



## **Explanatory Memorandum – Project 2.7: Consolidating and aligning Guidance on audits of Privatization with ISSAI 100**

### **REQUEST FOR COMMENTS**

This Exposure Draft, emanating from Project 2.7: **Consolidating and aligning Guidance on audits of Privatization with ISSAI 100**, was developed by the special project team constituted by KSC Chair.

Respondents are asked to submit their comments electronically by July, 27<sup>th</sup> 2021 to the email addresses: [prachip@cag.gov.in](mailto:prachip@cag.gov.in) and [ir@cag.gov.in](mailto:ir@cag.gov.in). Please submit comments to specific paragraphs using the file circulated at the same time as the exposure draft. General comments may be submitted using PDF or Word documents. All comments will be considered a matter of public record and may be posted on the [issai.org](http://issai.org) website.

The Project team will consider all comments received when preparing the final version of the text for submission to the Forum for INTOSAI Professional Pronouncements (FIPP) for approval.

The FIPP have approved this exposure draft on 15 April 2021 (cf. section 2.1 of the due process for the IFPP). The final pronouncement is expected to take effect from November 2021.

Respondents are encouraged to consider the effective date in their comments to the exposure draft.

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### **Introduction**

The Forum for INTOSAI Professional Pronouncements (FIPP) adopted a classification of INTOSAI pronouncements under the INTOSAI Framework of Professional Pronouncements (IFPP) and accordingly various documents are classified as Principles, Standards and Guidance. Under the IFPP, Guidance pronouncements (GUIDs) are intended to provide guidance to SAIs on a specific subject matter and for conducting Financial, Compliance and Performance Audits encompassing the related subject matter.

The introduction and continuous expansion in the privatisation programs of countries around the world engendered a corresponding need for the audit of such programmes. Consequently, from the mid-1990s onwards, INTOSAI has issued Specific Auditing Guidelines on Privatisation which drew from the experiences of diverse countries at various stages of development who undertook privatisation. These guidelines, which correspond to existing Level 4 of the ISSAI categorization, refer specifically to ISSAI 5210 (Privatisation), 5230 (Economic Regulation) and 5240 (Public Private Partnership).

In 2016, it was decided that while removing the ISSAIs and INTOSAI GOVs produced on privatisation from the INTOSAI Framework of Professional Pronouncements (IFPP), it would be the aim to “consolidate and align guidance on Privatization/Disaster-related aid with ISSAI



100". This Working Group was, therefore, assembled under Project 2.7, in order to migrate the existing pronouncement on audit of privatisation, i.e., ISSAI 5210 "Guidelines on Best Practice for the Audit of Privatisation" from the old framework to the new framework, i.e. IFPP. The resulting pronouncements and newly drafted guidance on the subject would be classified as GUIDs in the IFPP, i.e. subject matter specific guidance on the audit of Privatisation in the GUID 5000-5999 series. Subsequent to its approval and publication, ISSAI 5210 and 5230 would be withdrawn.

This GUID focuses on the audit of privatisation, in general, and would be applicable across different forms of privatisation. Further, more specific guidance for the audit of public-private partnerships will be covered in a separate GUID.

The initial project proposal covered both performance and compliance audit. Privatisation is mostly done to achieve expected goals in an economical, efficient and effective manner and as such, audit of privatisation is considered a performance audit.

### **Background**

The present draft of INTOSAI GUID 5320 on audit of privatisation has been developed within the IFPP by following the Due Process governing the development and revision of Professional Pronouncements within the milestones. Accordingly, as part of Stage 1 of the Due Process, the Project proposal for developing this GUID was prepared by the WG-Priv, under the Knowledge Sharing Committee (KSC), and then submitted to FIPP for approval. FIPP had accorded its conditional approval to the Project proposal in April 2019. As part of Stage 2 of the Due Process, the Exposure Draft for a GUID was developed. The following measures have been taken by the Project Team as part of the Due Process:

- Comparison with ISSAIs 100, 300 and 400 as well as earlier ISSAIs and GOVs, to ensure alignment with the basic concepts and principles.
- Reference to the latest existing literature on the subject matter of privatisation.
- Involvement of expertise from the INTOSAI Performance Audit Subcommittee (PAS). Inputs received from the Subcommittee have been duly incorporated into the Exposure Draft.
- Involvement of the TSF with respect to the technical quality.
- Involvement of SAIs, who formed part of Project Team members. Inputs received from all the member SAIs have been duly incorporated in the Exposure Draft.
- Sharing the document with members from KSC (Liaison Officer).

The endorsement of the GUID would ensure conformity of the subject matter guidance on audit of privatisation with higher level ISSAIs.

The inputs of SAIs, INTOSAI bodies and external stakeholders on this Exposure Draft are welcome at this stage.

### **Questions to Consider**

Respondents are especially encouraged to consider the following questions:

**Question 1.** Does this GUID provide clear guidance that will be valuable for your SAI in carrying out a performance audit of privatisation activities?

**Question 2.** The GUID provides indicative lists of audit objectives, audit questions and sources of criteria relevant for privatisations (cf. item 27-30). Do you find these supportive for achieving a high quality in performance audits?

**Question 3:** Is this GUID comprehensive enough to assist auditors and fill potential gaps, in terms of either experience or knowledge, in such audit engagements?



**Question 4:** Does this GUID sufficiently cover, in detail, the inputs required for auditing different modes of privatisation. If not, which are the modes, on which more inputs can be added?

**Question 5:** Does the GUID have the necessary flexibility to address the concerns arising in different contexts, either in the SAI environment or in the privatisation activity?