 27 (revised para 35)</p>	<p>Audit of privatization is predominantly compliance oriented. This is primarily because where an entity or part of it has been privatized, there is no long-term study on the same. While the long-term impact of privatization could be amenable to the performance audit regimen, single events of disinvestment would be better assessed through focused compliance audit objectives.</p> <p>For example, while disinvestment in a port or a PSU is better assessed within the ambit of compliance audit, disinvestments process followed by</p>	<p>During the approval process of the project proposal as also the exposure draft by FIPP, it was felt that the audit of privatisation is best addressed through a performance audit although there are certainly elements of compliance to be audited.</p>

	<p>government Ministries and Departments would be amenable to performance auditing. This would be an audit against the administrative ministry or department handling the disinvestment.</p> <p>Ex CHAPTER VIII of GPFR Report No. 18 of 2019 Disinvestment in CPSEs</p>	
Paragraph 28 (revised para 36)	As GUIDs are advisory, there is a need to broad base them. We may consider including here that Audit of privatization may be a combined audit incorporating financial performance and/or compliance aspects.	During the approval process of the project proposal as also the exposure draft by FIPP, it was felt that the audit of privatisation is best addressed through a performance audit although there are certainly elements of compliance to be audited.
Paragraph 28 (d) (revised para 36d)	<p>There is no definition for sufficiency which can be addressed in any process especially when the State is giving up its rights.</p> <p>The question is have these issues been addressed with reference to the acceptable or predetermined benchmarks.</p> <p>Otherwise, this would be a subjective judgment on which government policy which is avoidable by SAIs.</p>	Sentence modified to bring in more clarity
Paragraph 28 (d) (revised para 36d)	May please be corrected as ‘or are there still obligations’	Sentence modified.
Paragraph 28 (f) (revised para 36f)	<p>This would be the long-term objective where specified.</p> <p>As mentioned earlier, if the audit has been carried out in the immediate aftermath of privatization to ensure availability of key evidence, there is no scale to measure the efficacy or quality of services in the short term.</p> <p>For example privatization or State monopoly in telecom sector was the</p>	<p>Draft modified to include assessment of long-term impact.</p> <p>Privatisations are unique and complex. There are small scale privatisation activities happening like, ‘privatisation’ of electricity</p>

	<p>beginning of the journey towards universal connectivity which took more than two decades to unravel itself fully.</p> <p>Hence, this would be hypothetical assessment. Depending on the period between the event of privatization and the audit programme, question needs to be appropriately framed. The focus would be on the measures that the winning private player has promised to undertake if the audit is being conducted immediately after disinvestment. This would involve measuring the capacity of the private player in terms of resources available with him or which he is able to garner including financial and non-financial ones.</p> <p>Depending on the nature of the industry/service privatization, any audit after a period of time say 5 to 10 years could measure the impact of privatization on the quality of services.</p>	<p>provisions, parking lots, where it becomes imperative to the auditor to check whether the citizen was provided with the services or denied of the same.</p> <p>This is only an illustrative list where SAIs can choose what is suitable for their audit; However, draft modified to include long-term scenario also.</p>
Paragraph 33 (revised para 41)	<p>Disinvestment by governments has always been for ameliorating the life of citizenry through enhance services as also disengaging from identified strategic/non-strategic areas or activities where the non-government sector is capable of providing efficient goods and services at competitive and affordable prices.</p> <p>Thus, the objective of privatization is result oriented and not problem oriented. Whether the desired results of privatization have been achieved by the government needs to be the focus area for audits by SAI.</p>	<p>Certain privatisations may have a problem – oriented approach. Also, other SAIs insisted, this view, in the earlier journeys of the drafts. The GUID should be applicable across SAIs, and hence, this scenario was also addressed. Hence, no change in this paragraph.</p>
Paragraph 34 (revised para 42)	<p>As rightly pointed out, this guideline would be appropriate for audit of department responsible for privatization as against individual acts of divestment.</p>	<p>No action required.</p>
Paragraph 38 (revised para 46)	<p>This can only address individual disinvestments and not help us in conducting a PA on the department handling disinvestment.</p> <p>Further, only short-term impacts and the specific event of disinvestment</p>	<p>Assessment of long-term impact has been covered in Planning, Conducting and Follow up portions of the draft.</p>

	can be measured in the immediate aftermath.	
Paragraph 43 (revised para 51)	<p>This is an utmost necessity as expertise would invariably be available only within the industry and not always outside of it. For example extraction industries, oil and gas, telecom etc. The expert would have associated himself with a corporate in some form in his years of work. Thus when big corporate participate in the privatization bidding, expert association with the audit process could impact the tone and direction of audit products.</p> <p>One way to mitigate the situation would be carry out audit against compliance against pre-set criteria using in house resources of the SAI.</p>	Reiteration of the same view. No action.
Paragraph 44 (revised para 19)	<p>Privatisation involves three distinct stages viz.</p> <ol style="list-style-type: none"> 1. Pre privatization – Conceptual and identification stage 2. Actual privatization 3. Post privatization scenario <p>These need to be distinctly identified as such in audit also. Factoring in post privatization scenario would be intelligence in hindsight. The SWOT analysis for privatization and consequent decision making cannot be viewed in the light of post privatization events.</p>	The aspects related to various stages of privatisation has been covered in ‘Conducting’ portion of the draft. Here, the Auditor is expected to only check whether appropriate care has been taken by the government in devising the post – privatisation arrangements as far as possible. No action required.
Paragraph 51 (vi) [revised para 58 (vii)]	<p>The disinvestment decision is made by the executive. Privatisation is a subset of the overall programme of governance put in place by the executive/ elected members.</p> <p>Hence, entity environment in the context of privatization becomes secondary to governance priorities.</p>	Sentence modified to bring in more clarity
Paragraph 51 (xv)	Competence of the Auditor to arrive at a list of residual issues independently is doubtful. The pre privatization documents should throw	Sentence modified to bring in more clarity

	[revised para 58 (vii)]	<p>light on the residual issues along with other documents.</p> <p>Adequacy of mechanisms to address residual issues on the privatization would definitely be practical.</p>	
	Paragraph 60 (revised para 67)	<p>Once an SOE has been privatized the entity would no longer be under the government and may not be subject to audit by SAI as an entity. Regulatory filings to government departments would still be subject to Audit by SAI as per mandate. Hence, a comparison of the performance of the entity would be impractical and not be of relevance.</p>	<p>GUID has to be open and flexible enough to accommodate various scenarios, with a global perspective. There may be other SAIs with mandate necessitating a follow-up audit. Further, the draft is only using the word, 'may', making it discretionary and flexible.</p>
	Paragraph 63 (revised para 70)	<p>Privatisation of single SOE would be better handled through the compliance audit regimen whereas multiple cases or those involving disinvestment ministries and departments are better audited through the performance auditing regimen.</p> <p>A mention of the same or drawing attention to the Compliance Auditing Guidelines would add value here. Further, a mention on combined auditing involving elements of financial, compliance and performance auditing would address audit of privatization better. This would also cover the requirements and nuances thrown up by various models of privatization as mentioned in the Annexure.</p>	<p>During the approval process of the project proposal as also the exposure draft by FIPP, it was felt that the audit of privatisation is best addressed through a performance audit although there are certainly elements of compliance to be audited.</p>