Guidelines for Performance Auditing
Preface
The Guidelines for Performance Auditing are based on the Auditing Standards for the Office of the Auditor General. The guidelines shall be used as the foundation for the Office of the Auditor General’s performance auditing from 1 July 2005.

Adopted at the meeting of the Board of Auditors General on 1 February 2005.

Bjarne Mørk-Eidem
Auditor General
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1 INTRODUCTION

The activities of the Office of the Auditor General are governed and regulated by Act no. 21 of 7 May 2004 relating to the Office of the Auditor General (the Auditor General Act) and by the Instructions concerning the activities of the Office of the Auditor General adopted by the Storting on 11 March 2004.

The Office if the Auditor General (hereafter called the OAG) has compiled internal standards and guidelines for auditing work. The auditing standards and guidelines are intended to ensure that the understanding of the phrase “best auditing practices in the Office of the Auditor General” complies with the requirements set by the OAG regarding the performance of all types of audit.

The guidelines for auditing consist of four components:

- General guidelines for auditing
- Guidelines for financial auditing
- Guidelines for performance auditing
- Guidelines for corporate control

The guidelines are based on the auditing standards for the OAG. The purpose of the guidelines is to provide an introduction to the tasks performed by the OAG and the rules and regulations that apply, as well as the methods used in connection with financial auditing, performance auditing and the monitoring of the management of the companies etc. in which the state has an owner interest. The guidelines will thereby contribute to ensuring that the duties of the OAG are carried out in the most efficient and effective manner possible.
2 WHAT IS PERFORMANCE AUDITING?

2.1 Legal basis for performance auditing

The Storting has prescribed that the OAG shall perform a systematic analysis with respect to the economy, efficiency and effectiveness on the basis of the decisions and intentions of the Storting, i.e. performance auditing, cf. Section 9 of the Act relating to the Office of the Auditor General (the Auditor General Act).

Pursuant to Section 9 of the Instructions concerning the activities of the Office of the Auditor General, performance audits shall furnish relevant information to the Storting about the implementation and effectiveness of government measures, etc., including whether:

a) the government administration uses resources to solve problems in accordance with the decisions and intentions of the Storting,
b) the government administration’s use of resources and policy instruments is effective relative to the goals that the Storting has set in this area,
c) regulations laid down by the Storting are complied with,
d) the government administration’s management tools, policy instruments and regulations are effective and expedient for following up the decisions and intentions of the Storting,
e) the basis on which the Storting founded its decision, i.e. the documents provided by the Government, was adequate, and
f) the government administration implements approved environmental policies so that the principle of sustainable development and good management of natural resources is complied with.

Section 9 of the Instructions prescribes that performance auditing should be limited to matters of fundamental, economic or major social importance. More details of this are given in 4.3.1.

Pursuant to the second sentence of paragraph 2, Section 5 of the Instructions concerning the activities of the Office of the Auditor General, in wholly owned companies and their wholly owned subsidiaries the monitoring can also include systematic analyses of the company’s economy, efficiency and effectiveness on the basis of the decisions and intentions of the Storting, i.e. performance audits. More details of this are given in Chapter 4.7 of Guidelines for Corporate Control.

2.2 The purpose of performance auditing

The purpose of the OAG’s performance auditing is to furnish relevant information about the implementation and effectiveness of government measures on the basis of the decisions and intentions of the Storting. Performance auditing can be considered as one element of the Storting’s control of the government administration. This supervision of the Government and its administration constitutes one of the most important tasks of the Storting and is of key constitutional and political significance. The Storting’s supervision can be defined as all the subsequent parliamentary investigation, assessment and sanctioning of decisions, actions or omissions in the Government and in the government administration, cf. page 15 of Document...
The purpose of the supervision can be to hold members of the Government responsible for errors and deficiencies (accountability monitoring) or it can aim to improve the government administration (management monitoring). When debating the applicable Act and Instructions relating to the Office of the Auditor General, the Standing Committee on Scrutiny and Constitutional Affairs emphasised that the OAG’s primary function is to exercise management monitoring rather than accountability monitoring, cf. Recommendation no. 136 (2003 – 2004) to the Storting. However, Document no. 14 (2002 – 2003) pointed out that ascribing responsibility is also an instrument that will improve the government administration. Recommendation no. 210 (2002 – 2003) to the Storting states that the Standing Committee on Scrutiny and Constitutional Affairs shares this opinion.

By informing the Storting about the government administration’s implementation of measures and their effectiveness, the OAG’s performance auditing is able to contribute to better and more efficient government administration. Effectiveness in the government administration includes the attainment of the defined goals with an acceptable exploitation of the resources available. The performance audits carried out by the OAG satisfy their stated purpose by:

- reporting the results of the audit to the Storting
- ensuring that the necessary measures are implemented to remedy any non-compliance or deficiencies detected
- engaging in an ongoing dialogue with the government administration

Performance auditing also entails ensuring that the decisions of the Storting are implemented as efficiently and as effectively as possible within the constraints defined by the frameworks and intentions laid down by the Storting. Decisions taken in the Storting are often based on a compromise between effectiveness and other political considerations. In such situations, conducting a performance audit will entail assessing the effectiveness of the decisions and intentions of the Storting in the light of a consideration of the various elements on which the decision was founded.

Performance auditing is basically normative, i.e. the findings relating to the government administration’s implementation and the results of government measures are compared with criteria such as the decisions and intentions of the Storting, regulations and recognised standards within the area in question.

Section 9 of the Auditor General Act gives three key aspects for performance auditing:

- systematic analyses (2.2.1)
- economy, efficiency and effectiveness (2.2.2)
- the decisions and intentions of the Storting (2.2.3)

### 2.2.1 Systematic analyses

The requirement regarding systematic analyses entails that:

- the selection of performance audits shall be made in accordance with the OAG’s prevailing system for assessing materiality and risk in performance auditing
each performance audit shall be conducted in accordance with the standards and guidelines laid down by the OAG

performance audits shall be designed in a manner that portrays a clear connection between audit objectives, audit questions, audit criteria, audit evidence and audit assessments

2.2.2 Economy, efficiency and effectiveness

INTOSAI cites the three Es – economy, efficiency and effectiveness – as key criteria in performance auditing:

- **Economy**: minimising the cost of the input factors used for an activity, while at the same time ensuring that the quality is at a satisfactory level.

- **Efficiency**: the relationship between production (output) in terms of goods, services or other results of a given quality, and the resources (input) that are used to produce them.

- **Effectiveness**: the extent to which objectives are achieved with a satisfactory quality, and the relationship between an activity’s desired impacts and actual impacts.

The relationship between the three Es can be illustrated as a results chain:

![Results chain and INTOSAI’s three Es](image)

**Figure 2.1 Results chain and INTOSAI’s three Es**

The performance audits carried out by the OAG must be based on the fact that the Storting in its Appropriations Regulations has chosen to give priority to management by objectives and results as the employed form of management. Section 9 of the Regulations state that anticipated results must be described in the budget proposal along with information on achieved results for the previous financial year. In line with this, the administration has
stipulated in the Financial Management Regulations for the Central Government that management by objectives and results is to be the management form employed.

Through the audit process, auditors document whether the results are in accordance with the objectives defined for the entity in question and whether the results have been attained in an efficient and effective manner. The term *results* means the products that the entity provides and the effectiveness or the benefit that these products have for the users or for society. In accordance with the Financial Management Regulations for the Central Government, results can also include input factors and activities.

The results in an area will partly depend on the policy instruments that the government administration utilises. Such instruments will in general be classified as *legal, economic, organisational, didactic* and *physical*. Experience has shown that the risk of deficient goal attainment varies with the different instruments employed, and that the nature of the problems is a result of the design of the instruments. This means that a thorough review of the use of the specific policy instrument in the different sector areas is of key significance in risk assessment. Risk that is related to the different groups of instruments is described in more detail in 4.3.2.

Even though performance auditing is primarily oriented towards results, it can also be relevant to investigate whether the reporting of results is valid and reliable (validity auditing), and whether the government administration complies with legislation and rules that can be of significance for the results. When conducting a performance audit it will also be appropriate to study the administration’s management and control systems in relation to the audit of the individual policy instruments since the systems will often influence the extent to which the goals are attained, cf. Section 9 d) of the Instructions concerning the activities of the Office of the Auditor General. The Financial Management Regulations for the Central Government state that all government agencies must establish systems and routines that incorporate internal control. This aims to ensure that goal achievement and results compare satisfactorily with the objectives defined and the requirements set for results. An audit of management and control systems can reveal areas that have inadequate governance, poor follow-up on the part of the management or deficient control routines and may also point to both reasons for these deficiencies and consequences they may have on results and goal achievement.

The OAG’s Auditing Standards 16 and 17 for assessing internal control state:

16 Auditors shall make a preliminary assessment of the risk management procedures of the entity that are relevant for the audit.

17 Should auditors choose to base the audit on appropriate internal control activities these activities shall be tested for compliance.

The entities’ systems and routines for internal control must also ensure that irregularities and financial crime are prevented and detected. When conducting a performance audit, auditors
can assess the extent to which such systems and routines have actually been set up and whether they function as intended. Section 9 of the Auditor General Act states that the Office of the Auditor General through auditing shall contribute to the prevention and detection of irregularities and errors.

2.2.3 The decisions and intentions of the Storting

The decisions and intentions of the Storting form the starting point for performance auditing. The term decisions means all formal resolutions that the Storting passes. Such decisions can be:

a) Legislative decisions. The Storting enacts and repeals laws, cf. Article 75 a) of the Constitution.

b) Appropriations decisions. The Storting takes decisions on the state’s revenues through taxes, dues and other charges through the appropriations, cf. Article 75 a) and d) of the Constitution.

c) Other decisions. The Storting can make several other types of decisions, for example decisions on reorganisation, building projects etc.\(^1\)

It is the actual formulation of the formal decision taken by the Storting that is binding for the Government. The decision itself will most often be worded very briefly, which means that supplementary information is normally required to clarify the intentions the Storting has used as a basis for the decision. Such information is primarily found in the documents that form the foundation of the decision, i.e. recommendations, propositions, reports etc. More information on this matter is given in 3.4 where audit criteria are discussed. However, there must always be clear grounds to indicate that a majority in the Storting have taken a certain standpoint before the matter can be said to be an intention of the Storting.

\(^1\) The Storting can ask the Government to carry out certain tasks by issuing instructions to the Government. As a general rule, these instructions will not form the basis of audit criteria since they have a special follow-up procedure related to the Storting, cf. Rules of Procedure for the Storting, Section 12, paragraph 2, no. 8, and Report to the Storting no. 4.
3 THE STRUCTURE OF A PERFORMANCE AUDIT

3.1 The phases of a performance audit
A performance audit consists of the following phases:

1. **Planning**
The purpose of planning is to identify areas that are relevant for auditing through developing project briefs based on an assessment of materiality and risk. In addition, planning is also intended to provide a basis for decision-making by means of a feasibility study to determine whether or not a main analysis is to be carried out.

2. **Conducting the audit**
The purpose of the main analysis is to document non-compliance and deficiencies related to economy, efficiency and effectiveness on the basis of the decisions and intentions of the Storting.

3. **Reporting**
The purpose of reporting is to furnish relevant information to the Storting about the implementation and effectiveness of government measures or the like through Document no. 3. The government administration has access to reports that are not submitted to the Storting as individual cases through a series of administrative reports. The Storting is notified of such reports in Document no. 2.

4. **Follow-up**
The purpose of follow-up is to investigate whether the amendments that were to be implemented through the Storting’s consideration of the performance audit report have actually been made. Follow-up will primarily consist of surveying the measures that have been initiated and their effects. The follow-up will also indicate whether a new investigation is required.

The various phases and products of a performance audit can be summarised in the following figure:
Figure 3.1 Phases and products in performance auditing

In all the phases of the audit process, the individual auditor, division management and department management are responsible for the quality assurance of the auditing work, cf. the OAG’s Auditing Standard 28.

28 Divisions and departments shall perform quality assurance work that usefully serves the individual audit tasks and their performance.

This includes ensuring that the work is carried out on the basis of assessments of materiality and risk and in accordance with applicable audit plans, that the audit criteria and the procured audit evidence contribute to achieving the audit’s objectives, that audit questions are addressed, and that the assessments are documented with adequate and appropriate audit evidence. The documentation that is procured through collecting and processing audit evidence therefore constitutes an important part of the quality assurance when a performance audit is conducted, cf. 3.5 which provides more details on audit evidence.
3.2 The audit objective

The objective must state what auditors specifically aim to achieve by carrying out the audit and must be formulated in a way that makes it possible to verify whether the audit objectives have been attained on its completion. A performance audit must be structured to ensure a clear connection between the objectives, audit questions, audit criteria, audit evidence and assessments, cf. 2.2.1. The OAG’s Auditing Standard 15 relating to methodological approach states:

15
Auditors shall use generally accepted methods in the planning and performance of the audit, and the methodology applied shall be appropriate for the audit objectives.

The point of departure for a performance audit is that the auditor has chosen to direct attention to a certain area. The selection of area must be based on assessments of materiality and risk, cf. 4.3. As part of the process of deriving audit objectives and identifying relevant audit questions, auditors should clarify the objectives that have been defined within the selected area, as well as assessing the key risk factors that may lead to non-attainment of the government administration’s goals. Auditors should procure an overview of the management and control systems that have been established to address these risk factors, and should verify that the structure of these appears adequate, appropriate and cost-effective.

Normally one of the objectives of the audit will be to document whether existing conditions are in agreement with a set of audit criteria that constitute the normative standards or the objectives within the relevant area, cf. 3.4. The audit’s objective will usually be to document non-compliance related to economy, efficiency and effectiveness. To specify the goals for the audit more closely, auditors must consider the following:

Firstly: At what point in the results chain (see figure 2.1) is focus to be placed?
- Economy
- Efficiency
- Effectiveness

Secondly: Is the audit to have the following objectives:
- to clarify potential consequences of non-compliance?
- to identify possible causes of non-compliance?

The audit must be organised in a way that enables auditors to procure facts by documenting a specific aspect, for example a grant scheme, a project or a government measure. Auditors must substantiate this description of facts through sufficient and appropriate audit evidence, cf. 3.5. The evidence in the description of facts is compared with the audit criteria to allow auditors to verify the extent to which there is non-compliance between the existing conditions and the objectives defined in the audit criteria.
Figure 3.2 Main elements of a performance audit

As figure 3.2 shows, the audit should be organised in a way that clarifies the consequences of the non-compliance between the existing conditions and the audit criteria, i.e. how material the non-compliance actually is. The consequences may be of economic, social or fundamental nature, cf. 4.3.1.

When planning the audit, auditors must consider whether, as well as documenting non-compliance and clarifying the consequences of non-compliance, an additional goal should be to identify the causes of the non-compliance between the existing conditions and the audit criteria. This assumes that auditors derive hypotheses on the causes of any non-compliance, which may, for example, be based on standards or appropriate professional literature. Examples of good practice, critical success factors or findings retrieved from a comparison with other entities (benchmarking) can also provide information for identifying possible causes.

Examples of objectives for the audit

An objective of an audit of economy may be to document non-compliance by investigating whether public procurements have been made in accordance with the procurement regulations. Another objective could be to shed light on the consequences of a breach of regulations – for example that the entity pays more than necessary for procurements – or to identify the causes of a breach of the regulations. These may be a lack of purchasing skills or an inappropriately organised purchasing function.

An objective of an audit of efficiency may be to document non-compliance through comparing the productivity of an entity from a given input of resources with that of similar entities or over a period of time. Another objective could be to shed light on the consequences of low productivity, which may involve users waiting a disproportionately long time for the relevant services, or to identify the causes of low productivity. These may be the fact that the financing of the entity does not allow high productivity or that the entity uses inappropriate operational methods.
An objective of an audit of effectiveness may be to clarify the extent to which defined goals for an entity or sector have been achieved, or to shed light on the consequences of deficient goal achievement – for example that public services are not delivered at the right time and of the right quality – and any financial consequences this may have. Another objective could be to identify the causes of deficient goal achievement, which could be that coordination between the policy instruments utilised in the area is not good enough or that the reporting system does not provide valid and reliable result information that can be used in follow-up.

### 3.3 Audit questions

Drawing on the audit objectives, auditors must formulate the issues or problems that are to be resolved through the investigation. These should be formulated as *audit questions*. Depending on the objective of the investigation, the questions should be worded in such a way that they form the basis for documenting non-compliance, clarifying the consequences of the non-compliance or identifying causes of the non-compliance. Unambiguous audit questions are of key significance for the performance of the audit. In general it should not be possible to answer the audit questions with “yes” or “no”. The audit can address several sub-questions, which should be collectively exhaustive and mutually exclusive. The audit questions must in their entirety completely cover the audit objectives.

The audit questions set guidelines for identifying relevant sources of information as well as for selecting the audit evidence that is to be procured, and for deciding how data is to be analysed and which assessments can be made. An audit can also contain audit questions that are purely descriptive that are not compared with audit criteria but that are nonetheless included in the factual basis.

The following table gives examples of relevant audit questions in an audit of earmarked grants to municipalities:

<table>
<thead>
<tr>
<th>Audit question</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-compliance</strong></td>
<td>How are the earmarked grants distributed among the municipalities?</td>
</tr>
<tr>
<td><strong>Consequences</strong></td>
<td>To what extent is the distribution of the earmarked grants in line with the decisions and intentions of the Storting?</td>
</tr>
<tr>
<td><strong>Causes</strong></td>
<td>What effect does the fact that the earmarked grants are distributed unequally among the municipalities have on the municipalities’ provision of services?</td>
</tr>
</tbody>
</table>

Table 3.1 Examples of different types of audit questions in a performance audit
3.4 Audit criteria

Audit criteria is a collective term for the norms and standards that are relevant in the area for the performance audit in question. Together with the description of facts, the audit criteria form the basis of the auditors’ assessments.

The audit criteria for a performance audit must be:

a) Relevant
Audit criteria shall be relevant in the sense that it must be possible to relate the audit evidence to the criteria.

b) Understandable
Audit criteria shall be expressed clearly so that their content cannot be misconstrued.

c) Operational
Audit criteria shall be specific enough to form the foundation for an assessment of the factual basis.

d) Consistent
The presentation of the audit criteria shall show that there is a logical connection between them. They should be in accordance with the audit criteria that the OAG has formerly employed in similar audits if these are still relevant.

e) Complete
All audit criteria that are of importance for the audit in question shall be included.

f) Agreed
In general, agreement on the audit criteria shall be reached between the OAG and the audited entity.

In a performance audit considerable requirements are set regarding the derivation of the audit criteria since these form the foundation of the auditor’s assessments. There must be a dialogue with the government administration to reach agreement on the derivation of the audit criteria. The audit criteria should therefore be submitted to the ministry responsible as early as possible in the audit process, usually at an initial stage of the main analysis. Data is gathered once discussions with the ministry on the audit criteria have taken place to ensure that the collection of data is as targeted as possible. The audit criteria that are employed and the sources from which they are retrieved must also be described in the performance audit report to clarify the basis used for the OAG’s assessments.

The decisions and intentions of the Storting form the starting point for the derivation of audit criteria for a performance audit, cf. Section 9 of the Instructions concerning the activities of the Office of the Auditor General. Auditors can also use the government administration’s own regulations and objectives as audit criteria provided that they have a close connection to the decisions and intentions of the Storting. Furthermore, auditors can also utilise general criteria – for example professional standards or benchmarking – as a basis for defining audit criteria, regardless of whether these have been adopted by or received a response from the Storting.
The decisions and intentions of the Storting form the basis for defining the overriding objectives in the area in question. Concurrent with their mapping of the decisions and intentions of the Storting, auditors must clarify which agencies in the government administration are responsible for implementing the decisions and intentions and must identify the regulations and objectives that the government administration has stipulated. Professional standards, relevant theory etc. with which the factual basis may be compared must also be identified.

The decisions and intentions of the Storting as audit criteria
Most often the starting point of legislative and appropriations decisions is that the Government has submitted a matter to the Storting. A proposition to the Storting is a proposal on a matter the Storting is to consider and decide upon. A proposition to the Odelsting concerns proposals about new legislation or amendments to/repeal of existing laws. A report to the Storting is a report submitted to the Storting concerning various aspects of governmental activities. A report to the Odelsting is a report submitted to the Storting when the Government withdraws a proposition to the Odelsting.

Once the matter has been debated in the appropriate standing committee in the Storting, the committee submits a recommendation to the Storting as to when the matter is to be further considered by a plenary Storting or – regarding matters concerning laws – by a recommendation to the Odelsting before the matter is sent to the Lagting. The recommendation always contains the committee’s proposals on the decision. The committee recommendations along with propositions and reports form the basis for debating such matters in the Storting or the Odelsting/Lagting. The debate is recorded verbatim in the proceedings of the Storting, and the proceedings also give the decisions.

Figure 3.3  Proceedings between the Government and the Storting

The basic documentation from the Government, cf. figure 3.3. will in general be more detailed than subsequent recommendations and debate. The intentions given in the basic documents therefore normally represent an appropriate foundation for interpreting the
decision. When submitting a matter to the Storting, if the Government has stated clear intentions which the Storting does not elaborate on during the deliberations, it must be assumed that such intentions have also been considered in the Storting’s deliberation of the matter, even though this is not explicitly expressed.

Statements made in the recommendation from a committee do not form part of the decision but may contain the Storting’s intentions for the decision. Recommendations from the committees contain comments from the entire committee and possibly from a varying majority or minority. Likewise, the recommendations’ proposals to the Storting’s decision can be divided into proposals from a minority and the committee’s collective opinion. In the interpretation of this, the viewpoints that have the greatest support must be ascribed the highest priority, i.e. unanimous statements from a committee take precedence over majority viewpoints etc.

Normally comments in the recommendations must be assigned more importance than statements in the debate in the Storting that lead to a vote. What is said in a debate can often primarily be ascribed to the individual representative. However, opinions given during the debate can also clarify the intentions for the decision. If during a debate a cabinet minister states that a comment from a committee or statements made by representatives during the debate will be pursued, it must be assumed that this will be done.

The intentions of the Storting may also include types of guidelines and indications other than intentions that are directly connected to an actual substantive decision – for example when comments related to a report to the Storting are attached to the record of the proceedings.

**Supplementary audit criteria**

*The government administration’s objectives and regulations*

Auditors can use objectives and regulations that have already been set by the government administration for its activities as audit criteria provided that these are embodied in the decisions and intentions of the Storting. In other words, the regulations and objectives must represent an enactment of the decisions and intentions of the Storting so that any breach of the regulations and objectives will constitute deficient follow-up of these decisions and intentions.

The document *Financial Management Regulations for the Central Government*, laid down by royal decree, provides an example of regulations for the government administration that are closely connected to the decisions and intentions of the Storting. In accordance with Section 1 of the Financial Management Regulations for the Central Government, an important object of the regulations is to ensure that government funds are used and revenues accrued in accordance with the decisions and intentions of the Storting. Through the Appropriations Regulations the Storting has set requirements for the government administration concerning management by objectives and results as the employed form of management, cf. Section 9 of the Appropriations Regulations. More details on how management by objectives and results as a form of control is to be structured are laid down in the Financial Management Regulations.

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2 New Appropriations Regulations were adopted by the Storting in spring 2005. The regulations state explicitly that appropriations must be utilised in a manner that ensures that the use of resources and the policy instruments are effective in relation to the intended results, cf. Section 10 of the Appropriations Regulations.
Regulations for the Central Government. The Ministry of Finance has prescribed provisions on financial management in central government to facilitate the implementation of this regulation. The government administration has itself laid down budget provisions within the framework of the Storting’s regulations, cf. the Ministry of Finance’s guidelines on government budgeting.

If the objectives and regulations of the government administration are not sufficiently governed by the decisions and intentions of the Storting, the objectives and regulations must be considered as management tools for the government administration and must be described in the facts rather than in the audit criteria. In this event auditors must consider whether the government administration’s management tools, policy instruments and regulations are efficient, effective and expedient for following up the decisions and intentions of the Storting, cf. Section 9 d) of the Instructions concerning the activities of the Office of the Auditor General.

Professional criteria

Auditors can draw on professional standards in the process of deriving audit criteria, provided that these are considered relevant for the area covered by the audit. The professional standards can consist of principles of good management and leadership, for example within financial administration, grant administration, internal control etc., and may include standards that have been established through international auditing cooperation.

Benchmarking can be an alternative approach in areas where no clear goals or standards have been defined. This consists of systematic comparisons of results (result benchmarking) and/or processes (process benchmarking). In the course of benchmarking, the entities can either be compared with each other or with their own activities over a period of time. General criteria will be particularly relevant as audit criteria in performance audits that are conducted with the goal of identifying causes of non-compliance.

3.5 Audit evidence

Audit evidence is data that auditors use in the description of facts to substantiate their assessments. Both quantitative and qualitative data can be utilised as audit evidence. Audit evidence can be procured from different sources and can vary in type:

- Documentary evidence (analysis of existing documents)
- Evidence derived from interviews and questionnaires
- Analytical evidence (auditors analyse existing data)
- Physical evidence (observation)

The OAG’s Auditing Standard 23 relating to audit evidence states:

<table>
<thead>
<tr>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors shall procure audit evidence that is sufficient, necessary and appropriate and that enables them to draw conclusions on the objective or the issue involved.</td>
</tr>
</tbody>
</table>

21
When conducting a performance audit, auditors must procure sufficient, necessary and appropriate audit evidence. An evaluation of sufficiency is based on the quantity of the audit evidence, while an evaluation of appropriateness is based on the quality of the audit evidence, i.e. its relevance (validity) and reliability. To ensure an efficient and effective audit, no more evidence than that actually required should be collected. Audits must normally be founded on audit evidence that is more indicative than absolute in nature. Consequently, auditors should consider the possibility of supporting and documenting one finding with audit evidence from different sources or of different types.

Audit evidence can constitute primary data collected by auditors themselves or secondary data, i.e. data that is already available. When using secondary data, auditors must pay special attention to the requirements concerning sufficiency and appropriateness. Existing data often consist of different and/or a far greater number of variables than those auditors are primarily interested in. It is therefore necessary to assess whether the data fulfil the audit evidence requirements of sufficiency and appropriateness.

In most performance audits it is expedient to use several methods of data collection. The choice of data collection technique should be based on the auditor’s clarification of the findings that can be expected on completion of the investigation, i.e. auditors must formulate an **assertion** for each of the audit questions, and the investigation will determine the correctness or otherwise of the assertion. The assertion formulated depends on the indications of non-compliance that have already been identified.

The following table shows examples of anticipated findings in an investigation where auditors are examining earmarked grants to municipalities.

<table>
<thead>
<tr>
<th>Description</th>
<th>Wealthy municipalities are given more earmarked grants than poor municipalities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance</td>
<td>The imbalance in the distribution of earmarked grants is not in line with the decisions and intentions of the Storting.</td>
</tr>
<tr>
<td>Consequences</td>
<td>The municipalities’ provision of services varies as a result of the imbalance in the distribution of earmarked grants.</td>
</tr>
<tr>
<td>Causes</td>
<td>The grant manager’s requirements regarding municipalities’ self-financing is the cause of the imbalance in the distribution of earmarked grants.</td>
</tr>
</tbody>
</table>

Once auditors have specified the anticipated findings from the individual audit questions, they must consider the type of audit evidence necessary to collect in order to document whether the assertions in the anticipated findings are correct. The various techniques for data collection have both advantages and disadvantages depending on the type of findings that are to be documented. The more detailed evaluation of the data collection technique that is to be selected must take place on the basis of an assessment of the requirements regarding sufficient and appropriate audit evidence.

A major issue is whether data is to be collected from the entire population or only from a selection. The requirement regarding the sufficiency of the audit evidence must form the starting point for this decision, assessed on the basis of the audit questions in the investigation. Auditors must consider whether the questions are of a nature that makes it
expedient to draw conclusions about the entire population – in which event they must consider the necessity of investigating the whole population – or whether adequate findings will be achieved by investigating a representative selection.

In each individual case, auditors must also consider whether it is most appropriate for audit evidence to be collected by persons or agencies other than the OAG – for example by consultants, researchers/analysts or other resource persons within different disciplines. If work performed by such external experts is used, the results from their activities must be assessed on the basis of the OAG’s Auditing Standard 20 relating to the use of the work of other auditors and experts:

<table>
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<tr>
<td>When using work performed by others, auditors shall review and assess whether the work in question is pertinent to the audit objectives and meets the requirements for audit evidence.</td>
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</table>

1 Documentary evidence

The data basis for document evidence consists of documents that already exist and that have been compiled by the object of the audit or by others. As a rule many documents that relate to the same audit object are available, e.g. contracts, annual performance plans, evaluations, administrative documents, annual reports and correspondence. The various documents must be put into categories that cover the same audit areas, events or matters defined in the audit questions for the investigation. Organising the documents in this way will enable auditors to examine data from different documents in correlation with each other and will illuminate the audit questions from different angles.

A document analysis presents auditors with the challenge of establishing a useful system for organising and categorising data taken from different documents. This process then provides the basis for extracting data and text from the documents that can be used as audit evidence.

2 Evidence derived from interviews and questionnaires

Evidence derived from interviews and questionnaires is based on data procured by auditors through asking individuals or government agencies questions – either orally (interviews) or in writing (questionnaires). A questionnaire can be classified according to how structured it is: in a highly structured survey, the questions and alternative answers have been set in advance, providing the respondents with little opportunity to influence the direction of the inquiry. Less structured surveys are more flexible in nature and allow the respondents to play a more active role in influencing the information that is given, for instance that auditors utilise open questions in a questionnaire.

Whether auditors should choose structured or unstructured questions depends on the extent to which the area concerned requires a breadth or depth of scope. When using both
questionnaires and interviews, auditors will often combine structured and unstructured questions in the collection of data.

Questionnaires can be used to collect both qualitative and quantitative data from a large number of persons or government agencies. Questionnaires are therefore well suited to mapping the general frequency of a phenomenon – for example when a representative selection of a large part of the population is surveyed.

Interviews can be used to procure factual information, to confirm data from other sources or to research the data in more depth, or to carry out supplementary investigations. Interviews can thus be suitable for describing events and processes, for supporting other audit evidence, for example from a document analysis, or for identifying possible causes of non-compliance and deficiencies.

As a general rule, only verified interview data can be used as audit evidence when presenting facts. Once an interview has been held, auditors must make a transcript of the interview, which must then be sent to the interviewee for review and written feedback. In the feasibility study, verification is only necessary if the information is to be used as audit evidence in the main analysis.

3 Analytical evidence

Analytical evidence is evidence that is based on the auditor’s own analyses of existing data in the form of calculations, comparisons and interpretations.

Government statistics or data from registers constitute material that auditors can use as sources of analytical evidence. The final results of others’ investigations can also be utilised as a basis for auditors’ analysis, i.e. secondary analysis (or re-analysis) of the original data. Statistical analyses of data from registers can, for example, indicate the extent to which the tendencies in the material – with a given probability – also apply to a larger amount of data than that from which the original data may have been extracted.

When using data provided by the object of the audit, auditors should consider whether the internal control of the auditee ensures adequate quality of the data. In cases where the government agency has set up an internal audit, auditors should clarify whether any assessment of the data quality made by this internal audit is adequate.

Important elements of an analysis of quantitative data are frequencies and distributions of values of given variables. Quantitative data is well suited to structuring, quantifying and statistical calculations, allowing large amounts of data to be handled and providing a good degree of surveyability and precision. Quantitative data can also be used to identify causal connections, but this normally requires relatively advanced analysis techniques where many variables are analysed concurrently – as, for example in different forms of regression analysis.

Analytical evidence can also draw on qualitative data. Qualitative data is suitable for documenting possible causal connections, as well as for describing events and processes in government agencies. Auditors must then categorise the data to ensure that they provide a basis for the most precise comparisons and interpretations possible. For instance, categories can be audit questions, audit criteria or key concepts for the audit. In this case, tools for analysing quantitative data can be of great assistance when systemising the data material.
When conducting a performance audit, auditors should consider whether it is appropriate to use accounting data as analytical evidence. The external financial statements of a government agency include the appropriations accounts (the profit and loss account) and the capital accounts (the balance sheet). The appropriations accounts provide information about the agencies’ operational expenses (payroll expenses etc.), investments in new buildings, equipment etc., transfers to others (grants) and loans etc., cf. the guidelines from the Ministry of Finance on government budgeting. The capital accounts provide an overview of the property and debts of the Government and the national insurance, and show the connection with the appropriations accounts.

Financial statement analysis is the analysis of the existing accounts of a government agency from which auditors attempt to derive simple ratios. These simple ratios will furnish information on the financial status of the agency concerned at the time the accounts were submitted and the financial development of the agency over time, or they can provide a basis for comparison with several agencies that perform relatively similar activities within a single time frame.

4 Physical evidence

Physical evidence includes evidence procured through the auditors’ own observation of persons, physical objects (property) or events. Physical evidence can be documented by taking notes and making lists, or by flow charts, photographs, maps, sound recordings, film, laboratory analyses etc.

Using the technique of observation and through seeing, hearing and asking, auditors will create a picture of the reality that the investigation covers. One of the advantages of observation is the familiarity auditors gain with the audit object. At the same time, observation as a technique can also result in a lack of distance towards the object being observed. This weakness can be counteracted if the observation is performed in a structured manner.

Observation can be classified according to the degree of structure. Structured observation is generally more applicable for performance auditing, i.e. the auditor is a direct observer and focuses on a particular type of events and actions. Structured observation of this type requires that the situations to be observed are clearly defined beforehand, preferably as categories on a checklist.

Physical evidence was used as audit evidence in Document no. 3:7 (2001 – 2002) relating to building on the 100-metre coastal belt. This report utilised maps from the Norwegian Mapping Authority which showed new buildings (in total or according to type) and areas of land that had been made less accessible for the public in the period investigated. The report also contains photographs of different buildings as an illustration of buildings that have been extended in line with concessions and/or development plans.
4 PLANNING

4.1 Sector competence
The requirement regarding materiality and risk assessments entails auditors having competence in their sector area. This means that auditors must be familiar with the main features of the policy area in terms of both content and management. This will include knowledge of overriding goals and priorities within the area and the accompanying use of policy instruments, as well as an insight into the responsible ministry and the tasks that are assigned to subordinate agencies and corporations within the area.

Auditors should continuously update their sector competence – for example by regularly reviewing key policy documents, e.g. reports to the Storting, propositions and recommendations and internal policy documents such as letters of allocation and annual reports on activities which present changes in structure, regulations and assignments. In their review of the documents, auditors should pay particular attention to all the changes that take place within the sector area. Policy instruments that may function effectively under some circumstances will not necessarily be equally effective under others, and it is therefore important for the risk assessment that auditors identify changes within sector areas that may influence both goal achievement and the way in which the government administration in question handles these changes.

Auditors can also gain sector competence by engaging in an ongoing dialogue with the government administration. This dialogue can take place in connection with project work or in liaison meetings and can provide information on major changes in the use of policy instruments in the area, including deregulation, restructuring and reorganisation. Communication about evaluating risk can give the OAG an insight into the government administration’s own risk assessments, while the administration itself will become familiar with audit strategies and the background for the pending performance audits in the area.

Auditors must also engage in a dialogue with any internal auditing unit in the agency, cf. the OAG’s Auditing Standard 21 relating to the use of the work of other auditors and experts:

<table>
<thead>
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<tr>
<td>In entities that have an internal audit function, auditors shall maintain an appropriate dialogue with internal auditors and shall familiarise themselves with internal audit plans and reports. Auditors shall assess any effects these audits and plans may have on the audit that is being planned in the entity with the aim, for example, of avoiding unnecessary overlap.</td>
</tr>
</tbody>
</table>

4.2 Strategic studies
The purpose of strategic studies is to develop project briefs and audit questions based on a broad assessment of both policy instruments and risk in significant areas. Strategic studies can be appropriate as part of the long-term planning if there is a need for greater sector
competence and a desire to identify long-term development trends or to view the various audit areas in correlation with each other. A strategic study indicates which problem areas are the most important and maps the policy instruments to which the greatest risk is attached.

In areas that necessitate greater sector competence, strategic studies can address different audit questions: for example they can describe a specific subject or identify good practice. This can facilitate the selection of elements for subsequent audits and can also increase the efficiency of the audit process by assisting the planning of the sequence of several projects in a defined large-scale audit area.

If strategic studies are to be conducted in a professionally satisfactory and efficient manner, they must be planned. In general, strategic studies are of an explorative nature and a number of methodological approaches may be relevant when conducting such studies. Strategic studies must not be reported externally as part of the ordinary reporting procedures.

**4.3 Materiality and risk**

The OAG’s Auditing Standards state that all types of audit undertaken by the OAG must be based on an assessment of materiality and risk. The purpose of this assessment is to facilitate the performance of an efficient, effective and adequate audit. The assessment of materiality and risk within performance auditing must be firmly based on the OAG’s common overriding risk assessment and must govern the process of determining the projects and audit questions that are to be selected for the audit.

Performance auditing must be based on an assessment of materiality and risk throughout the audit process, i.e. during the planning, conducting, reporting and follow-up. In the planning phase, materiality and risk must be evaluated through a systematic process at both superior level as a basis for the choice of projects, and at operational level as a basis for formulating audit questions within the project. When conducting the audit, an assessment must be made as to whether new or changed information has emerged that should affect the priorities made or the scope of the audit. In the reporting phase, auditors must also assess how material the findings actually are. During the follow-up, the elements that are to be followed up must also be assessed on the basis of materiality and risk in the area in question, cf. 7.3 which gives more details about the how the follow-up is to be performed.

**4.3.1 Materiality**

The OAG’s Auditing Standard 18 relating to materiality states:

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18 Auditors shall make assessments of materiality to enable them to perform an economical, efficient and effective audit.
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*Materiality* is the process of identifying the most important areas that are to be the subject of the audit. In performance auditing, materiality is judged on the basis of the importance and the consequence of non-compliance within the area. Section 9 of the Instructions concerning the activities of the Office of the Auditor General states that performance auditing should be restricted to matters of fundamental, economic or major social importance. In their assessment
of materiality, auditors must therefore consider the economic, social and fundamental importance and the consequence of any non-compliance in the area.

**Economic importance**

The selection of projects for performance auditing must be based on the importance a specific area has for government economy in terms of revenues, expenditure and as loan or capital. In general, the probability of an area becoming the object of a performance audit increases with the size of the appropriation. However, the fact that the risk of errors and deficiencies occurring varies with different types of expenditure must also be taken into account. If the appropriations are connected to areas that are governed by regulations and thus present a minor risk of errors arising, even large financial amounts can be of little interest when considering an audit.

Even if government expenditure and revenues in a certain area are modest, the actual activity involved may have major economic significance – for example providing and regulating the conditions for private business activities. For each area auditors must assess facts of economic importance that are not reflected in the central government budget and government accounts but where the public sector nonetheless makes an investment or administers policy instruments that can become an object for auditing.

**Social importance**

The public sector is responsible for a number of assignments that are of social importance, the most significant of which are:

- basic social functions such as defence, the judicial system, the police and political and administrative bodies
- basic welfare assignments:
  - the production of welfare services such as health and social services, as well as educational services
  - income transfers (national insurance benefits)
- assignments associated with the infrastructure: investments in roads and the maintenance of roads, the railway, the telephony network, airports, water supply etc.
- government support to trade and industry as a policy instrument in business and regional policy
- research – including the development of knowledge and technology
- assignments related to the Government’s revenues, expenditure and key instruments of governance

When assessing which of these assignments represent the most important areas for auditing, attention must be paid to the aspects the Storting is most concerned about to ensure that the matter involved is addressed in committee recommendations, debates and the parliamentary question time. Auditors must also focus on the areas that have been assigned political priority for the government administration in budget documents that the Government has submitted in a specific area or in other official documents.

The performance audit is also intended to procure information for the Storting about whether the government administration is implementing approved environmental policies so that the principle of sustainable development and good management of natural resources is complied with, cf. Section 9 f) of the Instructions concerning the activities of the Office of the Auditor General. Natural resources and a good environment represent a value of vital social
importance. All sector areas must therefore be evaluated in relation to relevant natural resources and environmental conditions, and this assessment must also pay particular attention to both international environmental commitments and the priorities laid down by INTOSAI and EUROSAI.

**Fundamental importance**
In their assessment of materiality, auditors must consider whether the consequence of any non-compliance within a certain area is of fundamental significance. The assessment must include whether non-compliance concerns basic values – for example law and order, non-discrimination, public access to information in the government administration or considerations of democracy, e.g. preserving the interests of vulnerable groups.

**4.3.2 Risk**
*Risk* can be understood as the probability of non-compliance with the decisions and intentions of the Storting existing within a specific area. The OAG’s Auditing Standard 19 relating to risk assessment states:

> **19**
> Auditors shall make risk assessments for all audit work undertaken by the Office of the Auditor General, and the assessment shall form part of the process implemented to ensure that the audit is economical, efficient and effective.

When initiating a risk assessment, auditors must clarify the overriding goals that the Storting has defined for a certain area, and the policy instruments that alone or in combination with others have been selected to enable goal achievement. The government administration can make use of several independent policy instruments to promote the same goal, or can utilise one policy instrument as an aid to the implementation of another. It is important that the risk assessment considers the relationship between the various instruments that are in place within an area: if the coordination between them is inadequate, i.e. if each instrument pulls in its own direction, this can impair goal achievement.

Auditors must evaluate the probability of the overriding goals not being attained by assessing the various policy instruments within the area and considering whether they are resulting in unintentional negative effects. In their risk assessment, auditors must also evaluate the risk posed by possible inappropriate management of the selected instrument. The effect of an instrument can be dependent on how well it is administered. For example the administration comprises a grant scheme that consists of several elements: goal formulation, allocation criteria and reporting requirements, and deficiencies in the administration of these elements in the grant can contribute to non-fulfilment of the Storting’s intentions with the allocation.

**The government administration’s policy instruments**
The policy instruments employed by the government administration will mainly fall into five categories: *legal, economic, organisational, didactic* and *physical.*
a) Legal policy instruments
Legal policy instruments may be Acts of law, regulations, concessions, licences, price regulation, contracts and agreements, and other regulatory provisions relating to market access and ownership. There are also a number of more or less sector-specific regulatory provisions and international regulations that can be of major significance within each area of authority.

Risk assessment of a legal policy instrument is based on the fact that a set of regulations will not always produce the intended effects. The chief prerequisite for ensuring that regulatory provisions can influence the course of action of an individual or an agency is that those involved are familiar with the purpose and content of the regulations. This may be difficult in cases where regulations are oriented towards the entire population or towards large groups of the population. Even if the target group they are intended for is familiar with the regulations and understands them, this is not sufficient to ensure compliance. Compliance is not only conditional on those concerned having knowledge of the regulations, it also involves the motivation to follow them, which in turn largely depends on the perceptions of the involved parties about the advantages, drawbacks and risks that are linked to complying with or contravening such regulations. Two elements are important: how great is the risk of a breach of the regulations being discovered and penalised, and what sanctions can be expected.

b) Economic policy instruments
Economic policy instruments can constitute various types of grants, government purchase of goods and services, taxes and dues, different types of funding, loan and investment activities, dividend policy and any other appropriate forms of incentive management.

Economic instruments motivate by making some forms of conduct more profitable than others. In general it is difficult to predict the impact economic instruments such as dues and grants will produce. The effectiveness of such policy instruments depends on the importance ascribed to financial aspects compared with other considerations that may appear motivating for the target group, and on the ability of the target group to procure knowledge of the various schemes and to estimate the economic consequences these will have on their own choice of action. Economic policy instruments also have a tendency to be passed on to others, which can contribute to weakening the desired effects. As an example, the effect of a tax scheme geared towards business enterprises will be weakened if the costs can be transferred to the customers.

c) Didactic policy instruments
Didactic policy instruments can take the form of information, attitude campaigns and guidance or advisory activities. Such policy instruments can be directed towards citizens, government agencies and private business enterprises.

Didactic policy instruments such as information can in some cases be an effective means of exerting influence, although the government administration’s opportunity to exercise influence through such instruments is limited. Achieving success through using information as an instrument depends on a considerable number of factors: the content of the information, how effectively it can be spread, how early in the relevant process it is initiated, and how credible it appears. Information concerning suitable means of advancing defined goals can be an effective instrument when there is agreement between the goals of the government administration and the goals of those involved. However, it is more difficult to influence
people’s attitudes if they are directly opposed to what the government administration regards as positive.

**d) Organisational policy instruments**

Organisational policy instruments can play a part in designing and changing organisational structures and processes to enable entities to function in a more efficient, effective and goal-oriented manner. One example of this is the choice of form of affiliation an entity has with its supervisory level. Within the chosen form of affiliation it is relevant to shape formal framework conditions and processes for management and communication between the supervisory level and the entity.

Complexity is an important factor when assessing risk related to an organisational policy instrument. Auditors must therefore map the number of subordinate bodies, the geographical distribution, the number of administrative areas, the different forms of affiliation within the sector, and the complexity of the activities. The risk of “erroneous” prioritisation of tasks and different interpretations of management signals increases with the number of administrative levels and the spread within the administrative areas and can result in deficient implementation of the decisions of the Storting. For entities that have coordination responsibility for individual administrative areas, risk is related to whether the assignment of responsibility has been adequately clarified and whether coordination is carried out in a manner that ensures goal achievement. As part of risk assessment, it may be expedient for auditors to gain an understanding of information and communication technology (ICT systems) within an area, and of the importance this can have for goal achievement. The efficient and effective management and supervision of ICT can be of key significance for enabling a government agency to attain its goals.

**e) Physical policy instruments**

Physical policy instruments are those that can remedy certain types of conduct or make a course of action difficult to carry out – for example the provision of waste bins to counteract litter or the construction of mid-road barriers to prevent head-on traffic collisions. Physical structures can also influence more fundamental choices of action, e.g. the siting of seaports and airports, roads and railways, schools and hospitals also affects settlement patterns and the location of new business enterprises.

Physical policy instruments can be effective instruments since they make it either more difficult or easier to act in a certain way. However, it cannot be taken for granted that all those involved will act in line with the wishes of the government administration if they are not motivated to do so. Physical policy instruments of a structural nature – for example the location of seaports and airports – can also place constraints on future decisions and may turn out to be inappropriate if the prerequisites should change.

**4.4 Project briefs**

The main materiality and risk assessment forms the basis for identifying the most important areas for auditing. A project brief must be drawn up in the light of more detailed risk assessments of the area that has been identified. The project brief is intended to provide a foundation for determining the aspects that are to be paid further attention if it is decided to initiate an audit.
As part of the work of defining goals for the audit and identifying relevant audit questions, auditors should map the goals that have already been set in the chosen area and should consider the key risk factors that may lead to the non-attainment of the government administration’s goals. Auditors should gain an overview of the established management and control systems that govern these risk factors and should determine whether their design appears sufficiently expedient and cost-effective.

Project briefs must be compiled in accordance with the following elements:

- Subject
- Preliminary objectives for the audit
- Relevant audit questions
- Assessment

During the assessment, the relevant audit questions must be justified on the basis of risk assessments. The assessment should clarify whether it is possible to conduct the proposed performance audit and at what point in time it should be undertaken.

**4.5 Feasibility study**

**4.5.1 Purpose of the feasibility study**

The purpose of the feasibility study is to provide a basis for determining whether or not a main analysis is to be conducted and to outline what is to be investigated and how the audit can be performed. The decision to carry out a main analysis is based on the probability that material non-compliance or deficiencies exist in the area in question, and that these can be documented by collecting sufficient and appropriate audit evidence in a main analysis.

The goal of each individual feasibility study will depend on whether or not auditors have already detected indications of non-compliance and deficiencies. If this is not the case, the following goals will be relevant:

1) to establish the probability of material non-compliance and deficiencies existing in the area

2) to survey the data that is available in the area and to determine the methodological techniques that should be used in the main analysis

If adequate indications of non-compliance and deficiencies have already been identified, the feasibility study can largely be limited to clarifying the methodological issues cf. Chapter 2.

Figure 5.1 below shows the main elements of a feasibility study. The analysis draws on the project brief which in turn is based on the assessments of risk and materiality that were made earlier in the planning process. The feasibility study consists of three phases: planning, conducting and reporting.
Conducting feasibility study report

Main analysis

Feasibility study

Closing the project

Figure 5.1 Main elements of a feasibility study

Auditors formulate a feasibility study plan in the planning phase. The performance phase consists of procuring and analysing the collected information. The results of the feasibility study are presented in a feasibility study report that forms the basis for determining whether the investigation is to be continued in the form of a main analysis or is to be closed.

4.5.2 Planning the feasibility study

If a feasibility study is to be conducted, it must be planned in a way that enables it to be carried out in an efficient, effective and satisfactory manner. Since the feasibility study plan must constitute a useful management tool, the following elements should be taken into account:

1 Selection of audit area
When selecting the audit area, auditors should provide information about the assessments of materiality and risk that form the basis of the project brief. Facts that should be mentioned are economic importance, fundamental and social importance, management, policy instruments, environmental and resource considerations, and possible findings from financial auditing or any previously conducted performance audits.

2 Objectives and audit questions
Auditors must state whether the objective of the feasibility study is to establish the probability of non-compliance and deficiencies existing in the area, and/or whether it is possible to document this non-compliance by procuring sufficient and appropriate audit evidence in a main analysis.

The audit questions must be drawn from the objective and from relevant questions in the project brief. However, auditors must evaluate whether it is necessary to modify these prior to carrying out the feasibility study.

3 Audit criteria
The feasibility study plan must indicate how auditors will proceed in order to identify key audit criteria that will establish the probability of non-compliance. However, the requirements set for the documentation of audit criteria are not as stringent as those set for the main analysis.

4 Collecting information
The feasibility study plan must briefly explain how information is to be collected, i.e. the type of information that is necessary to answer the audit questions in the feasibility study and the sources from which the information is to be obtained.
5 Organising and resource needs
The feasibility study plan must give details of those who are taking part in the audit and the role each is to take (project manager, project officers, methodology adviser and any other resource persons). Auditors must also provide information about the total number of work hours it is estimated that the audit will require, and the number of work hours per person.

The plan must also include an overview of any travelling that is to be undertaken during the feasibility study, and the estimated costs this will incur. Any other costs – for example consultant fees, the purchase of books etc. – must also be included in the budget for the feasibility study.

6 Milestone plan
The feasibility study plan must contain a milestone plan to show:

- the dates the collection of information is to start and end
- the date the feasibility study report is to be submitted to the department management (division and department)
- the number of work hours that will be required to attain the relevant milestones

4.5.3 Conducting the feasibility study
When conducting the feasibility study, auditors must procure a basis of information that allows them to establish the probability of non-compliance and deficiencies, to choose the audit questions that are pertinent for the main analysis, and to outline how the non-compliance should be documented.

A document review and a document analysis can provide the necessary information for the feasibility study. Key documents must be appraised – for example parliamentary documents, Acts of law and regulations, circulars, letters of allocation, annual performance plans, annual reports and evaluations. Such documents will furnish factual information about objectives, policy instruments and results within the audit area, and may also contain the audit criteria against which the audited area is to be compared and assessed.

Conducting a feasibility study will often entail collecting information through interviews with the audited entity and/or other parties. Auditors must inform each ministry about the commencement of the investigation and can also convene a start-up meeting with the audited entity to facilitate the mutual exchange of information. During the feasibility study, meetings or interviews can also be held with experts within the area. These meetings/interviews can provide information that establishes the probable existence of non-compliance and deficiencies and that indicates the type of data that can be found in the area.

The feasibility study must establish the probability of material non-compliance existing in the area in question. Auditors must therefore identify the most important audit criteria within the area during the performance of the feasibility study as a basis for establishing the probability of non-compliance. The process of deriving audit criteria should be continued in the main analysis.

During the performance of the feasibility study auditors should clarify which data and data registers are available in the area that can be used as audit evidence in the main analysis.
(statistics, reports, costs data etc.). Auditors must also assess the feasibility of the methodological approach selected.

If the objective of the feasibility study is to establish the probability of non-compliance and deficiencies, this part of the feasibility study must immediately be closed once adequate indications of non-compliance and deficiencies have been detected. The focus of the study can then be transferred to determining how the main analysis can be conducted by drawing up a draft main analysis plan.

### 4.5.4 Reporting the feasibility study

The feasibility study must be reported in writing as a *feasibility study report* that is an *internal* document in the OAG. The feasibility study must be brief but must nonetheless provide the department management with the information that makes it possible for them to decide whether or not a main analysis is to be carried out. The report must therefore describe indications of non-compliance and deficiencies and should discuss how the main analysis should be conducted.

The structure of the feasibility study report will vary with the audit area, complexity, scope and audit questions. An example of how a report can be structured is given below:

<table>
<thead>
<tr>
<th>Feasibility study report – example of structure</th>
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<tbody>
<tr>
<td>1. <strong>Recommendations</strong></td>
</tr>
<tr>
<td>1.1  Key findings</td>
</tr>
<tr>
<td>1.2  Recommendations</td>
</tr>
<tr>
<td>2. <strong>Background</strong></td>
</tr>
<tr>
<td>2.1  Materiality and risk</td>
</tr>
<tr>
<td>2.2  Objectives and audit questions</td>
</tr>
<tr>
<td>2.3  Collection of information</td>
</tr>
<tr>
<td>3. <strong>Analysis of non-compliance</strong></td>
</tr>
<tr>
<td>3.1  Audit criteria</td>
</tr>
<tr>
<td>3.2  Description of performance and/or results (description of facts)</td>
</tr>
<tr>
<td>3.3  Assessments</td>
</tr>
<tr>
<td>3.4  Conclusion and recommendations</td>
</tr>
<tr>
<td>4. <strong>Draft of main analysis plan</strong></td>
</tr>
</tbody>
</table>

### 1 Recommendations

In the recommendation auditors must give details of the key findings of the feasibility study and must recommend whether this study should be continued as a main analysis. The audit questions it may be relevant to investigate should also be presented.

Auditors must assess whether the non-compliance or deficiencies identified in the feasibility study justify recommending a main analysis. Normally the recommendation will be based on whether auditors are of the opinion that there are adequate indications of material non-
compliance that is of fundamental, economic or social importance, cf. 4.3.1. In some cases auditors may not recommend a main analysis based on an assessment of methodology – for example because documenting the non-compliance would prove difficult.

2 Background
The assessments of materiality and risk that have been conducted for the audit area in question are presented in the background section along with the audit questions from the project brief. The audit’s objectives and audit questions must also be given. Details must be provided about how the information has been collected – for example a specification of the documents that were reviewed and the government agencies that were interviewed.

3 Analysis of non-compliance
In the feasibility report auditors must describe which non-compliance and deficiencies have been identified and how and on what basis they have detected the deficiencies in question. This entails auditors comparing the description of performance and results with the audit criteria and making a discretionary assessment of whether non-compliance or deficiencies exist. The description of performance and results must be based on the information procured and on the analysis of this information.

4 Draft of the main analysis
If auditors recommend that a main analysis is to be conducted, the feasibility study report must describe how this can be performed, cf. Chapter 3. The draft of the main analysis plan must contain suggestions regarding the following elements:

- objectives for the main analysis
- audit questions that should be investigated in the main analysis
- audit criteria, possible sources that will be most important in the main analysis
- anticipated findings
- types of audit evidence that should form the basis of the analysis, and their sources
- how data is to be collected and analysed
- risk involved in performing the audit

As an aid to planning the methodological approach and performance, auditors can devise a design matrix and attach it to the plan. The purpose of the design matrix is to show that the investigation has been planned in a systematic and comprehensive manner to ensure that there is a clear connection between objectives, audit questions, audit criteria, audit evidence and assessments, cf. 2.2.1.

Closing the project after the feasibility study
If the feasibility study does not reveal material indications of non-compliance and deficiencies, the performance audit is closed after the feasibility study. A letter will then be sent to the government administration involved and a memo to the Board of Auditors General to the effect that the performance audit was closed after the feasibility study.
5 CONDUCTING THE AUDIT

5.1 Purpose of the main analysis
The purpose of the main analysis is to document non-compliance and deficiencies related to economy, efficiency and effectiveness on the basis of the decisions and intentions of the Storting, cf. Section 9, a) to f) of the Instructions concerning the activities of the Office of the Auditor General.

The work involved in the main analysis can be divided into three phases:

- Preparing the main analysis plan as a result of the decision to continue the investigation
- Performing a main analysis by a) deriving audit criteria and b) procuring audit evidence
- Reporting by presenting the objectives, audit questions, methodology procedure, audit criteria, description of facts and assessments in a main analysis report that will subsequently be used for reporting in Document no. 3 or in an administrative report that the Storting will be informed about in Document no. 2

![Figure 5.1 Elements of the main analysis](image)

5.2 Planning the main analysis
Each time a decision has been taken to continue a performance audit by conducting a main analysis, auditors must formulate a final main analysis plan based on both the draft plan and feedback from department management after the feasibility study. The main analysis plan is intended to form the basis for the professionally satisfactory and efficient performance of the audit. The plan must be operational and must be approved by department management, in addition to providing a good foundation for the management and follow-up of the audit work.

The OAG’s Auditing Standards 12, 13 and 14 relating to planning the audit state:

12 Auditors shall plan the audit work in a way that enables the audit to be performed in a professionally satisfactory and efficient manner.
The main analysis plan can be formulated in accordance with the following objectives and will normally contain all the following elements:

- Selection of audit area
- Objectives and audit questions
- Audit criteria
- Anticipated findings
- Methodological approach and techniques
- Organisation and resource requirements
- Milestone plan
- Risk involved in performing the audit

1 Selection of audit area
The plan must briefly describe the audit area and must explain why a decision has been taken to conduct a main analysis on this area, based on findings from a feasibility study (if appropriate) and the assessments of materiality and risk on which the work was based.

The information given in the discussion of the background to the analysis must lead to the description of the goals of the investigation and the accompanying audit questions. The reasons for selecting the particular area for an audit must be clearly stated.

2 Objectives and audit questions
The plan must describe the objective of the audit and must indicate the audit questions and any possible sub-questions that must be answered to enable the audit’s objective to be achieved, cf. 3.2 and 3.3. The background for the selection of audit questions will normally be described in the feasibility study report and can be taken directly from there.

3 Audit criteria
The plan must indicate the key audit criteria and their sources, as well as how further work on the derivation of audit criteria is to be conducted in the main analysis, cf. 3.4.

4 Anticipated findings
The plan must specify the findings that are expected to be documented through the main analysis. Anticipated findings can be related to non-compliance and the consequences and causes of non-compliance.
5 Methodological approach and techniques
The plan must describe the methodological approach and the techniques and is based on a
draft of the main analysis plan from the feasibility study. A specification of the data that is to
be collected must be provided (sources and sample), how the data are to be collected, and how
they are to be analysed. The plan must justify the methodological choices made.

6 Organisation and resource requirements
The main analysis plan must show who is to take part in the main analysis and the role each of
the participants is to play. It must be clear which of the persons involved is to be the project
manager, project officer and methodology adviser. Other possible contributors to the main
analysis – whether internal or external – must also be described along with the purpose of the
assistance they provide.

The main analysis plan must indicate the total resource requirements that are planned to be
used to conduct the main analysis. The estimate of resources must include both the number of
work hours the project group is assumed to require in the process, anticipated travelling
expenses, consultant assistance etc. The number of work hours per person in the project group
must also be specified.

7 Milestone plan
The main analysis plan must contain a progress schedule that provides an overview of
milestones and major activities related to each milestone. The milestones must indicate
specific achievements and results in the main analysis as well as the date by which each must
be attained. Milestones describe what is to be achieved by a set date, i.e. status or specific
results. Common milestones in a main analysis can be specified as when:

- the main analysis plan is submitted to the department management
- preliminary audit criteria are submitted to the department management
- preliminary audit criteria are forwarded to the supervisory ministry
- a meeting is held with the supervisory ministry to discuss the audit criteria
- data collection begins
- data collection is completed
- data analysis is concluded
- the main analysis report is submitted to the department management
- the main analysis report is forwarded to the ministry for comments

The milestones are intended to provide an overview of what is to be achieved at certain points
in time during the entire course of the project, while the actual process of reaching the
milestones is defined as activities. Each milestone must be accompanied by a list of key
activities that must be performed in order to reach the milestone – for example: formulate an
interview guide, conduct interviews etc. In addition to the milestone plan, the project group
should also compile more detailed activity plans during the course of the main analysis for
internal use in the group. These should specify the individual activities and should indicate
who is to be responsible for ensuring their performance.

When working on the milestone plan, the project group should be aware that experience has
shown that some activities are both time- and resource-consuming – for example formulating
and agreeing on audit criteria, pre-testing and drawing up questionnaires, writing notes from
interviews and organising meetings. When drawing up a progress schedule the group should
take empirical figures from previous audits into consideration so that the estimates for the use of time and resources in the plan are as realistic as possible.

8 Risk involved in performing the audit
In the plan, auditors must give an assessment of the factors that may lead to non-attainment of the audit objective in terms of both the quality of the report and the estimates of time and resources. These could be factors such as dependency on work performed by others, the use of advanced techniques for collecting data and making analyses, or lack of knowledge with regard to data quality. If the risk is viewed as unacceptably high, the main analysis plan must be modified accordingly.

5.3 Conducting the main analysis
Conducting the main analysis consists of deriving a complete set of audit criteria and procuring audit evidence, cf. Chapter 3.

The main analysis plan is intended to be a management tool that facilitates the work performed by the project group, the project manager’s supervision and monitoring of the performance of the analysis, and the communication with the department management. It is therefore important that the plan is used actively when conducting the main analysis, particularly when the project manager is to make the monthly project reporting. The actual progress is then measured against the milestone plan. If the measurement shows a deviation between these, consideration should be given as to whether corrective measures should be implemented to ensure compliance with the milestone plan and, if so, which measures should be initiated. The department management must be notified in the formal reporting procedure of any deviation from the plan and of possible corrective measures.

Circumstances may arise during the performance of the main analysis that necessitate a new assessment of its scope and/or content. For example, a preliminary audit finding after the interviews have been held etc. may indicate a change in the audit questions and the audit criteria. Any changes to the main analysis resulting from such matters must be clarified with the department management.

5.4 Reporting the main analysis
All performance audits undertaken in the OAG that are continued in a main analysis must be documented with a main analysis report. The report must present objectives, audit questions, methodology, audit criteria, facts and assessments. The main analysis report is sent to the ministry and, together with the ministry’s comments, forms the basis for compiling Document no. 3 to the Storting or an administrative report, cf. the OAG’s Auditing Standard 29 relating to reporting which states:

29
The form and content of reports shall present all the relevant factors. Any aspects revealed by the audit that warrant criticism should be clearly described. The presentation of the facts shall be impartial, objective and constructive. The audit evidence and the performance of the audit shall be presented in a way that enables them to be reviewed and verified.
Key requirements regarding a good performance audit report are:

- all the information in the report is relevant
- there is a clear distinction between facts, audit criteria and assessments
- it is well-written and easy to read

Relevance

All the information in the report must be relevant for the reader when considering the objective of the audit and the report’s audit questions.

Clear distinction between facts, audit criteria and assessments

There must be a clear distinction in the report between what constitutes facts, audit criteria and assessments. The reader must be in no doubt as to which elements are indisputable facts and which elements are the assessments of the OAG. In some cases it may be difficult to distinguish between facts, audit criteria and assessments, or this differentiation may give rise to disagreement with the audited entity. It may be necessary to resort to interpretations, and the OAG may have a different interpretation than that of the audited entity. If there is any doubt as to what actually constitutes facts, the OAG must engage in a dialogue with the audited entity. Any disagreement must be described in the report.

Well-written and easy to read

It is important that every effort is made to produce a report that is as easy to read and as comprehensible as possible. A person must be able to read the report without having any particular pre-knowledge of the subject. To enable the report to be as understandable and as reader-friendly as possible, several techniques should be employed in the writing process:

- formulate the main structure and table of contents
- provide a comprehensive presentation of the audited object
- use instructive and neutral headings
- use precise language to avoid misunderstandings or lack of clarity
- illustrate difficult points with tables, diagrams, process models etc.
- avoid technical and difficult words, and be cautious with the use of foreign words. If they are unavoidable, explain what they mean.

A main analysis report contains the following elements:

<table>
<thead>
<tr>
<th>Structure of a main analysis report</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction (background, objectives, audit questions)</td>
</tr>
<tr>
<td>2. Methodological approach and techniques</td>
</tr>
<tr>
<td>3. Audit criteria</td>
</tr>
<tr>
<td>4. Description of facts</td>
</tr>
<tr>
<td>5. Assessments</td>
</tr>
<tr>
<td>(Attachments)</td>
</tr>
</tbody>
</table>

Formulating a structure and table of contents early in the process also contributes to effective performance by creating focus when writing the report.
Introduction
The introduction must describe the audit’s objectives and audit questions and the assessments of materiality and risk that form the basis of these. In addition, the introduction presents the background information that is necessary to enable the reader to become familiar with the audit area and the purpose of the investigation, e.g. the decisions and intentions of the Storting, economy, history, relevant legislation, regulations, organisational structure and other investigations that have been conducted in the area. Only background information that is relevant for the remaining chapters should be included.

Methodological approach and techniques
The report must describe the methods utilised during the collection and analysis of audit evidence, and must give a brief account of the derivation of the audit criteria. This must be presented in a way that makes it possible to verify the contents of the report, and should include that the report:

- presents the audited object and explains its relationship to other entities
- describes and gives grounds for the choice of entities
- explains how data sources were selected and used
- if existing data were used, gives a short description of how the data were processed to make their inclusion as audit evidence possible
- justifies the choice of methods (why the techniques employed were selected)
- explains the main aspects concerning the audit evidence: for example if a questionnaire was used the report gives the number and type of units, the response rate, the type of questions etc.
- gives a description of how the data were analysed (systemised and interpreted)
- provides a presentation of how facts were verified and describes the dialogue with the ministry

Audit criteria
The report must give a comprehensive presentation of the audit criteria that form the basis for the assessments given in the report. This presentation must be clear, unambiguous and well-documented and must give precise references to sources if the criteria have been procured from key government documents. The presentation must be structured in a way that gives readers the information that is required for them to understand the report’s presentation of facts and assessments.

Description of facts
The description of facts in the report must be substantiated with sufficient and appropriate audit evidence. The report must give a neutral and objective description of the actual practices and results within the audited area and must not contain assessments or the auditor’s own opinions. When formulating the facts section of the report, auditors should endeavour to provide a straightforward presentation of the actual facts without giving general introductory remarks or presenting audit criteria. Facts must be documented with precise and clear references to the sources of the information.

Assessments
Assessments must clearly indicate any circumstances revealed by the audit that warrant criticism. Assessments must not go beyond the concrete basis provided by the evidence, and
they must be logically deduced from the main findings and the documentation contained in other sections of the report.

Assessments are made by comparing the audit criteria with the description of facts. The assessments section of the report draws on the audit criteria, but they are not repeated again in this section. Auditors then bring in related factual information, and these elements form the background for making assessments. The assessments must be presented as a cohesive whole and should not therefore be separated with too many headings. The findings must be assessed according to their importance, and in general it will be appropriate to include all aspects of the facts section in the assessments. Any proposals regarding measures must be based on findings that the audit has revealed.

All completed performance audit reports will normally be forwarded to the ministry for comments. The ministry then decides whether comments on the audit report are to be obtained from subordinate agencies.

5.5 Documentation

In accordance with best auditing practices in the OAG, auditors must document their auditing and must store their working papers in a secure manner.

The OAG’s Auditing Standards 25, 26 and 27 relating to documentation state:

25 Auditors shall document matters that serve to support the Office of the Auditor General’s internal and external reports. Documentation also constitutes evidence that the audit has been carried out in accordance with best auditing practices in the Office of the Auditor General.

26 The scope and content of the documentation shall be sufficiently adequate and detailed to allow full comprehension of completed audits and the conclusions drawn on the basis of procured audit evidence. All audits shall be documented in accordance with applicable guidelines.

27 Routines shall be implemented to ensure that the documentation is appropriately handled and stored and is filed for a period that is both sufficient to meet the needs of the Office of the Auditor General and is in accordance with regulations and statutory requirements. All audit documentation is the property of the Office of the Auditor General.

Auditors must be able to document the audit evidence on which their reporting is based. This includes, for example, responses to questionnaires, notes made subsequent to their own
investigations, transcripts of interviews, any assessments of the work of others, and any conclusions drawn from these sources. Auditors must also be able to document all the major choices made while undertaking the audit, particularly audits plans and any decisions concerning changes to these during the audit process.

To facilitate the retrieval of material used in the formulation of a completed report, auditors must ensure that the material they have collected is filed systematically, cf. the OAG’s instructions relating to filing and archiving material. Data collected when a performance audit is carried out is considered as evidence in an auditing context and thereby warrants filing according to applicable guidelines.

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4 The OAG’s Intranet: Forum - Organisation - Instructions
6 REPORTING

The purpose of reporting is to provide the Storting with relevant information on the implementation and effectiveness of government measures. Performance audits are reported to the Storting in the Document no. 3 series. Reports that are not submitted to the Storting as individual cases are available to the Government through a series of administrative reports. The Storting is notified of such reports in Document no. 2.

6.1 Document no. 3

Completed performance audit reports are submitted to the Storting regularly as individual cases in the Document no. 3 series. The Document in question is termed “The Office of the Auditor General’s investigation”. The OAG’s criticism resulting from the investigation, and the intensity of the criticism, is given in The Office of the Auditor General’s statement.

The following must be taken into account when formulating Document no. 3:

- **Content:** the matter must be presented correctly and precisely
- **Objectivity:** the viewpoints and objections of the audited entity must be presented in a balanced manner
- **Reader-friendliness:** the presentation should be well-written and easy to read

6.1.1 Structure of Document no. 3

Matters described in the Document no. 3 series are structured in a manner that ensures that any difference in opinion between the OAG and the government administration concerned will be expressed and compared in a neutral manner. The procedure is as follows: firstly, an account is given of the findings, assessments and comments at administrative level, after which the Board of Auditors General of the OAG gives its observations. The responsible cabinet minister then responds to the OAG’s comments before the Board makes its final statement.

In brief, the presentation of the matter in question in the Document takes the following form:

1. In the *Introduction* the decisions and intentions of the Storting are described, including aspects of economic importance on which the investigation is based, the objectives of the investigation, the audit questions, audit criteria and use of methodology as well as the process involving the ministry/ministries.
2. Findings and assessments from the main analysis report are presented in the *Summary of the investigation*. The main analysis report is attached to the Document.
3. An adequate presentation of the ministry’s viewpoints is given in the main analysis report in *The ministry’s comments*.
4. In *The Office of the Auditor General’s observations* the Board of Auditors General accounts for its remarks on the matter.
5. In *The ministry’s response* the cabinet minister comments on behalf of the ministry on the observations of the OAG.
6. After reviewing the ministry’s response and other parts of the Document if appropriate, the Board of Auditors General summarises the aspects to which attention should be paid in the report to the Storting. In *The Office of the Auditor General’s*
viewpoints and arguments from “both sides” are presented. The Board clarifies the final viewpoints.

6.1.2 Relationship between the main analysis report and Document no. 3
Good correlation between the main analysis report and the facts presented in Document no. 3 is a key factor. This means that in the final phase of the work on the main analysis report thought should be given to the presentation of the matter in Document no. 3. Auditors must ensure that there is adequate correspondence between the content of the assessment section of the main analysis report and that of the summary of the investigation in Document no. 3.

6.2 Administrative report
All audit revision reports are sent to the ministry in question for possible adjustment of the description of facts and for comments before the Board of Auditors General determines whether or not the report is to be submitted to the Storting. Main analysis reports that are not submitted to the Storting as part of the Document no. 3 series are issued in an individual series of administrative reports. The main criteria for not sending the report to the Storting as an individual case can be that the findings are of more minor importance, the government administration has already made the required improvements, or that the Storting has been notified or will be notified in the near future of planned measures that may make the report less relevant. The decision of the Board of Auditors General is given in the preface to the administrative report. Administrative reports are submitted to the Standing Committee on Scrutiny and Constitutional Affairs and to the appropriate ministries for their information, and are covered in Document no. 2.
7 FOLLOW-UP

All performance audits that are reported to the Storting in Document no. 3 must be followed up. This normally takes place three years after the matter has been considered in the Storting. The Storting is given feedback on the follow-up through the Document no. 3:1 series. Completed performance audits that the Board of Auditors General decides not to send to the Storting as individual cases (administrative reports) are not usually subject to follow-up. This is either because these reports involve findings of a more minor nature or because the government administration has already made the required improvements or plans to do so.

7.1 The purpose of follow-up

The purpose of follow-up is to ensure that the changes laid down by the Storting subsequent to its deliberation of the performance audit report have been carried out. Follow-up will mainly consist of surveying the measures that have been initiated and their effects. Information about the follow-up is also important for the assessment of materiality and risk in future audits in the sector area in question.

Figure 7.1 Main elements of the follow-up

7.2 Planning the follow-up

A follow-up plan must be drawn up for all audits that are submitted to the Storting as individual cases. This must indicate what should be followed up and must be prepared subsequent to the work done on Document no. 3. The follow-up plan should be formulated as quickly as possible after the completion of the project and should be concluded once the Storting has considered the report.
The follow-up plan is intended to contribute to achieving the most efficient and effective audit follow-up as possible and to transferring key experience from the completed audit to the subsequent follow-up activities. The follow-up plan forms a sound basis for monitoring both the intentions of the Storting and the OAG’s statements and assessments. It will therefore enable those who carry out the follow-up after three years to draw attention more easily to the most important findings and assessments that were revealed through the audit.

The follow-up plan must contain the following elements:

1 **A summary of the performance audit**
   Based on the Document and on the Storting’s consideration of the audit, a short description should be given of the main points of the audit that are to be followed up.

2 **Aspects that should be followed up**
   - **The decisions and intentions of the Storting in its consideration of the Document no. 3 matter**
     Once the audit has been processed in the Storting, the decisions and intentions of the Storting are considered. An assessment is made on the basis of these as to whether it is necessary to make changes to the follow-up plan.
   - **The OAG’s most important findings**
     The OAG’s statements, observations and assessments in Document no. 3 and the report represent key sources for determining what should be followed up. To ensure that the follow-up directs attention to the most important findings, the project group should assess the importance of the aspects that have been criticised.
   - **Recommendations and proposals for measures**
     Any recommendations or proposals for measures in Document no. 3 should be followed up. The project group should consider how rapidly non-compliance and deficiencies can be remedied. The anticipated results of the measures should also be given.
   - **Measures the agency has undertaken to carry out**
     The ministry or the agency will normally have given notification of the measures they plan to implement in their comments on the report or in their response to the OAG’s statement. These measures and their results must be followed up.

3 **Recommended time frame for follow-up**
   Normally all performance audits that have been processed in the Storting must be followed up three years after the Storting’s deliberation. However, if there are adequate grounds, auditors can recommend a period other than three years for the subsequent follow-up.

4 **Other aspects that are of significance for the follow-up**
   If auditors are aware of other aspects that may be useful for the follow-up, these must be described. For example there may be strengths and weaknesses concerning the collection and
analysis of data, or unforeseen problems in connection with access to data sources or appropriate contact persons. The evaluation of the completed project may also contain other information – for example about methodology – that may be relevant for the follow-up.

7.3 Conducting the follow-up

The follow-up must be integrated into the annual performance planning. When the department plan is drawn up, an overview must be compiled of previous reports that are intended to be followed up in the planning year. The follow-up of the report must be carried out by the division that has sector responsibility. Resources must be allocated to the follow-up tasks in the divisions’ plans.

At the commencement of the follow-up work, auditors must obtain information on any development and changes that may have taken place in the sector area after the Document was submitted to the Storting, cf. 4.1 on sector competence. Assessments of the materiality of the findings may also have undergone change during the period that has passed since the audit was conducted. There may therefore be a need to re-assess the materiality of the most important findings of the audit before the follow-up is started. Together with the follow-up plan, this is intended to form the foundation for conducting the follow-up.

The follow-up begins by the OAG sending a letter to the audited entity to request the status of the changes required through the Storting’s consideration of the Document no. 3 matter, the status of the implementation of measures and the results.

In the letter to the government agency, the OAG describes the changes that were required by the Storting through its deliberation of the Document no. 3 matter. The letter summarises the main points of the Storting’s consideration of the matter and the OAG’s statements, observations and assessments, and also presents any proposals for measures that the agency itself suggested in its comments to the report. In the letter, the agency is also invited to give an account of the measures that have been implemented to remedy proven non-compliance and deficiencies, and the effectiveness of these measures. Auditors must take into account the changes that may have taken place in the sector area or in the government agency during the period that has passed – for example in the form of changed framework conditions or of measures implemented.

The ministry’s response will form the basis for determining whether

- to close the case
- to continue the follow-up:
  - either by requesting the ministry to produce a new account
  - or through new investigations

Auditors must carefully assess whether the ministry’s implementation of measures and the effectiveness of the measures are satisfactory enough to allow the case to be closed. If the government administration has not carried out the measures required to remedy the deficiencies that were indicated in the report, auditors can consider making limited investigations or conducting a new audit within the area. It may also be appropriate to request a new report from the ministry in connection with the following year’s follow-up if the
ministry has implemented measures but it is too early to determine whether these will produce the desired effect.

It may also be relevant to take up audit questions from performance audits that were conducted previously as part of a new investigation.

### 7.4 Reporting the follow-up

The results of the follow-up are reported to the Storting in Document no. 3:1 in line with the following template:

1. **Introduction**
   The introduction gives the title of the document and the date it was submitted to and deliberated by the Storting along with the statements of any committee involved.

2. **Summary of the investigation**
   The summary describes the most important findings.

3. **Changes in framework conditions and policy instruments**
   This section provides information on any changes that have taken place in the framework conditions and policy instruments since the audit was conducted.

4. **The ministry’s (and the government agency’s) follow-up**
   This gives information on the measures that have been implemented, and the results that have been achieved.

5. **The Office of the Auditor General’s assessment**
   The conclusion is either:
   
   - the case is regarded as closed, or
   - the case warrants further follow-up