

International

Peer Review Report 2021

Rigsrevisionen - National Audit office of Denmark



By NAO Norway, NAO Finland and NAO Sweden

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1 Executive Summary

A peer review team with representatives from NAO Norway, NAO Finland and NAO Sweden have conducted a peer review of Rigsrevisionen (NAO Denmark).

The peer review team assessed that many of Rigsrevisionens practices support an efficient and high-quality audit. Rigsrevisionen's national standards for major studies and financial audit of the Danish public accounts in most aspects are in adherence with the international principles of public audit.

For financial audit, the peer review team assessed that Rigsrevisionen has established many well-functioning processes to support an effective, high-quality financial audit. We also found room for improvement, especially when it comes to division of labour and support tools. Rigsrevisionen's audit strategy for the Danish public accounts supports an effective audit, but there is room to develop the audit plans on ministry level and the design of centrally planned analyses to clarify the audit approach and further enhance audit quality.

For major studies, the peer review team assessed that the process for planning, conducting, and following up major studies seems to be uniform and well-functioning across the reviewed sample. We also consider the division of labour and support tools to be appropriate for supporting high-quality audits. The peer review team found areas for improvement, especially that the strategic process of selecting topics for major studies is not entirely clear and that Rigsrevisionen has a potential to add more value to the public sector and the general public by a wider dissemination and communication of the report results.

Rigsrevisionens system of quality control has developed over the past years, and the peer review team considers it a little premature to assess whether it ensures that all financial audits of the Danish public accounts and major studies are carried out in accordance with SOR.

2 Introduction and Background Information

Rigsrevisionen, the National Audit Office of Denmark (NAOD), is an independent institution placed under the Danish parliament (the Folketing). Headed by an Auditor General, it employs around 300 people. Rigsrevisionen examines whether government funds are used effectively and as intended by the Danish parliament. To determine that, Rigsrevisionen audits the correctness of public accounts (financial audit) and examines whether government-funded agencies and enterprises comply with current laws and regulations (compliance audit) and whether the administration has focus on economy, efficiency and effectiveness (performance audit) in connection with the audit and their major studies. The results of Rigsrevisionen's studies and audits are reported to the six members of the Danish Public Accounts Committee (PAC), appointed by the Folketing.¹ Rigsrevisionen is organised in four divisions divided into 18 offices.

With effect from the 1st of December 2017, Rigsrevisionen introduced standards on public-sector auditing (Standarderne for Offentlig Revision (SOR)). SOR consists of seven standards established by the Auditor General based on the National Audit Office's legal basis² as well as the Principles of Public-Sector Auditing and SAI Organisational Requirements.³ SOR determines the professional requirements of the auditors and forms the basis for Rigsrevisionen's work with quality development and efficiency.

¹ [The Constitutional Act of Denmark Section 47, subsection 1, 2 and 3](#) and [The Public Accountant Act](#) Section 1

² [The Auditor General Act](#) and [The Instruction for the Auditor General](#).

³ ISSAI 100, 200, 300 and 400 as well as 130 and 140.

3 Objectives, Scope, Approach and Criteria

Objectives of review

The objective of the peer review, as agreed through a Memorandum of Understanding (MoU), is to assure the management of Rigsrevisionen and other stakeholders, that Rigsrevisionen carries out its audits in an effective way, and that the audits are of high quality in compliance with ISSAI principles. The review is intended to contribute to the continuous development and improvement of Rigsrevisionen's audit practice.

In the MoU, the objective is broken down into four main questions:

The objective of the peer review is to assure the management of Rigsrevisionen and other stakeholders, that Rigsrevisionen carry out their audits in an effective way, and that the audits are of high quality in accordance with the international principles of public audit. The review will also contribute to the continuous development and improvement of Rigsrevisionen's audit practice. The peer review is limited to financial audits and major studies.

1. Has Rigsrevisionen established a system of quality control that effectively ensures that all financial audits of the Danish public accounts and major studies are carried out in accordance with SOR?
2. Has Rigsrevisionen formulated an appropriate audit strategy for the Danish public accounts and established well-functioning processes, division of labour and support tools that support an effective, high-quality financial audit?
3. Has Rigsrevisionen formulated an appropriate strategy for major studies and established well-functioning processes, division of labour and support tools that support high-quality audits that add value to the public sector?
4. Do Rigsrevisionen's standards and practices adhere to ISSAI 100 and the additional principles in the ISSAI 100-999 series that are relevant to the financial audit of the Danish public accounts and Rigsrevisionen's major studies?

Scope of review

The peer review is limited to the financial audit of the Danish public accounts and the major studies, conducted in line with requirements in SOR 1- 5. The peer review is not asked to review legally-critical audits based in SOR 6 and performance audits based in SOR 7 that is conducted together with the financial audit of the Danish public accounts. Nor is Rigsrevisionen's financial audit of accounts other than the Danish public accounts covered by the peer review.

The assessments are based on Rigsrevisionen's specific audit practices when auditing the Danish Public Accounts for 2019 reported in 2020 and major studies reported in 2020 or in 2021. Assessments are based on clear and relevant criteria established by SOR requirements or the principles of the ISSAI 100-999 series that are relevant to the individual audits.

In addition to the assessments, the peer review team presents proposals for the Rigsrevisionen's management to consider, with a view to further improve the practices.

Approach and Criteria of review

The methodologies used in the peer review are document analysis and interviews with employees and members of management within the relevant audit processes. We also interviewed "Direktionen", the top management of Rigsrevisionen, and "Statsrevisorerne", members of the Public Accounts Committee.

The sources of criteria are the Auditor General Act (Rigsrevisorloven) and Instruction for the Auditor General (Instruks for rigsrevisor), SAI Organisational Requirements (ISSAI 130 and 140) and the ISSAI principles (ISSAI 100, 200, 300, 400).

For MOU questions 1-3, the peer review team applied Standarder for offentlig revision (SORs) as criteria. For MOU question 4, the team assessed whether the SORs are in adherence with ISSAIs by applying the ISSAI principles and SAI Organisational Requirements as criteria against which the SORs are mapped. The mapping was done by assessing each of the requirements in ISSAIs 100-400 against the requirements in the relevant SORs for the financial audit of the Danish public accounts and Rigsrevisionen's major studies.

Appendices 1 and 2 show a more detailed description of the criteria and approach of the review.

4 Observations

4.1 System of quality control

The peer review team has considered and assessed the following question:

Has Rigsrevisionen established a system of quality control that effectively ensures that all financial audits of the Danish public accounts and major studies are carried out in accordance with SOR?

The main requirements for quality control on an organisational level in Rigsrevisionen are SOR 1 "Fundamental principles of public-sector auditing" and SOR 2 "Rigsrevisionen's quality management". The quality control processes on an organisational level shall ensure that the audit processes are carried out in accordance with the requirements in SOR 4 and 5 for financial audits of the Danish public accounts and SOR 3 for major studies. SOR 2 states that top management shall determine guidelines that assure a systematic monitoring of the quality control of the audits.⁴ Such guidelines were adopted and published on the infonet in March 2021, and has come into effect for the audits published in 2021, but the cold reviews performed according to these guidelines, have been on processes outside the scope of this peer review. It is therefore premature to assess whether the system of quality control is relevant and adequate and is operating effectively⁵, and whether the system ensures that all financial audits of the Danish public accounts and major studies are carried out in accordance with SOR.

Quality control in financial audits of the Danish public accounts

In reviewing the quality control of financial audits of the Danish public accounts for 2019, the peer review team learned that auditors review each other's audit documentation, but there are no formal requirements on

⁴ SOR 2, item 27

⁵ ISSAI 140/E6

how to organise the quality control within each office, or between offices. Therefore, it is unclear if responsibility is assigned to individuals with sufficient and appropriate experience and authority in the SAI to assume that responsibility; and that those carrying out the review are independent⁶.

The office managers in financial audits should perform a quality assurance of the audit by reviewing the documentation before Rigsrevisionen reports their conclusion.⁷ The peer review team observed that the quality assurance from management was variably performed across offices, that quality control of IT audits is unclear, and that in some instances, quality assurance from management was not performed until after the conclusions were reported.⁸

Furthermore, there are no formalised procedures on what steps in TeamMate, the digital documentation tool for financial audit, should be reviewed by the office manager and what the review should entail. Nor are there requirements to when the system for audit documentation should be closed, and the peer review team found examples of documentation that was produced and reviewed up to a year after the audit was reported.⁹

Quality control in major studies

The quality control for major studies appears to be integrated in the audit process. The peer review team found uniform quality procedures across divisions, some independent internal quality review through formalised meetings (sparringmøte), and an academic evaluation of all major studies reports conducted annually.

4.2 Financial audit of Danish public accounts

The peer review team has considered and assessed the following question:

Has Rigsrevisionen formulated an appropriate audit strategy for the Danish public accounts and established well-functioning processes, division of labour and support tools that support an effective, high-quality financial audit?

4.2.1 Audit strategy

Rigsrevisionen has developed an audit strategy that sets the overall framework for the audit of the Danish public accounts. The strategy entails that Rigsrevisionen does not perform financial audit at the entity level. Instead, the audit is organised based on the overall economic materiality, which is composed of the total sum of expenses and revenue. The financial statements on the various sections of the Finance Act are divided into three categories; **Individually significant components**, **Other significant components** and **Non-significant components**; where each of the three has a specific audit approach required in SOR and elaborated in the handbook of financial audit. Based on this audit strategy, the audit teams develop audit plans for individual financial statements on specific sections of the Finance Act (ministry level) where further details of the audit approach are described.

According to SOR, the auditor should perform risk assessment procedures to identify significant risks for material misstatements in the accounts¹⁰. For Individually significant components, the auditor is required to understand the processes in the component, assess risk and materiality, test relevant internal controls and perform the necessary substantive testing. For Other significant components, the auditor should handle risk

⁶ ISSAI 140/E6, b) and c)

⁷ SOR 2, item 23

⁸ ISSAI 140/E5 - point 6

⁹ ISSAI 140/E5 - point 9

¹⁰ SOR 4, item 42 and 43

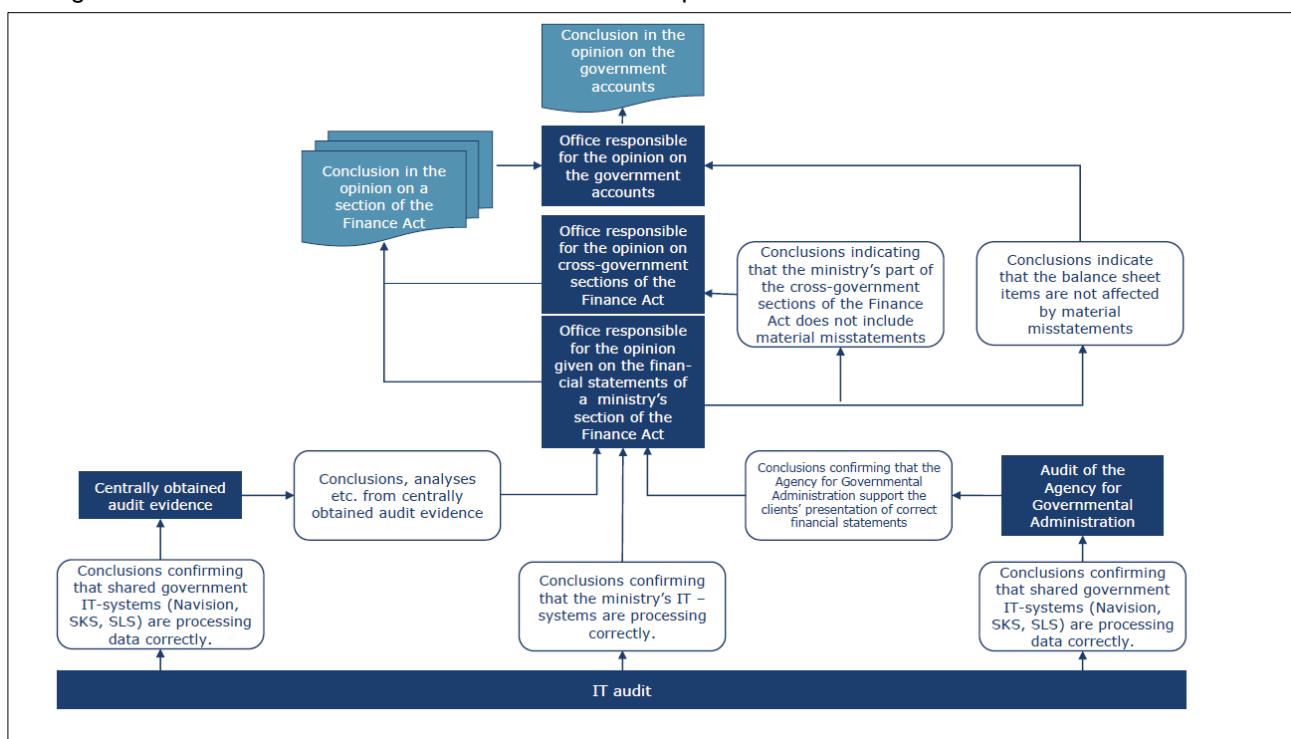
identified in centrally performed analysis, and for Non-significant components, the auditor should not perform audit unless a significant risk of material misstatement is identified.

The peer review team found that the overall audit strategy supports an efficient audit by allocating resources to the most material components of the Finance Act. We also found that there is room to improve the audit approach for the Danish public accounts as a whole and thereby enhancing audit quality. The audit plans on Ministry level vary across the sample, and it is not always clear how the auditor has performed risk assessments and used professional judgement to specify the audit approach for the individually significant components. For Other significant components, although the centrally performed analyses support an efficient and uniform audit across audit teams, the design of these analyses is not entirely clear in regards to the overall audit approach.

4.2.2 Division of labour

The audit process involves many parts of the organisation that perform different categories of audit procedures. Financial audit of the Danish public accounts is based on assurance from the IT audit, centralised audit procedures and audit procedures performed for each ministerial area. The financial audit is summarised in an overall opinion on the public accounts, based on opinions on each individual financial statement on specific sections of the Finance Act. The audit evidence collected in different parts of the organisation is therefore important for reasonable assurance for the public accounts as a whole.

The figure below shows the division of labour in the audit process:



Source: Audit strategy of Danish public account 2019

The 16th office performs all the IT audits relevant for the audit of the Danish public accounts. The office provides assurance on correct data processing in all the IT systems that support the presentation of correct financial statements, both in the ministries and in the Agency for Governmental Administration (SAM)¹¹. In interviews, respondents said that the 16th office has limited resources, and conducts the annual IT audit based on a list prioritised by the top management.

The ninth office is responsible for centrally performed analyses and conclusions on central audits of SAM. The office is also responsible for facilitation of the audit process. In the planning phase, the office prepares

¹¹ Agency for Governmental Administration (SAM) - agency that support the clients' presentation of correct financial statements for many of the audited public entities.

the database containing the templates for the audit process and calculations of materiality for different components of the Danish public accounts. In the conclusion phase, it is responsible for compiling audit evidence from the individual sections of the Finance Act that feed into the overall opinion on the Danish public accounts.

Each office manager is responsible for the opinion on the financial statement on the specific sections of the Finance Act under their office, and signs the opinion together with the Auditor General. The office manager should assure that the auditors follow the procedures described in the handbook of financial audit, and that they handle the residual risks provided from the IT audits, the centrally performed analyses and central audit of SAM.

The peer review team found that the IT Audit, the centrally performed analyses and the central audit of SAM support a high quality and efficient financial audit process. We also found that the capacity in the IT audit unit seems to be inadequate to cover all identified risks. According to interviews, top management acknowledges the IT audit situation and is looking into remediating action. The review of audit documentation in our sample could not confirm that all residual risk from IT audits, centrally performed analysis and audit of SAM were handled appropriately of the responsible audit team.

4.2.3 Support tools

Rigsrevisionen has developed a handbook of financial audit of the Danish public accounts and several well functioning templates that support a high-quality and efficient audit process. TeamMate is a digital audit support tool for documentation of the financial audit.

Handbook

The handbook of financial audit is detailed and provides the auditor with relevant procedures and guidance on how to follow SOR. However, some elements of the audit could be described more explicitly in the handbook; How the IT audit supports the financial audit, how quality control should be performed and documented, and how follow-up is done in practice.

TeamMate

The auditor shall document the audit in accordance with the overall circumstances of the audit. TeamMate should help the auditor document the audit process as sufficiently complete and detailed for an experienced auditor, who without previous affiliation to the audit, can subsequently determine the timing and extent of audit procedures, the audit evidence obtained, and the applied professional judgment to reach conclusions.¹²

The peer review team found that there are different set-ups in TeamMate across the sample. There are few requirements on how the audit documentation should be structured, which makes it hard to identify all relevant documentation, and ensure that the documentation is complete. Different offices are responsible for specific segments of the audit, and it is at the office manager's discretion to decide how the audit documentation in TeamMate is structured. This results in different structures between offices, and makes it challenging to follow the audit trail. It is especially hard in the conduction phase and the conclusion phase, especially where the office responsible for the opinion at ministry level performs audit procedures based on conclusions from the IT audit in the 16th office or the centrally performed analyses from the ninth office. The peer review team could not easily identify a final audit file where all relevant documentation was assembled.

TeamMate provides a structure and a sign off functionality for auditors and office managers that support quality control. However, there are few requirements about what steps the quality control should be performed at and what it should entail. It is at the office manager discretion to organise supervision

¹² SOR 4, item 32

responsibilities and quality assurance. The peer review team found examples that office managers do not perform quality assurance in a uniform way, and in some instances not in a timely manner.

4.2.4 Reporting and follow-up

According to ISSAI 100 and ISSAI 200, follow-up should be a phase in the audit process¹³. The peer review team found that the audit teams have a follow-up procedure where they assess findings from the previous year in connection with the planning of the audit. All audit teams across the sample had sent management letters, and documented the contribution to the annual report of the financial audit of Danish public accounts where appropriate. There is also a system for reporting follow-up in the annual report of the financial audit of Danish public accounts. Although Rigsrevisionen's practice seems to be in place, follow-up procedures on reported findings in the annual report on the Danish public accounts are not described in SOR 4, in contrast to SOR 3, where follow-up procedures are described.

The peer review team also noted that Rigsrevisionen has an editorial group to ensure a structured and effective process in reporting the Danish public accounts by coordinating text contributions to the final report.

4.3 Major studies

The peer review team has considered and assessed the following question:

Has Rigsrevisionen formulated an appropriate strategy for major studies and established well-functioning processes, division of labour and support tools that support high-quality audits that add value to the public sector?

4.3.1 Selection of audit topics

4.3.1.1 ISSAI compliance

The strategic process for selecting topics for major studies is mentioned, but not described, in SOR 1 and SOR 3. According to ISSAI 300 and 400, the SAI should select audit topics through a strategic planning process by analysing potential topics and conducting research to identify risks and problems.¹⁴ The risk and problem analysis is not mentioned in the SORs and there is no other document that provides an overall description of all the elements included in the strategic process of selecting relevant audit topics. Various elements of the process are addressed in different guidelines available on the intranet¹⁵ and described in interviews. However, it is still not entirely clear to the peer review team how the process ensures that the most relevant audit topics are chosen based on risk and problem analysis. As a strategy for analysing major relevant problems and risks on an overall level is not described, it is not entirely clear how this is considered in practice.

4.3.1.2 Proposals for consideration

A strategy for major studies should aim to ensure that the most relevant topics are selected. Rigsrevisionen's five-year strategy document states three promises: focusing on 3E audits (Economy, Efficiency and Effectiveness), cross-departmental audits and to write out the consequences in a clear way.¹⁶ How these promises also contribute to ensure that the most relevant audit topics are selected, considering risks and

¹³ ISSAI 100/34, ISSAI 100/51 (last section) and ISSAI 200/28

¹⁴ ISSAI 300/36.

¹⁵ For example, "Aktivitets- og resursestyring", "Retningslinjer for planlægning" and "Skabelonen for beretningsidéer".

¹⁶ Rigsrevisionen's strategy document (2018-2022).

problems, is not described in the strategy. Even if an audit idea is in line with these promises and passes a number of other criteria¹⁷, it does not necessarily ensure that the most relevant audit topics, significant for the intended user, are selected.

When an audit topic has been selected, one needs to consider the most relevant audit objectives. Depending on the audit objective, major studies can encompass both performance audit issues and compliance audit issues. Based on the observations of the peer review team, the concept of major studies is not entirely clear. Wherever a 3E question (on Economy, Efficiency and Effectiveness) is relevant or chosen, this could be considered a performance audit. The audit question should guide which method to select and apply, in order to answer the question¹⁸. In performance audits in general, it is possible to use different quantitative or/and qualitative methodologies that are best suited to answer the 3E objective. Rigsrevisionen has chosen a relatively narrow definition of 3E audits, as a major study only qualifies to being a 3E audit if they are able to produce a quantitative measure of economy, efficiency, or effectiveness. The peer review team consider this a restriction that poses a risk that other relevant 3E objectives might not be audited. It should be possible to pose 3E questions to a greater extent also in the other types of major studies, where it is relevant, even when you do not produce a quantitative measure. The peer review team found that there is an emphasis on productivity/efficiency analysis in the 3E audits, potentially at the expense of economy and effectiveness issues.

In recent years, Rigsrevisionen has focused on the development of data analytics. These investments are sound, and reflected in a number of major studies utilizing data analytics. It could be considered that the use of advanced data analyses in some of the major studies in the peer review sample could be more integrated and balanced with the qualitative elements in the studies. The data analytics expertise is utilised especially when 3E audit teams are formed. However, there is some risk that the excellent competence of the teams will not be fully reflected in the final audit report. The use of data analytics in major studies should be encouraged and well integrated in the audit reports. The aim could be to consciously combine qualitative and quantitative methods in major studies, which could better serve the information needs of auditees, intended users and other stakeholders. Broadening the methodology - or the methodology "tool box" - used in major studies might also add more value to the PAC and the Parliament according to interviews with the PAC. This would mean making good use of Rigsrevisionen's entire audit mandate.

4.3.2 Communication and dissemination of report message

Based on the sample used in the peer review, the peer review found that reporting of the major studies is logical, thorough and transparent. It is very respectable that the audit reports also address the problems that have arisen during the audit process.

4.3.2.1 ISSAI Compliance

According to ISSAI 300, the SAI should also seek to make their reports widely accessible, in accordance with their mandate.¹⁹ The distribution and dissemination of reports are not described in SOR 3 and from interviews, the peer review team found that dissemination of the reports to other stakeholders than the PAC is uncommon.

4.3.2.2 Proposals for consideration

It would be possible to develop communication, especially on the results of major studies. In the light of the reports reviewed, it is not entirely clear whether current practices contribute to the effective communication of the messages from the major studies to the general public in the best possible way. During the peer review, there were discussions about why Rigsrevisionen rarely uses recommendations. We understand that the conclusions and recommendations made may overlap to some extent (so-called "mirror recommendations").

¹⁷ Rigsrevisionen considers a number of criteria for each new audit idea, for example timing issues, the importance of problem indications and the importance of being able to come up with critical conclusions.

¹⁸ ISSAI 300/37

¹⁹ ISSAI 300/41.

Despite the minor overlaps, the wider use of recommendations could increase the effectiveness of the audit report, as it may contain helpful guidance regarding the main findings of the audit. Recommendations may then bring added value to Rigsrevisionen's reports.

Dissemination of the reports to a wider range of stakeholders than the PAC is uncommon and the main message of the reports may not always be accessible to different stakeholders. The peer review team consider that the audit report messages could usefully be disseminated and be accessible to a wider range of interested stakeholders and audience. New additional products have been developed for the media and others, assisting in conveying the main report message, for example "Results in brief". In cases where the audit report topic, e.g. the prevention of fraud, is relevant for a wider audience, Rigsrevisionen has also practiced inviting a larger audience across the ministries and the public sector to present the findings. This is a good example of conveying the report message to a wider range of intended users.

4.3.3 Value added

In recent years, there have been extensive discussions in SAIs about added value, but in practice, it has proved difficult to measure. Often, added value is assessed through various surveys sent to stakeholders. The internal procedures for assessing and ensuring value added from the major studies are still in the making. "User surveys" from auditees has been reintroduced recently. Assessment of value added to stakeholders are done ad hoc. In the light of current knowledge, the results of the assessments are not easy to interpret.

The peer review team observed that the PAC is the main stakeholder of Rigsrevisionen. Other stakeholders are not in general identified when publishing the reports. There seems to be room for disseminating the reports more widely to the general public (outside PAC and parliament).

As identified by the peer review team, there are transparent and open communication practices with auditees throughout the audit process. This also creates a solid foundation for added value of Rigsrevisionen and its reports.

4.3.4 Follow-up, division of labour and support tools

The follow-up process in Rigsrevisionen seems very thorough and even ambitious. The considerations and the planning of the follow up are relevant and appropriate for the six major studies in the sample. The objective is to monitor and follow-up until the problems raised in the audit report have been resolved. Follow-up includes several different steps and time limits as well as discussions between Rigsrevisionen and the auditee.

The processes related to the division of labour seem to be well functioning for major studies. Rigsrevisionen is well placed to find experts who support the best possible quality of the audit process and final audit report. Rigsrevisionen has strong expertise in forming teams that combine multidisciplinary expertise such as IT and methods. These functions form a kind of "centre of excellence" in the organisation, from which staff resources can be allocated to projects. Moreover, the support tools available (templates and guidelines) seem to support the major studies audit teams in their work. On the other hand, the set of instructions and guidelines are so extensive that it is difficult for an external evaluator to find everything relevant. The peer review team considers the support tools sufficient for supporting high-quality audits.

4.4 Adherence to ISSAI Principles

The peer review team has considered and assessed the following question:

Do Rigsrevisionen standards and practices adhere to ISSAI 100 and the additional principles in the ISSAI 100-999 series that are relevant to the financial audit of the Danish public accounts and Rigsrevisionen's major studies?

Rigsrevisionen has implemented the ISSAIs by establishing national standards (SORs) based on the ISSAI principles, in line with the Fundamental Principles of Public-Sector Auditing²⁰. According to ISSAI 140, SAIs should ensure that applicable standards are followed in all work carried out, and if any requirement in a standard is not followed, SAIs should ensure the reasons are appropriately documented and approved.²¹

To assess whether Rigsrevisionen's standards adhere to ISSAIs, the peer review team mapped standards and ISSAIs as follows:

ISSAIs	Rigsrevisionen's national standards (SORs)
<i>ISSAI 100 Fundamental Principles of Public-Sector Auditing</i>	<i>"Rigsrevisorloven" and "Instruks for rigsrevisor"</i> <i>SOR 1 Fundamental principles of public-sector auditing</i> <i>SOR 2 Rigsrevisionen's quality management</i>
<i>ISSAI 130 Code of Ethics</i>	<i>SOR 1 Fundamental principles of public-sector auditing</i> <i>SOR 2 Rigsrevisionen's quality management</i>
<i>ISSAI 140 Quality Control for SAIs</i>	<i>SOR 2 Rigsrevisionen's quality management</i>
<i>ISSAI 200 Financial Audit Principles</i>	<i>SOR 4 Financial audit of the Danish Public Accounts and other financial statements</i> <i>SOR 5 The auditor's report in a public-sector audit</i>
<i>ISSAI 300 Performance Audit Principles</i>	<i>SOR 3 Major studies</i>
<i>ISSAI 400 Compliance Audit Principles</i>	<i>SOR 3 Major studies</i>

For each requirement in the ISSAIs, we assessed whether the requirement was fully identified, partially identified or not identified in SOR. Rigsrevisionen has considered some of the requirements not relevant for their circumstances, but the reasons are not documented and approved. Where the peer review team has encountered such requirements, the relevance has been raised with Rigsrevisionen during the peer review.

According to ISSAI 100, in order to properly adopt or develop auditing standards based on the auditing principles, an understanding of the entire text of the principles is necessary. To achieve this, it may be helpful to consult the relevant audit standards.²² To assess whether Rigsrevisionen's audit practices adhere to ISSAIs, we followed up the mapping with questions about Rigsrevisionen's practices in the interviews and the reviewed audit documentation. Findings on these assessments are presented in chapters 4.2 and 4.3.

ISSAI 100/9 also describe how audit reports may include a reference to the fact that the standards used were based on or consistent with the ISSAI or ISSAIs relevant to the audit work carried out. All of

²⁰ ISSAI 100/8

²¹ ISSAI 140/E5, point 4

²² ISSAI 100/9

Rigsrevisionen's reports refer to all of their national standards, based on all ISSAIs on level 3 (ISSAI 100-999), without differentiating between audit types. In order to enhance transparency, Rigsrevisionen may want to consider differentiating more between the specific SORs and the corresponding audit principles they have applied for their different audit processes.

SAI Organisational requirements - Ethics and quality control

According to ISSAI 100/35 *The existence of procedures for ethics and quality control on an organisational level is a prerequisite for applying or developing national standards based on the Fundamental Auditing Principles.*

For ISSAI 130 Code of Ethics, most of the formal requirements could not be found in SOR, but instead they were found in the internal guidelines "Good behaviour in Rigsrevisionen" and "Competence strategy". A few missing elements even in the guidelines are worth mentioning.

- Whether contracted parties also must commit to the SAI's ethical requirements and how this is secured²³ is neither described in the SORs nor in the document "Good behaviour in Rigsrevisionen". According to Rigsrevisionen, "Good behaviour in Rigsrevisionen" only applies to Rigsrevisionen's employees. Contracted parties are required to sign a confidentiality declaration ("Tavshedserklæring"). However, the document does not address other important ethical requirements like for example risk of conflicts of interests.
- At the time this analysis was conducted, there were no formal procedures for whistleblowing or for notifying the head of SAI about breaches of ethical requirements.²⁴ However, following the European Parliament and the European Council's adoption of the EU Whistleblower Directive in 2019, the Danish Parliament passed an act on the protection of whistleblowers in June 2021. This act requires all companies and public bodies with more than 250 employees to implement its own internal reporting policy for whistleblowing. Rigsrevisionen is currently working on a policy for whistleblowing, which will be implemented in the near future according to Rigsrevisionens management.

For ISSAI 140, the following elements are neither identified in SOR, nor observed in Rigsrevisionen's practice:

- A risk assessment regarding potential threats to independence.²⁵
- Procedures for dealing with complaints or allegations about the quality of work performed by the SAI.²⁶ According to Rigsrevisionen, there is no established legal access to make such complaints or allegations. The legal basis for Rigsrevisionen provides that complaints about the Auditor General's decisions on certain matters can be made to the Speaker of Parliament. This has also happened in practice. The Parliament follows its own working procedures in addressing such complaints.

5. Good practices

The peer review team would like to highlight Rigsrevisionen's practices we consider good practice:

- The annual procedure connected to acceptance and continuance where new tasks and clarity of tasks are assessed and dealt with, secures that Rigsrevisionens portfolio and the prerequisites for it, are regularly assessed
- The centrally performed analyses and the central audit of SAM are examples of a development into digital and data-driven auditing, supporting a high-quality and efficient financial audit process.
- A structured process for reporting the financial audit of the Danish public accounts supports an effective process in coordinating text contributions to the final annual report.

²³ ISSAI 130/12 d)

²⁴ ISSAI 130/12 e)

²⁵ ISSAI 140/E3, point 3 SAIs should assess if a material risk to their independence exists in accordance with INTOSAI-P 10.

²⁶ ISSAI 140/E6, point 6 SAIs should have procedures for dealing with complaints or allegations about the quality of work performed by the SAI.

- The practice of forming major study teams that require multidisciplinary expertise.
- Transparent and open communication with auditees throughout the process of major studies.
- A thorough and transparent follow-up procedure for all audit reports. The responsible parties have between two and four months to explain how they intend to follow up on all conclusions. Findings are monitored from Rigsrevisionen until they are corrected, and related communication is published on the internet in a structured manner.

6. Conclusions

System of quality control

The peer review team noted that Rigsrevisionen's guidelines for systematic monitoring of the quality control of the audits were adopted in March 2021. We consider that it is premature to assess whether the system of quality control is relevant and adequate and are operating effectively, or ensures that all financial audits of the Danish public accounts and major studies are carried out in accordance with SOR.

Danish public accounts

Based on the peer review work, the peer review team assessed that Rigsrevisionen's audit strategy for the Danish public accounts supports an effective audit, but there is potential for developing the audit plans on ministry level and explain the design of centrally planned analyses to clarify the audit approach and thereby enhancing quality. Rigsrevisionen has established many well-functioning processes to support an effective, high-quality financial audit, but we found room for improvement, especially when it comes to division of labour and support tools. The IT audit, the centrally performed analyses, and audit of Agency for Governmental Administration (SAM), support a high-quality and efficient audit, but the elements are not fully incorporated in the financial audit process. The supporting documents (audit strategy, the handbook and templates) give good guidance to auditors and support both audit quality and effectiveness, but the IT Audit Guidance is not included in the handbook, and quality control procedures and follow-up procedures could be better described. Rigsrevisionen's use of TeamMate could also be better structured, and the sign-off functionality could be better utilised.

Major studies

Based on the peer review work, the peer review team assessed that the process for planning, conducting, and following up major studies seems to be uniform and well-functioning across the reviewed sample. We also consider the division of labour and support tools to be appropriate for supporting high-quality audits. The peer review team found areas for improvement, especially that the strategic process of selecting topics for major studies is not entirely clear and that Rigsrevisionen has a potential to add more value to the public sector and the general public by a wider dissemination and communication of the report results.

Adherence to ISSAIs

Rigsrevisionen's standards are in most aspects in adherence with ISSAI Principles and SAI Organisational requirements. Rigsrevisionen has considered some of the requirements not relevant for their circumstances, but the reasons are not documented and approved.

7. Recommendations

The peer review team have some suggestions for Rigsrevisionen to consider:

- For financial audits, Rigsrevisionen may consider further developing the audit plans on ministry level, and better explain the design of the centrally planned analyses, to improve the audit approach for the Danish public accounts as a whole and thereby enhancing audit quality.
- For financial audits, Rigsrevisionen may consider clearer requirements for review and management's quality control in the handbook. This could support management's confidence of reasonable assurance in the many different parts of the organisation that contribute to the opinions at ministry level and the overall opinion on the Danish public accounts.
- Rigsrevisionen may consider better incorporating IT auditing in the financial audit process and include more guidance on timeliness and quality control of documentation in the handbook. The financial auditing standards (ISSAI 2000-2899) may be consulted to properly adopt the requirements consistent with the auditing principles.
- Rigsrevisionen may consider more uniform documentation structure and better use of sign-off functionality in TeamMate, so that an assembled audit file can be easily identified, and that adequate quality control procedures can be demonstrated. This may give management better assurance that all audit risk in the division of labour is handled adequately, and that the documentation is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached.
- Rigsrevisionen may want to consider clarifying and describing the strategic process of selecting topics for major studies. A strategy of selecting audit topics should ensure that the relevant issues end up being audited. A clarification of the process of selecting the most relevant audit topics may provide stakeholders and the general public with an understanding of why a specific audit topic is selected from a wide range of potential topics.
- Rigsrevisionen may consider disseminating the major study reports to a wider audience. A wider dissemination and communication of report results may add value to a range of stakeholders and the general public.
- Rigsrevisionen may consider documenting and approving the reasons for ISSAI requirements that are deemed not relevant according to Rigsrevisionen's circumstances
- Rigsrevisionen may consider carrying out a risk assessment regarding potential threats to independence
- Rigsrevisionen may consider enhancing adherence with ISSAI principles in SOR through including the ethical requirements currently in the document "Good behaviour in Rigsrevisionen" into SOR, and completing SOR with requirements regarding contracted parties, whistleblower policy and reference to the legal basis and the practice for dealing with complaints and allegations.

Appendix 1 Criteria and approach

For each of the main questions formulated in the MoU, the design matrix below comprises the source of criteria and the approach.

Question 1: Has Rigsrevisionen established a system of quality control that effectively ensures that all financial audits of the Danish public accounts and major studies are carried out in accordance with SOR?	
Source(s) of criteria:	Approach
<p><i>Danish standards on public-sector auditing (SOR):</i></p> <ul style="list-style-type: none">✓ SOR 1 – Fundamental principles of public-sector auditing✓ SOR 2 – Rigsrevisionen's quality management✓ SOR 3 – Major studies✓ SOR 4 – Financial audit of the Danish Public Accounts and other financial statements	<p>To answer this question the peer review team <u>interviewed members from PAC</u>, all of the top management, and the 6 office leaders and audit teams for each audit type (see the sample of audits in appendix 2).</p> <p>The peer review team conducted <u>document analyses</u> of the documents on the quality control system, and <u>examined</u> audit tools and audit papers for each audit type (see the sample of audits in the appendix 2).</p> <p>This approach was to assess if the practice of quality control complied with the SORs.</p>

Question 2: Has Rigsrevisionen formulated an appropriate audit strategy for the Danish public accounts and established well-functioning processes, division of labour and support tools that support an effective, high-quality financial audit?

Source(s) of criteria	Approach
<p><i>Danish standards on public-sector auditing (SOR):</i></p> <ul style="list-style-type: none">✓ SOR 1 – Fundamental principles of public-sector auditing✓ SOR 4 – Financial audit of the Danish Public Accounts and other financial statements✓ SOR 5 – The auditor's report in a public-sector audit	<p>To answer this question, the peer review team <u>interviewed members from PAC</u>, all of the top management and 6 office leaders including the audit teams at ministry level of financial audit of Danish public accounts (see the sample of audits in the appendix 2).</p> <p>The peer review team also conducted a <u>document analysis</u> and examined audit papers, structure and documentations in TeamMate (audit digital tool).</p> <p>Important documents in this approach were:</p> <ul style="list-style-type: none">✓ Handbook in financial audit of Danish public account (05.2020)✓ IT Audit Self-assessment action report (11.2020)✓ Notes to the audit public committee (04.2021)✓ Relevant audit documentation in the audit sample✓ Documentations about IT audit, audit of SAM and central audit evidence✓ IR database✓ Audit strategy for Danish public accounts 2019✓ Report on the financial audit of the Danish public accounts for 2019.✓ Relevant information about financial audit on the infonett. <p>The approach was to test whether audit practices comply with the SORs.</p>

Question 3: Has Rigsrevisionen formulated an appropriate strategy for major studies and established well-functioning processes, division of labour and support tools that support high-quality audits that add value to the public sector?

Source(s) of criteria	Approach
<p><i>Danish standards on public-sector auditing (SOR):</i></p> <ul style="list-style-type: none"> ✓ SOR 1 – Fundamental principles of public-sector auditing ✓ SOR 3 – Major studies 	<p>To answer this question, the peer review team <u>interviewed members from PAC</u>, all of the top management, and 6 office leaders including the audit teams for 6 major studies (see the sample of audits in the appendix 2).</p> <p>The peer review team also conducted a <u>document analysis</u>.</p> <p>Important documents in this approach were:</p> <ul style="list-style-type: none"> ✓ Rigsrevisionen's strategy 2018-2022 ✓ Operationalisering af eksterne resultatkrav for 2020 ✓ Rigsrevisionens årsrapport 2020 ✓ "Undersøgelsestyper og kriterier i større undersøgelser" ✓ Information from 8th office ✓ <u>Sådan laver vi større undersøgelser</u> ✓ <u>Opfølgning på beretninger</u> ✓ <u>Revisionssager arkiv</u> ✓ Information on the infonett ✓ "Elaboration of criteria" ✓ Resource planning system ✓ Information from new strategy unit and plans ✓ User surveys such as "Kundeundersøgelsen" ✓ <u>Evaluering af beretninger</u> <p>The approach was to test whether audit practices comply with the SORs</p>

Question 4: Do Rigsrevisionen standards and practices adhere to ISSAI 100 and the additional principles in the ISSAI 100-999 series that are relevant to the financial audit of the Danish public accounts and Rigsrevisionen's major studies?

Source(s) of criteria	Approach
<ul style="list-style-type: none"> ✓ ISSAI 130 Code of Ethics ✓ ISSAI 140 Quality Control ✓ ISSAI 100 Fundamental Principles of Public-Sector Auditing ✓ ISSAI 200 Financial Audit Principles ✓ ISSAI 300 Performance Audit Principles ✓ ISSAI 400 Compliance Audit Principles <p>To be sure of the context we also refer to the Auditor General Act and Rigsrevisionen's Instructions.</p>	<p>To answer this question the peer review team interviewed <u>members from PAC</u>, all of the top management, and conducted a mapping between ISSAIs and SORs. The following SORs and other underlying documents were mapped against ISSAIs.</p> <ul style="list-style-type: none"> ✓ SOR 1 – Fundamental principles of public-sector auditing ✓ SOR 2 – Rigsrevisionen's quality management ✓ SOR 3 – Major studies ✓ SOR 4 – Financial audit of the Danish Public Accounts and other financial statements ✓ SOR 5 – The auditor's report in a public-sector audit ✓ Good behaviour in Rigsrevisionen ✓ Competence strategy of Rigsrevisionen

Appendix 2 Sample of audits

To reach an appropriate sample of audits, the team organised the ministerial areas of the Danish public accounts for 2019 (published in August 2020), as well as all major studies reports published in 2020, according to the division and office responsible for the audit. To obtain a sample reflecting the breadth of the organisation, the peer review team selected two ministries/reports from each division.

For the Danish public accounts, another selection criterion was budget size, and the team selected four ministries with a large budget and two ministries with a small budget to ensure variation in the sample (see table below).

Division	Office	Ministry	§ in Danish Public Accounts
A	1 st Office	Social Affairs and the Interior (Social- og Indenrigsministeriet)	§ 15
A	6 th Office	Climate, Energy and Utilities (Klima-, Energi- og Forsyningssministeriet)	§ 29
B	13 th Office	Higher Education and Science (Uddannelses- og Forskningsministeriet)	§ 19
B	13 th Office	Children and Education (Børne- og Undervisningsministeriet)	§ 20
C	9 th Office	Finance (Finansministeriet)	§ 7
C	10 th Office	Taxation (Skatteministeriet) Taxes and charges (Skatter og afgifter)	§ 9 § 38

For major studies, other selection criteria were to include the reports on the three Es, one cross-cutting report (tværgående), and two randomly selected reports in the sample (see table below).

Division	Office	Ministry	Report
A	3 rd Office	Employment (Beskæftigelsesministeriet)	Report on the efficiency of the Danish Working Environment Authority's (WEA) inspections (Arbejdstilsynets tilsynseffektivitet (3E))
A	3 rd Office	Industry, Business and Financial Affairs (Erhvervsministeriet)	Report on Statistics Denmark's quality and efficiency (Danmarks Statistikks kvalitet og produktivitet (3E))
B	14 th Office	Cross-cutting (all ministries))	Report on steps taken to prevent fraud in the public sector (Statens tiltag for at undgå statsansattes besvigelse)
B	15 th Office	Construction projects, large scale procurement, IT-projects and infrastructure projects (Byggeprojekter, større anskaffelser, it-projekter og infrastrukturprojekter)	Report on the construction of the Niels Bohr Building (Byggeriet af Niels Bohr Bygningen)
C	4 th Office	Environment and Food (Miljø- og Fødevareministeriet)	Report on the inspection of the welfare of animals during transport (Kontrol med dyretransporter)
C	11 th Office	Justice (Justitsministeriet)	Report on the performance of the Danish police in relation to charging burglars (Politiets indsats overfor indbrud (3E))

Appendix 3 - About the peer review team

The peer review of Rigsrevisionen's financial audits of the Danish Public Accounts and major studies was carried out by a team of representatives from the National audit offices of Norway, Sweden and Finland.

The peer review team did a fully digital peer review because of the Covid-19 pandemic. All data collection was done through remote access, and all interviews were conducted through video meetings.

Norway - The Office of the Auditor General of Norway

- Merethe Nordling (Review Leader)
- Trine Hovdenakk
- Kristin Amundsen

Sweden - The Swedish National Audit Office

- Marika Johansson
- Linda Sahlén Östman
- Gunhild Magnusson

Finland - National Audit Office of Finland

- Teemu Kalijärvi
- Tiina Riihilahti-Jylhä
- Pontus Londen