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INTOSAI Performance Audit Subcommittee Secretariat  
Office of the Auditor General of Norway

Dear Performance Audit Subcommittee Secretariat:

Thank you for the opportunity to provide input to the draft GUID 5320 Guidance on Audit of Privatisation. It is particularly useful to be able to comment before the document is out for full public exposure.

For nearly 80 years, The Institute of Internal Auditors (IIA) has led the internal audit profession globally, encouraging strong internal controls and an enterprise-wide approach to risk management. The IIA's more than 200,000 members worldwide foster transparency by providing independent and objective insight into all facets of an organization's activities, performance, and position.

The IIA understands that this comprehensive guidance will provide a step-by-step approach to SAIs on how to conduct performance audits related specifically to privatization of a public sector entity. As the goal of the guidance is to enable auditors to "give an assurance in a reliable manner," The IIA recommends that direct reference be added in the text to partnering with internal audit.

The draft currently references internal audit in Section 9, and only as a source of information. While internal auditors are certainly a great source of information, given their familiarity with their organizations, they can also contribute much more value to enhance the success of performance audits. The IIA believes the guidance would better serve external auditors with addition to sections 3, 6, 8, and 10 of specific reference to the valuable assistance internal audit can provide as the onsite assurance expert. This assistance will help SAIs, whether the mandate covers the whole of the privatization process or a review of the end result.

When internal audit and external audit combine forces and share resources, it creates efficiencies, avoids duplication, and enables greater success. Internal audit and SAIs have the same goals: to improve efficiency, effectiveness, and economy, and to foster transparency and accountability. Internal auditors are expert in internal control, risk management, systems analysis, data analytics, troubleshooting, and more, and work to professional standards that are

comparable with ISSAIs (as confirmed by the joint INTOSAI/IIA guidance). Internal auditors should be regarded as a natural ally, the first point of contact, and a primary source of information and support for SAIs.

Recommendations for specific additions to the guidance on internal audit are:

- State-owned entities defined in Section 3 will likely have an internal audit function that provides independent objective assurance. If SAIs are directed to engage with these assurance experts from the outset, it would remove the need for SAI practitioners to create from scratch the work internal auditors have already done. Suggested addition in 3.1: *“SOEs may be known as Public Sector Units or Public Sector Enterprises elsewhere but their distinguishing features include their legal existence, form and operation in commercial affairs and activities, including an internal audit activity to be utilized as a highly valuable partner throughout the audit.”*
- In Section 6, regarding the planning of a performance audit of privatization, internal audit could be positioned to assist at the planning stage, which would be especially fruitful if internal audit was notified at the earliest stage possible of the pending audit. Suggested addition in 6.2: *“Planning a performance audit of privatisation involves understanding the privatisation process so as to allow an assessment of the risks involved, possible sources of evidence, auditability and the significance of the subject matter considered for audit. Risk-based planning, which can be assisted by the entity’s internal audit function, will help to determine the tests required to get an assurance that the steps taken by the entity have been sufficient to guard against these risks.”*
- Another natural place to include internal audit as a natural ally is Section 6.5, which explains that auditors are expected to *“have a good understanding of the entity being privatised e.g. its activities, financial situation, internal controls, finance and other systems, etc. Auditors should be encouraged to utilize the assistance of the entity’s internal audit function to secure better understanding.”*
- The addition of internal audit in Section 6.6 would lead to greater efficiencies: *“Besides regular interaction with management, those charged with governance, internal audit, and other relevant stakeholders, the auditor may consult subject matter experts, wherever required. “*
- In Section 6.14, SAIs should be aware that internal audit will have its own risk universe knowledge to complement its work. This can be addressed in 6.18: *“The auditor may assess the management’s response to identified risks, including utilizing internal audit’s risk assessment, and its implementation and design of internal controls to address them.”*
- Section 8 could reference the work that internal audit has already done or could do, freeing SAIs from duplicating that work. Given the compatibility of IIA professional standards as established by the joint INTOSAI/IIA review and paper on this matter, SAIs have every reason to rely on the work of internal audit conducted in accordance with The IIA’s International Professional Practices Framework (IPPF) and by internal auditors who have or who are seeking the Certified Internal Auditor (CIA) status. Suggested addition to Section 8.3 *“It is advisable that the SAIs may start the audit process as early as possible in accordance with the mandate and, definitely soon after the sale to ensure adequate access to the audit evidence held by the government, internal audit, management and their advisers, and also to the views of key third parties with a close interest in the sale.”*

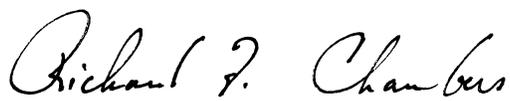
- Section 9 is correct to reference internal audit as a source of information, however, it comes very late in the guidance and should not be the first and only reference to internal audit.
- Section 10 *Skills and Knowledge Required to Audit* guides the SAI to ensure the audit team possesses the right skills and also knowledge of the business. This is further evidence that internal audit should be on the team. Internal auditors have skills and expertise to support the work of SAIs and also provide assurance on the reliability of data that SAIs may use in their performance audit. Suggested addition to Section 10.1: *“A good knowledge of the business and the political and economic environment of the sale is essential to understand the privatisation process. SAIs should consider partnering with the internal audit function for its enterprise-wide perspective to better understand the business and the process.”*

Internal audit’s independence is paramount. Independence is secured through accountability to the governing body (whether through an audit committee or directly to the board), together with adherence to professional standards, systematic and disciplined procedures, rigorous quality assurance, a pervasive code of ethics, and the application of demanding competencies. This, with the appropriate capabilities and mindset, ensures objectivity in judgments and opinions that SAIs can rely on.

Internal audit is the perfect partner in the audit of transfer of entities from government-owned to private ownership, as internal auditors are expert in risk and control, independent, fully conversant in the organization, and able to provide assurance throughout the process. Creating relationships between SAIs and internal audit will not only assist in the immediate audit mandate, but also result in building priority SAI topics into the internal audit work plan, resulting in long-term benefits.

The IIA expresses its support of the Performance Audit Subcommittee. Please do not hesitate to contact The IIA’s Managing Director of Global Advocacy and Interim Managing Director of Global Relations, Mr. Francis Nicholson, at [francis.nicholson@theiia.org](mailto:francis.nicholson@theiia.org) for questions or comments.

Sincerely,



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President and Chief Executive Officer  
The Institute of Internal Auditors