Privatisation audits

The experience of the Court of Audit of the Republic of Slovenia

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1 Introduction

The Republic of Slovenia is going through a transition period and one of the main characteristics of this process is the privatisation of socially owned property. In 1992 the Act on the Ownership Transformation of Enterprises was passed which lays down methods and procedures for the transformation of socially owned property into property owned by private owners. This privatisation is facilitating the normal development of a market economy in Slovenia.

Not all enterprises have succeeded in preparing adequate ownership transformation programmes setting out the manner of their privatisation. Those that failed to observe the defined deadline had to transfer their property to The Development Fund (later reorganised into Slovenian Development Company, a joint stock company). Each enterprise also had to transfer 20 % of its shares to this fund to be sold to the authorised investment companies in which members of the public invested their ownership certificates (privatisation vouchers - each Slovenian citizen was issued a certificate which may be exchanged for shares or stakes in companies in the process of privatisation or in an investment company).

After this transformation process some companies or their shares/stakes remained as state property and a lot of them fell into The Development Fund's hands. Those companies or their shares and stakes are now the subject of further privatisation and subsequently subject of our audits.

In the past two years the Court of Audit has carried out seven privatisation audits. The first audit of that type was quite a challenge, since the approach and the content differed from the financial audits and regularity audits. Therefore a lot of effort was needed for studying the privatisation area, for training the audit team, for transmitting the knowledge and audit findings and for informing the auditees, the Government and the Working body at the National Assembly about the importance of transparency, regularity and efficiency of privatisation process.

During the implementation of the audits, the INTOSAI Guidelines on Best Practice for the Audit of Privatisation and the professional assistance of the experts from the NAO UK were very helpful. The Guidelines presented the process of privatisation and examples of best practice. The co-operation with the experts from the NAO was based on their experience with privatisation audits and on meetings between the auditors implementing the audits. The auditors from the NAO extensively assisted our audit team in the planning and implementation phase of three privatisation audits The NAO auditors also gave their comments on the two Draft Audit Reports. This co-operation helped to improve the quality of auditing and to strengthen the audit skills relating to privatisation. Our audits were well accepted by the public which was an additional reason to continue with the demanding audit work and it gave us strength to improve our skills and knowledge.

2 Review of the audits undertaken

The Court of Audit began to undertake privatisation audits in 2000. The initial audit was focused on sale of companies shares owned by the Slovenian Development Company. The Court of Audit used the first two audits for analysing the sale of companies shares in 1998, 1999 and 2000 and in addition it reviewed the sale of shares of five companies.

In 2002 the Court focussed on auditing of sale of state assets which were managed by the Slovene Government. The Court carried out four audits of sale of shares of companies and one audit of imparting concession. The auditee was the Government of the Republic of Slovenia.

Review of undertaken audits and implemented privatisation:

Audit No	Audit subject	Date of issuing the report	Sold share in %	Purchase consideration, concession fee	
				in thousand SIT	in thousand EUR/ECU
1	Company D	21.05.01	40,00	474.243	2.510
	Company G		13,64	187.469	950
2	Company A	05.06.02	58,44	1.026.855	4.855
	Company I		40,00	163.800	744
	Company K		84,24	156.711	741
3	Company F	16.09.02	39,00	65.661	296
4	Company L	16.09.02	12,34	247.482	1.118
5	Company P	06.01.03	15,63	8.789.221	46.522
6	Bank	30.04.03	34,00	98.730.041	433.261
7	Concession	03.12.02	-	21.802.740	98.472

Apart from the audit of regularity of procedures and efficiency of imparting concession for use of radiofrequency spectrum for implementation of services UMTS/IMT-2000, the audit of regularity of sale procedures and efficiency of sale of 34 % of shares of Nova ljubljanske banke d.d., Ljubljana, which is the largest Slovene bank was the most demanding audit task. The Court began this audit in the middle of the sale procedures and completed the audit when the shares were sold to the foreign bidder.

The following methods were used while implementing the audits. The auditors:

- collected and reviewed the documentation linked with sale of selected shares of companies and analysed the obtained data and activities which were managed by auditees in the sale procedures.
- carried out interviews with the management board for reform and restructuring, with the project leaders for sale and with manager of the economy department.
- if the auditee was the Slovene Government, the auditors carried out interviews with the members of the committees managing the sales, representatives of the Sector for managing the state assets at the Ministry of Finance and with the representatives of the line ministries.
- reviewed the regularity of data and information presented in the reports prepared by the auditee on the basis of the Court's demand.
- in cases of sale of the quoted shares on the exchange, the auditors reviewed prices in the year before the sale, in the year of the sale and in the year after the sale.

- obtained data on business operation of the privatised companies, their assessment of the effectiveness of the sale and the impact of the privatisation on its future business operation.
- asked unselected tenders for their opinion on undertaken sale procedures.
- analysed obtained data and compared them with similar data form other countries.
- while assessing privatisation procedures and evaluating evidence, the auditors co-operated with experts from the NAO UK.

The purpose of the audit was to use the results of the data collection and of substantive testing for reporting about the privatisation programme and the implementation procedure (planning, valuation, collecting bids, selection of the best tender, making contracts and implementation) and costs as well as impacts of the privatisation.

In the planning stage and when designing the audit reports the auditors used the Guidelines on best practice for the audit of privatisation, the audit recommendations of other SAIs and advice of the NAO UK experts.

3 Review of the key findings

There are some audit findings which are quite common. They are presented in the following paragraphs:

- The Auditee did not have written document on sale strategy and the strategy or the objectives of the privatisation were not defined before the privatisation process commenced.
- The proposal for sale of shares and receivables which was the basis for adopting decisions on the privatisation by the auditee, did not include the reasons for sale nor the objectives of the sale, even though each sale should be appropriately substantiated. The most common basic objective was to hand over the ownership and to retain the staff in the sold companies.
- The vendor responded to the expressed interests of the clients interested in purchase of companies' shares.
- The sale methods were defined in the Law.
- In the process of bids collection, all selection criteria defined by the legislation were not followed. The legislation defined general criteria for all types of sale and some additional criteria for sale of the majority share.
- The shares were offered in a parcel in this way the smaller potential purchasers were excluded, but the interest for purchase among strategic partners increased.
- When carrying out sales for the first time, the assessment of companies value was not undertaken by an independent valuer, and other external experts were not involved (for example: market analysis, and analysis of security market …).
- Experts for valuation and advisors were not selected in line with the procedures which are valid for public procurement process.
- The committee for assessment of the bids and selection of the best tender did not thoroughly follow the decisions in the Decree on public sale of shares and business parts when selling the majority share. The tendering committee defined in the rules the criteria for selection of the bids, which were not evaluated and did not define the priority list to be considered when implementing assessment.

- The purchase considerations were in many cases lower than the initial assessment of the market value. The total amount of the costs incurred by restructuring procedure and loan write-off procedures exceeded the purchase consideration. The reason for the negative financial impacts of the sale was based on financial reorganisation of the companies, reduction of the loss and retention of the staff.
- After the sale the impacts of sale and the costs of the sale were not analysed.
- The auditee did not monitor the implementation of the contracts (payment of the purchase consideration, retention of staff, investments).
- The companies which were the subject of the privatisation considered the sale of the companies' shares and receivables as effective, since the companies retained the production and the staff and achieved positive business results (sales profit).
- The income from the purchase considerations were recorded in the budget in the net amount what is incorrect and not in line with the budget principle on completeness.
- The costs relating to privatisation were, according to audit assessment, reasonable.
- The auditees managed the sale in line with procedures which were in accordance with the valid rules and internal instructions, but there were some minor exceptions.

The most important audit findings of some implemented privatisation audits are presented in the following paragraphs:

1. In the sale of 456.003 ordinary shares of the *Company D* the vendor made negative financial result (the sales price did not cover the previously invested capital of the company and it was lower than the book value). On the other hand the auditors found out that one purchaser sold the shares soon after the purchase at the higher price. The privatisation had a positive impact on the privatised company which bought considerable share. The auditors assessed that the vendor could have made better profit if he decided for gradual sale or sale by parts at a more suitable moment. Since the price of shares on market increased one year after the sale.

2. The sale of the 27.201 preference shares of the *Company G* occurred because of the need to restructure the company. The shares were purchased by the same company which was the only bidder for 30 % lower price than assessed. Also with this sale the vendor made negative financial result, since the sale price represented only 32 % of net book value of the investment. The selected method of privatisation was less appropriate for the company, since the *Company G* was interested in re-structuring of the preference shares into ordinary shares and in purchase of shares by a strategic partner. The vendor used the selected method in order to obtain a higher price per share which would not happen if he decided for preliminary restructuring of preference shares into ordinary shares. The market price was essentially lower than the reached price of the preference shares.

3. The State obtained capital share in the *Company F* by conversion of the receivables into capital in the process of privatisation. The company referred to was the basis for maintaining the production and retention of the staff. One part was sold to the strategic partner and at the same time the State defined the purchase consideration which was lower than the assessed value. The representatives of the state who managed the negotiation process were not involved in the tendering procedures. The sale procedures were not transparent enough and there was no information on costs of the sale.

4. The State obtained capital share also in the *Company L* by conversion of the receivables into capital in the process of privatisation. The *Company L* had the objective to ensure

positive results of business operation and to retain the staff. The basic price per share was defined by the assessment of value by certified valuer. The shares were sold to the majority owner who was the only bidder. The Government did not use the opportunity to negotiate the price.

5. In 1998 the Government decided on the sale of shares of the *Company P* on the proposal by the Ministry of Finance and the Ministry of Economy mainly because of the need for additional funds for the state budget. The state offered the shares to the State funds and potential strategic investors and afterwards to the financial investors. The sale of shares was defined and managed as business secret. The shares were sold in two parts, the first part included 162.762 shares purchased by the state fund and the Insurance company, the price per share was 27.000 SIT; the second part included 163.277 shares sold to two state banks, the price per share was 27.000 SIT and to two other companies for 26.700 SIT per share.

   The whole sale process was under time pressure due to the late decision of the Government which defined the sale to be completed by the end of 1998. The tenders had relatively short periods for submitting the bids and for their amendments. The comparison of the sale price with the evaluated price per share showed that the sale was successful.

   On the basis of the comparison of the bids the auditors found that the co-ordination board invited the bidders which were not financial investors which was contrary to the governmental decision, that the board accepted the bids which did not meet the criteria defined by the governmental decree, and provided some bidders with information demonstrating a different attitude to the bidders. The audit found out that the bidders were not assured equal terms, therefore fair competition was threatened and also the efficient sale. But the co-ordination board kept the timetable on implementation of tasks, discussions with the potential bidders and in this way assured transparency of the process.

6. In May 2001 the government decided on sale of the shares of the *Bank.* There were two key objectives: to strengthen the efficiency and competitiveness of banks and bank system in order to improve business operation and more appropriate ownership structure and to achieve high purchase consideration for the state to reduce the public debt. The preparatory phase of the sale was appropriately concluded, but there was relatively short period for delivery of bids (14 days). The shares were sold to the purchaser in May 2002 for the price which was for 2,6 times higher than their book value. When the auditors were reviewing the tender selection procedure, they found out that the report by the second committee did not include the explanations for the selection. The comparison between the price in the bid and the price in the contract showed that the contract included only a part of the bid. Together with the annexes to the contract the finalised price exceeded the bid price for 32 %. The costs of the sale represented, according to auditors' assessment, 1,2 % of the sale price.

7. The State was aware that the introduction of the *UMTS* system should take place at the same time as in other European countries. The programme included the basic objective of the telecommunication development. In February 2001 the Government adopted the concession rule which was the basis for imparting concession. The line ministry proposed a public invitation for bids with a defined level of concession fee and selection of the bidder on the basis of determined criteria. The first public invitation for bids, which was published in order to impart three concessions, included concession fee defined by the Government in the amount of 27.000.000 thousand SIT was not successful, since there

was only one tender. In the second public invitation the Government defined the concession fee in the amount of 22.000.000 thousand SIT. There were two tenders but one submitted an incomplete bid. Two among the interviewed clients who had showed interest in purchase assessed the concession fee as too high, therefore they did not respond to the public invitation to bidders. The Government decided to select the tender on the basis of the technical committee's proposal. The Ministry of Information Society made a concession contract with the bidder in November 2001. In accordance with the contract the concessionaire should start implementing the services by 31 December 2003. The auditors assessed that the state could impart the concession to more than one concessionaire and assure fair competition in the selection process and afterwards when implementing the services. The result could have provided a comparison of the concession fee between the countries.

The Audit approach and the collected evidence enabled the Court to express three types of audit opinion:

- Opinion on the regularity and completeness of the financial report; which was prepared by the auditees (income and expenditures).
- Opinion on compliance of the privatisation procedures with the valid regulations.
- Opinion on the economy, efficiency and effectiveness of privatisation.

When assessing the evidence in order to express an opinion on value for money, the auditors considered priorities as defined by the objectives of the privatisation (further business operation, reduction of loss, retention of staff, increase of investments). The financial impacts of the sales were not, in most privatisation audits, the criteria for performance. The financial impacts were important criteria in privatisation for which the Government defined sale objectives to be obtaining additional funds for the state budget.

4 Impacts of the privatisation audits

The privatisation audits impacts can be seen in implementation of the recommendations, changes of the legislation relating to sale of the state assets and in better documentation on sales and therefore transparency of decision and transactions undertaken.

Recommendations

The recommendations for the auditees were based on the best practice and experience of other SAIs. The appendixes to the audit report contained examples of best practice. The presented examples were based on the INTOSAI Guidelines on Best Practice for the Audit of Privatisation, which were adopted at the XVI. INCOSAI congress in 1998 and on audit practice of the NAO of the United Kingdom, which was presented in the report by the House of Commons, Committee of Public Accounts[1]. The recommendations aimed to improve the planning of the privatisation processes, to better define the objectives and criteria for the assessment of efficiency of the procedures and to improve the co-operation between experts who could contribute to an effective sale. Furthermore the broader objective was to assess the interest among potential purchasers and investors, as well as competitiveness which would increase the interest among investors.

[1] House of Commons, Commitee of Public Accounts: Getting Value for Money in Privatisations, 61. Report , The Stationery Office, London 1998

The recommendations addressed to the Slovene Government included: the government should analyse the existing interest of the state to own the commercial or other companies, to analyse possibilities of sale and to assess the impacts of sale before the programme was prepared. The decision for sale should not be based only on expressed interest of the tender or company partially owned by the state. The auditors recommended to the ministries to adopt internal instructions for sale procedures which would define the necessary documentation, the management of records on the process, reporting on sale and control over sale implementation. The recommendations referred to the Government were also: to clearly define the roles of each body (ministries, committees) which would improve their responsibility relating to the tasks and obligations; to include in the sale process external experts and valuers with the necessary experience and skills from the field of marketing, finance, accounting, law, technology or nature protection; and to assure the evaluation of the implemented activities, to design mechanisms of control over the quality of activities and costs. The auditors recommended to the Government to adopt a guideline on the management of project documentation relating to the sale of state assets and to analyse the appropriateness of the decree which deals with the sale of the financial assets of the state, and to analyse the possibilities for introduction of the obligatory internal audit of the sale of state assets for material projects.

We found out that the Government and the Ministry of Finance are gradually implementing the recommendations. That is very helpful for the auditors when planning new audits. Since the privatisation audits are planned in detail, it is much easier to implement the audits. The privatisation audits are not only planned well, the documentation is more transparent and the reports on privatisation costs are more complete.

Regarding legislation relating to privatisation, the privatisation audits carried out by the Court influenced the change of the legislation which defines privatisation procedures. On the basis of the recommendations and examples of best practice the Slovenian Development Company amended their instructions and introduced special forms for regular reporting to the privatisation project leader.

The Slovene Government defined the rules on sale of state assets in the Act on Budget realisation. In September 1999 the National Assembly adopted the Public Finance Act which dealt with the sale of state assets only in two articles. Article 73 of the Act defined sale of shares and equity stakes in commercial companies; Article 80 defined the proceeds from sale of central government's and local government's physical assets. In 2000 the Government adopted a Decree on the procedures for the sale of capital investments which was an act defining the sale programme, procedures and criteria for sale and co-operation of institutions with line ministries during the sale process.

The first audit of sale of shares which was carried out at the Ministry of Finance, showed that the legislation did not provide appropriate and sufficient basis for efficient and transparent privatisation. The auditors presented to the Ministry of Finance and the Ministry of Economy the INTOSAI Guidelines on Best Practice for the Audit of Privatisation. On the basis of the audit recommendations the Government adopted new rules in one year. Compared to the old decree which consisted of 14 articles, the new rules include detailed information on programme preparation, methods and procedures for state assets sale in 51 Articles. The rules had an important role in improving the quality of sale of state assets and in assisting the auditors when implementing the privatisation audits.

The following audits and dissemination of best practice helped to improve the legal provisions defining the privatisation area. The National Assembly amended the Public Finance Act in April 2002. The privatisation section which was previously covered in one article (Article 80), is now presented in eleven articles. With the new Act Slovenia developed a well designed legal basis for the sale of central government's and local government's physical and financial assets. The recent audit of privatisation of the bank showed some weaknesses in the existing decree, therefore the Court proposed to the Government some changes to the decree. At the Ministry of Finance the proposal for changes to the decree is already being designed.

Reporting on implemented privatisation audits
Changes in the behaviour of the Government and ministries referred to the privatisation issue were caused also by the Court's demand to report on implemented privatisation programmes. On the basis of the Court of Audit Act we demanded from the auditees to prepare reports on completed privatisations. The reports included the following data and information:

- subject of the sale
- ways of obtaining the share
- reasons for sale or concession
- planned objectives of the sale
- assessed value of the share
- criteria for selection of the best bids
- sale conditions
- demands referred to maintaining the production, retention of staff and investments which were delivered to the purchaser
- authorised signatory for the sale contract
- assessment of achieved sale objectives and the achieved purchase consideration
- sale method
- names of the members of the committee which prepared the sale programme and proposal for public bid
- time schedule of the activities in the privatisation process
- managing the process of sale or concession
- costs of the privatisation
- control over and assessment of implemented tasks defined in the contract
- other impacts of the sale.

When the auditees received a demand to prepare a report with the structured content, they were also informed about the subject of the audit and details to be tested which enabled the auditors to implement more efficient audit. Since the Government defined some of the elements to be included in the report with the decree from 2001, the Court focused on financial part of the report and breakdown of costs and data on purchase consideration.

Unfortunately the auditors often find that the reports on privatisation are incomplete. Therefore we can conclude that the Government was not informed about the implementation and achieved outputs of the sale. The weaknesses usually occur in the report section relating to privatisation costs and achieved objectives. However the auditees still do meet the objective (completeness in dealing with the privatisation case, appropriate recording of transactions and documentation), and we are satisfied with the achieved development.

5 Problems referred to the privatisation audits

Lack of experience
When implementing our first privatisation audits there were many problems relating to planning and reporting. Since audits were not designed in detail, some resources were used on less significant matters. The auditors collected a lot of data and information and we wanted to include everything in the reports. The first written report was too long, there were too many detailed and insignificant data and we used technical language which was not easy to understand for most readers.

Privatisation was also a new area for our auditees and it caused them some problems, mainly because there were no rules relating to privatisation process and best practice examples were not identified. Together with the Ministry of Finance and the Ministry of Economy, which was responsible for privatisation issues, the Court slowly acquired skills and knowledge relating to privatisation. And later on helped in designing regulations on sale of state assets and other forms of privatisation.

Demanding audit area
Privatisation audits demand a lot of skills and knowledge. The skills relating to financial audits and value for money audits are not enough to perform efficient privatisation audits. There are many issues which address legal matters, organisation and legal status of the companies, investments, making contracts and so on. In cases of sale of shares and assessments of impacts it is necessary to acquire skills relating to business finance. The auditors implementing the privatisation audits should have have a good knowledge of project management, market economy and managing the public procurement processes etc.

To design an audit team, which would cover all the above mentioned skills, is very demanding task. At the Court there is an audit team of four auditors who specialise in undertaking privatisation audits. At the beginning of 2002 the Court employed a highly experienced certified auditor who previously worked for one of the biggest commercial audit cpmpany in our country. She was additionally trained on the area of value for money audits afterwards she became the leader of the audit team. Unfortunately at the end of the year 2002 she decided to make a career change and left the Court. It is very difficult to find professional staff to undertake privatisation audits and it is even more difficult to train them, since there is a lack of seminars and workshops on the area of privatisation audits.

Auditee
When the privatisation audits were planned for the first time, we were faced with another question: who is an auditee in the process of sale of state assets or other types of privatisation. In some cases there were three bodies: the Government, the Ministry of Finance and the Ministry of Economy or another ministry. Since the Ministry of Finance manages all the procedures relating to the sale of the state assets in order to obtain additional funds for the state budget, the Court decided that the Ministry of Finance was the auditee. When the audit was almost completed, the auditee objected to the selection of the auditee in the process of sale, since the government adopted all the key decisions. The audit process was stopped and the audit was implemented again with another auditee – the Government.

When the auditors started with audit at the Government, the Government objected to the fact that they were selected as the auditee. It took some time and negotiation before it was finally

decided who was the auditee. The Court insisted that the auditee is the Government in cases of direct state ownership. The Court's opinion was supported by the legislation. In line with the Act on Slovene government the Government is responsible for:

- Managing real estate and other state assets
- Control over the work of the ministries
- Deciding on capital investments of the state in accordance with the sale programme and on selection of concessionaire.

We are aware that it would be, in many cases, easier to implement an audit if the auditee was a ministry, since the ministry is familiar with the privatisation case, manages activities of the privatisation process, records the documents and prepares the basis for the governmental decision. Since the government adopted the decree saying that the procedures are managed by users through the Committee for managing and control over the process of sale of state physical and financial assets, which is appointed for each case separately, and the Ministry of Finance and other external independent experts, it is more reasonable to define the Government as the auditee. The Committees we mentioned above are comprised of the most experienced experts on the area of privatisation what adds value to implementation of privatisation. Some members of the Committee think that the government gave to the committee authority and some responsibilities which should not be allocated to the Committee. Even though it was difficult to agree on meetings with the members of the Committee since they are engaged in other projects, they were willing to co-operate in the audit.

Since the Government has adopted the two most important decisions relating to the privatisation process (that is: agreement to the programme of sale of the state assets and agreement on the selection of the best tender which was proposed by the Committee) the Court believes that the Government is still the most appropriate auditee in the audits of the sale of state assets.

Confidentiality

In some privatisation projects the Government safeguarded the procedures of sale as confidential. Most of the documents which were reviewed by the auditors were considered as professional secrets or confidential.

In the case of the privatisation of Company P, the Government already in the decree on sale defined that all documents and information linked to the privatisation process are professional secrets. In accordance with the provisions of the Rules of Procedure of the Court of Audit the employees of the Court must safeguard the documents or data as confidential while implementing audit work. Because the sale was completed by the end of 1998 and the media reported about the privatisation, the Court asked the Government twice to reconsider the necessity of confidentiality and proposed to withdraw the sentence about the professional secrecy. When the auditors were implementing the audit they had access to all documents, but when the audit was completed we wanted to publish the report and inform the public about our findings. And in this phase the problem of confidentiality occurred. The Government on 23 January 2003 withdrew the level of secrecy – the words top secret were eliminated and the Court was able to publish the audit report.

In the case of audit of the Bank privatisation, the privatisation was not completed therefore it was necessary to keep the documents and information in top secret. When the audit was completed the sale of the shares was completed too, therefore the Court wanted to publish the

findings in the report for the public. Since some of the data in the audit report represented professional secrecy it was necessary to decide on the form of the final audit report for the public. The Court proposed to the Government the following possibilities:

- To publish the audit report as a whole
- To publish the audit report without the part with detailed findings
- To publish the audit report as a whole without the data which were defied as top secret (this practice was used in the past for the audit reports about the Ministry of Defence)

The Government decided on the second possibility and also approved to publish the summary of findings and the audit opinion.

Documentation
The main problem relating to privatisation audits is extensive documentation which is maintained by the auditee and not clearly arranged recording of documents. The auditors miss the systematic approach to, chronological order and completeness of the documentation. In Slovenia there are only rules on managing documentation for administration but there is no act which would prescribe the way of recording and managing documentation archives for projects.

Promoting audit work
The privatisation audits were new area not only for the Court and the auditors but also for the public. The media started to report on audit findings after issuing the reports. The Committee for the Economy at the National Assembly and the Sub-committee for restructuring and privatisation discussed the first two privatisation audits on 13 February 2003 i.e. almost two years after the first privatisation audit report was presented to the Working Body of the National Assembly. The members of the Sub-committee approved our work and showed great interest in privatisation audits. They suggested that the Court should continue with privatisation audits at the Slovenian Development Company.

6 Conclusion

Privatisation audits are among the more demanding audit tasks. In countries like Slovenia, which reformed the socially owned property only ten years ago, the auditors are faced with demanding audit challenges. The State more and more often decides to sell state assets or seek other types of privatisation, for example: imparting concessions.

Our first privatisation audits showed certain irregularities, inefficiencies and ineffectiveness especially in managing the privatisation procedures. It will be necessary for the auditors to inform the bodies involved in the privatisation processes about the weaknesses and to advise about improvements in management and control. Advising the auditees either in the form of recommendations or co-operation in designing new legislation demands knowledge and experience. This has been obtained through training or the assistance of other SAIs who have a long established practice in privatisation audits.

The Court of Audit found that there is a lack of skills on privatisation audits among auditors, therefore the senior staff supports the idea of training development and organisation of seminars which would aim at strengthening skills and facilitating audit work, increasing efficiency and improving quality of undertaken audits and develop the Court as professional

and well respected audit institution. The Court has also recognised the need to co-operate with other SAIs with important experience on the privatisation field which would be useful to our institution. Our experience of co-operation with the auditors from the NAO UK convinced us that the direct exchange of skills and experience is the best and most efficient way to learn about privatisation issues, and therefore we would like to recommend it also to other SAIs.