

# Peer Review of Swedish National Audit Office

BY UK NATIONAL AUDIT OFFICE AND OFFICE OF THE AUDITOR  
GENERAL OF NORWAY

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# Summary

SNAO asked the Office of the Auditor General of Norway (OAGN) and the UK National Audit Office (NAO) to carry out a Peer Review of its audit functions and some key management processes and support functions.

The Peer Review team was led by Ole Husebø Schøyen and consisted of Usman Asif and Eva Maria Simma from the OAGN and Zaina Steityeh, Andrea Jansson, Richard Stanyon, Elisabeth Moore, Jeremy Gostick and Jeremy Weingard from the NAO

The Peer Review was carried out in accordance with an MoU signed by the three parties in December 2021.

The Peer Review focused on the quality of the performance and financial audit streams respectively and an assessment of key governance and management processes, such as strategic planning, relevance, strategic skills supply and digitalisation.

## Peer Review Conclusion

SNAO is a modern, well- managed supreme audit institution that provides high quality audit work that is relevant for its key stakeholders. SNAO can make further improvements by narrowing the scope of its strategy, working to improve the priorities for organisational development and adopting more innovative approaches to recruitment and retention of staff.

# Part One: Governance and Relevance

**1.1** This section summarises findings from the review of management processes, digitalisation and relevance. The requests from SNAO in the MoU and Scope of the assignment is for a review of “Elements of the management’s governance that create important conditions for audit”<sup>1</sup>. The scope of the Peer Review identifies these as:

- Planning and strategic decisions regarding direction of audit operations and processes for organisational development
- Digitalisation of processes and adaption of working methods to increase the quality of the audit and streamline our work.
- Strategic skills supply

Regarding relevance, SNAO has requested feedback on its processes for ensuring that the office is producing results for its key stakeholders.

We found that a lot of the relevance work is performed by support functions in the office and we then separate out the non-audit parts of the review in this section. This section is structured in the following sub-sections:

- **Governance and management process:** where we assess the strategic direction of the office and how it impacts audit and organisational development.
- **Strategic skills supply:** where we review the strategic human resources work in SNAO
- **Digitisation:** where we assess the work on organisational development to use new technology to improve the efficiency and effectiveness of operations.
- **Relevance:** where we review the work SNAO is performing to accommodate its stakeholders

**1.2** This section of the peer review has been produced by considering the relevant extracts of the SAI-Performance Management Framework (SAI PMF), alongside discussions with SNAO colleagues and review of documentation. Our findings are sometimes based on assessments of policies and practices against standards, but some are also observational and based on our own qualitative assessments. We recognise that we can never get a full picture of the functioning of a complex institution in a few short weeks.

## Headline Findings

**1.3** SNAO has developed a robust model for managing the office with clear lines of responsibility. The office has demonstrated some success in unifying an organisation that was previously run by multiple heads of SAI. The management process complies with the basic requirements and best practices for a strategic planning cycle, but our qualitative assessment has determined that SNAO can make improvements by identifying more specific high level risks to address in its audits and specifying its organisational goals more and targeting them towards SAI outcomes, rather than inputs, processes and outputs.

**1.4** SNAO has significant challenges with strategic skills supply: the turnover rate is high and the office is missing some core competencies. SNAO could be more innovative with its strategic skills supply work. We

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<sup>1</sup> Inception Report page 1 section 1.21.2

make recommendations on both improving mobility in some areas of the organisation and taking a more strategic approach towards remuneration.

**1.5** SNAO has set up a relatively new centralised approach to organisational development to use digitalisation to improve the office’s operations. The centralised approach has been met with a positive response, but its execution has had significant teething problems. Though some of these have been addressed during the course of our review, we think there is more scope for prioritising development work.

**1.6** SNAO has a strong focus on relevance and does a significant amount of reporting and follow-up to ensure that its work is having an impact on the government’s operations. The office is doing a lot of useful work, but connected to the point raised in 1.3, it can further specify what relevance means by reviewing the key risks it has identified. We also make some proposals for further engagement with parliament.

## Governance and management process

### SNAO Management Model

**1.7** SNAO’s governance and management process is established in a main steering document (“Arbetsordning”). The document outlines the purpose and mandate of the organisation, its management structure and key planning documents. It also establishes categories for internal rules and regulations that cut across the organisation.

**1.8** The Swedish Parliament appoints the Auditor General (AG) granting supreme authority over the office. Parliament also appoints a Deputy Auditor General (DAG), to act as AG if the AG is absent. The responsibilities of the DAG are otherwise decided on by the AG. The AG leads a management team consisting of the DAG and seven department heads: Management Support, Financial Audit, Performance Audit, International, Human Resources, Communication and Legal.



## Swedish National Audit Office Organisation

May 2022

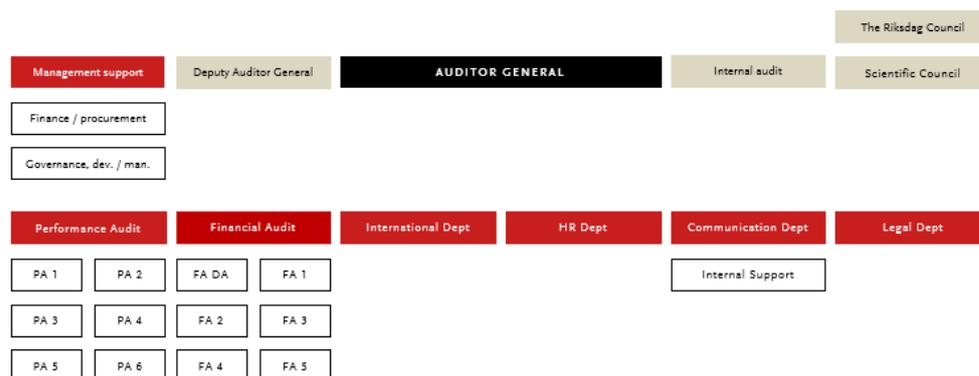


Figure 1 Swedish National Audit Office Organisational Chart

**1.9** The office is managed through a set of key planning documents:

- a The Long-term Plan, which sets out SNAOs direction, long-term objectives and priorities for a four-year period, including a four-year financial framework. The long-term plan is updated annually
- b The Audit Plan, which is a statutory external product submitted to Parliament, sets the direction for audit work at a high level, connecting the planned audit work to high level risks
- c The Annual Plan, which sets out key tasks and risk mitigation for SNAO, and allocates the distribution of resources in the organisation for the calendar year, providing the basis for departmental planning
- d Action plans: each department drafts its own work plan for the calendar year, based on the priorities, and resources allocated, in the Audit and Annual plans.

**1.10** SNAO introduced a new management model following a period of upheaval for the office in 2015-2016. The model was put in place by the three new Auditors General appointed during that period. The new appointments and changes to the governance started a transition from an organisational and governance structure where SNAO was had a model with three Auditors General, to a model with one head of SAI and a Deputy Head, also appointed by Parliament. Among the challenges the office had faced was the emergence of parallel reporting structures. Despite the departmental structure of the office, the Auditors General division of responsibility amongst the three of them tended to create separate lines of reporting from different parts of different departments in the office. The current AG referred to this as “stove piping” and said that it presented a significant challenge for the office to act according to a unified strategy, because the decision-making processes had been so fragmented that separate informal decision-making structures had cemented themselves in the office. A key objective with the new management model was therefore a vision of “one SNAO”, where the whole office is guided by, and feels ownership of, the same set of strategies.

## **Main Findings**

**1.11** SNAOs strategic planning cycle is largely in compliance with the SAI PMF criteria for this type of process<sup>2</sup>. The office develops the long-term plan with an internal needs assessment process, it sets goals and indicators that office reports on annually. The plan includes emerging risks that are important for stakeholders and goals for the office. The long-term plan is accompanied by an annual plan that sets out objectives and resources for the coming year in a rigorous planning cycle and an annual audit plan that presents the key risk areas in more detail and presents the planned audit activities for the coming years. The annual plan shows how the office intends to meet its objectives and the annual audit plan shows how the office is addressing key risk areas.

**1.12** SNAO has identified three key risks that apply across the public sector, which are meant to guide the office:

- Public finances
- Management follow-up and reporting
- Organisation, responsibility and coordination

The four main goals for the office are:

- “Our organisations is relevant for stakeholders and performs its work with high quality”
- “Our organisation communicates with the greatest possible impact for the organisation”
- “We have the competency that meets the organisation’s needs”

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<sup>2</sup> SAI PMF Indicator 3 (i)-(iii)

- “We have clear, effective processes, work flexibly and make use of the possibilities provided by digitalisation”

**1.13** We discussed the overall risks with the audit department management teams. A positive we drew from this was that the awareness of “One SNAO” was clearly visible, something we also found in many of the other organisational development discussions. However, our own assessment of the risks were that they might be too broad and all-encompassing to provide any direction. This was confirmed in our discussions: financial audit needs to do statutory audit and their priorities are not impacted by the main risks, even though the risks are all important public financial management topics. For performance audit, any topic will touch on one or more of the three main risks and the department relies on the units’ own risk assessment to determine which topics to audit. Our assessment is that the three main risks are too broad. The intention of having risks that all parts of the organisation can feel ownership of is good, but we think they are unlikely to affect the actual direction of audit. We also find that the risks do not really inform the four main goals: for example, it would be easier to determine if the office has the competency it needs if the main risk is specified more thematically.

**1.14** There are a number of choices an SAI can make to set risks that provide more direction. For example, it can choose to prioritise certain sectors or thematic areas. We don’t think this needs to be in conflict with the vision of “One SNAO”. The office could still create common ownership through the risk identification process. For example, it could establish a process that consults staff members from performance audit, financial audit and management support functions. If they have knowledge of a certain sector, and are included in the risk identification process, the office could generate risks in a more inclusive bottom-up approach, where it will still be up to top management to prioritize which risks to address and how. The risks are then likely to be more specific. A trade-off here is that some sectors may be lower priority, which can challenge SNAO’s objective of delivering reports to every committee in Parliament and exclude subject matter experts in less prioritised areas. Even with the potential costs, we think there is value in using teams that cut across the organisation to identify risks as a way of providing more specific direction and creating ownership over the office’s highest priorities.

**1.15** The goals in the strategic plan are very much in line with some of the key tenets in ISSAI P-12: *The Values and Benefits of Supreme Audit Institutions*<sup>3</sup>. ISSAI P-12 prescribes that SAIs should work to strengthen accountability, transparency and integrity of government, demonstrate their relevance to citizens and be a model organisation through leading by example. SNAOs has designed its four goals to provide value for stakeholders, being a model organisation and to ensure that the office carries out its remit.

**1.16** It follows from the broadness of the strategically prioritised risks, that the goals of the organisation are also quite broad. As mentioned earlier it is hard to specify the goals, for example the competency goal (Goal 2) with specific types of competency that relate to addressing an overarching societal risk, when that risk is very broad. As an alternative, we can draw on something that SNAO is currently working on, but which may be a bit nascent to include as an overall risk at this stage: the use of machine learning algorithms in public sector. If the adoption, by government, of algorithms in decision making processes were identified as an overarching risk then it would be more clear that the competency goal could be achieved through recruitment, retention and development of structures in the organisation that are able to address the challenges this poses. Please note that this example is to illustrate the benefits of specifying the risk more, not to prescribe that risk as priority for SNAO at this stage. It is easier to create indicators for goals that are more specified: for example, the goal on relevance could be further specified by determining what is most relevant for stakeholders in the current period, which creates a basis for measuring that SNAO is producing audit work that addresses those priorities.

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<sup>3</sup> [The Value and Benefits of Supreme Audit Institutions – making a difference to the lives of citizens | IFPP \(issai.org\)](https://issai.org)

**1.17** A further issue with SNAO's goals is that they are not all related to the outcomes of the office's work. Goals for the organisation usually specify what the office wants to achieve during a given period. The goals related to relevance and quality (Goal 1) and communication (Goal 2) do this to some degree. However, the goal related to competency (Goal 3) is about SNAO's inputs, and the goal of effective processes and digitalisation (Goal 4) is a description of a qualitatively good process for delivering other goals. This doesn't mean that these areas shouldn't be organisational priorities or be included in the plans, but it might be worthwhile for SNAO to draw a clearer distinction between what it needs to achieve in terms of outcomes, and what it needs to put in place to achieve those things. For example, the issue of sufficient competency can be addressed as a risk management issue, rather than an objective in itself: where it is identified as a risk that can affect SNAO's ability to deliver audit of sufficient quality or within some relevant sector (a risk affecting Goal 1).

**1.18** Goal 2 is also more related to output than outcome. Our assessment is that the communication work is intended to demonstrate relevance and contribute to the office's impact. Goals 1 and 2 are not mutually exclusive, because goal 2 mainly contributes to Goal 1. We think a better approach for SNAO would be to focus more on Goal 1 and perhaps further specify or decompose it. In a lot of strategic plans there is almost a ritualistic need to have 3-5 Goals. We don't think this is necessary, and suggest being more focused on relevance and quality.

**1.19** Our conclusion is that SNAO has a sound approach to strategic planning that adheres to the standard requirements we reviewed in SAI PMF. We found that the work to establish the steering documents and organise the office according to a unified planning process has contributed to the vision of "One SNAO". We recommend SNAO work on finding more specific overarching risks and that the office uses expertise from the whole organisation to help generate these to ensure that the objective of breaking down stovepipes is still being addressed. Moreover, we recommend that the goals outlined in the long-term plan should be focused more on the outcomes that SNAO wants to produce. Objectives related to processes or inputs can be incorporated into the office's risk management process and the remaining objectives can be further specified and SNAO can do further work on developing indicators that demonstrate its value.

## **Recommendations**

**1.20** Further develop the overarching risks to identify themes that are more specific and more time-bound than the current crop. Use staff from different parts of the organisation to ensure a process is owned by the whole office.

**1.21** Review strategic goals with a view to ensure they describe desired outcomes that the SAI is trying to produce. Try to make them as specific as possible and relate them to the overarching risks.

**1.22** Keep working to improve processes and ensuring the right inputs, but incorporate this into the risk management process, rather than setting these topics as goals in and of themselves.

## **Strategic skills supply**

### **SNAO Strategic Objectives in relation to skills supply**

**1.23** SNAO has an ambition to become more integrated as an organisation ('One SNAO') while increasing the quality of its financial and performance audit work. SNAO has recognised three priority areas for 2021-24 to ensure that they are identifying, recruiting and developing individuals with the mix of skills and competencies to meet their needs as an organisation.

- I) Ensure the Swedish NAO continues to have the right competency in the right dimensions.
- II) The Swedish NAO is an attractive employer

III) Adapt premises to operations and promote a good work environment.

**1.24** SNAO has produced a competence management strategy aimed at achieving the objectives in the long-term plan for the years 2022-2025. Alongside a number of commitments to being an attractive employer, it identifies which competencies should be strengthened. These are listed as

1. The ability to manage and drive change
2. Digital competence
3. Communicative capacity (develop external communication).
4. An understanding of the Swedish NAO's overarching remit
5. Flexible working method competence
6. Competence in sustainability

## **Main findings in relation to skills supply**

**1.25** Overall SNAO is delivering an effective programme of financial audit and performance audit work, and is taking steps internally to recognise the risks to skills supply in future. It is positive that there are processes in place to incorporate feedback from performance audit and financial audit teams into the assessment of skills supply, and that this feeds into the organisational planning process. However, SNAO has not accompanied excellent diagnosis of the issues it faces with clear actions that are being taken in order to take assurance that these priorities will be achieved within any timescale.

**1.26** We were able to understand the need for the development of each priority listed above, but we felt that these could have been prioritised further. For example, 'an understanding of SNAO's overarching remit' seemed trivial when placed against much broader discussion of 'the ability the manage and drive change' and how to 'be an attractive employer'. From our discussions with SNAO colleagues, we also identified that there were key issues such as a shortage of financial audit resource that are in part referenced in the need to be 'an attractive employer' but not set out as a priority in itself. Turnover is clearly monitored as it is set out in the competence management strategy, but there is no description of what an appropriate target would be.

**1.27** The 2021 Operational Plan includes a goal (Goal 3 – our skills supply meets the needs of our operations) but there are 'no agency-wide assignments'. It is stated that "work on our skills supply in the short and long term takes place on an ongoing basis at the agency level in the management team and in the HR Department on the basis of each department's conditions". We did not feel that this suitably captured the risks and actions in a way that encouraged clear lines of accountability, nor was it likely to achieve successful outcomes.

**1.28** There is a clear pathway in place for financial auditors, but there did not appear to be any tangible development process for performance auditors beyond being placed on two audits initially to gain exposure to more examples of performance audits. It is recognised by the SNAO that there is a shortage of experienced project leaders and it can take time to develop new recruits into skilled performance auditors. We agree that this can be a challenge for performance audit organisations and we concluded that SNAO should take further steps to identify and deliver targeted support to help this transition, as well as identifying further opportunities for career development.. This is acknowledged, but we felt that this should have been a much bolder ambition.

**1.29** For performance auditors sector expertise has been important. We were informed that a lot of staff specialise in certain sectors and continue wanting to work on audit topics within those fields or with techniques and methods they specialise in. This is a positive by providing necessary expertise in certain

areas, but can challenge the internal resource allocation if SNAO wants to lower the priority of a certain sector. We found that movement and rotation of areas of responsibility was completely normalised in financial audit.

**1.30** It is not set out in the organisational priorities, but it was clear from our engagement that there was a tension between social science research and performance audit. We were told that understanding of the “3 Es” approach to performance audit was poor, and was a key area for development. Despite this, a training course that had been proposed had not been prioritised or delivered.

**1.31** We were also informed that project management skills were in short supply in SNAO and that this was a challenge when trying to implement organisational development projects in particular. In financial audit the recruitment and retention situation was described as critical. There are constantly around 20 vacancies and SNAO needs to use outside consultants to fill gaps in work that is part of the core function of the office. In addition, the turnover rate is particularly challenging in financial audit, and a lot of staff are being lost to other public sector entities, rather than private sector, which one might expect for that audit stream.

**1.32** It is recognised under ‘combined skills’ in the competence management strategy that ‘in recruitment and staffing, we need to consciously strive to supplement with employees who have skills in diverse disciplines and experiences’. It is also recognised that SNAO may need to be innovative in looking ‘elsewhere than before and we need to use new channels to reach people’. However, like many other European countries, SNAO do recruit from a much smaller pool of graduates than the UK NAO who seek applications from a wider base. We did not feel that the organisation was thinking innovatively enough, nor did we feel that there were any substantive ambitions to monitor or address issues such as ethnic diversity with a view to being a more open and inclusive organisation that sought to employ individual with a wide range of experiences and skills.

**1.33** SNAOs could address some of its challenges by taking a more strategic approach to remuneration. We reviewed the remuneration policy (Lönepolicy) and found that it is mostly a document that describes the system for employees. From the policy it is clear that there are some constraints related to being a parliamentary body following a centralised process, but we think more can be done with this policy to meet the objectives of Goal 3. The policy describes the system and criteria for setting pay, but does not specify what this means at different levels of the organisation or identify pay bands that might correspond to some of these assessment criteria. A thorough assessment of the different types of positions in SNAO could form the basis for gathering more comparable data from the market to assess the competitiveness of salary in different positions. Such strategic benchmarking would give SNAO more of an opportunity to make adjustments that respond to the labour market. This can be done by benchmarking against salary levels of comparable academic background and experience, or salaries of professionals in comparable organisations or more simply just market medians for comparable positions requiring similar competency with similar responsibilities.

**1.34** Given the high turnover rate and vacancies reassessing remuneration strategy should be a priority. During the course of our site visits, we were informed of a substantial change in the pay for financial auditors that the management team hoped would address some of these challenges. Yet, our impression was that there was an element of addressing a critical risk with this change. We think there is more scope to work long-term, setting targets for turnover, developing benchmarks from the market to assess if positions in the SAI are competitive and regularly monitoring this to see if the SAI is a sufficiently competitive employer.

## Recommendations

**1.35** In the next planning cycle, SNAO should establish clear priorities with associated actions and dates. SNAO should differentiate more clearly between their strategic skills development needs and routine business as usual activity, such as headcounts or local training needs.

**1.36** SNAO should have a target operating model in place to enable it to manage fluctuations in staff numbers, particularly to support estimated consultancy spend in financial audit. This should be accompanied by an agreed position on what turnover rates would be appropriate for each department.

**1.37** SNAO should be bolder in creating alternative development options for staff, such as internal centres of expertise or secondments, to provide wider career options for staff with benefits for individuals and SNAO.

**1.38** Introduce diversity monitoring, with a view to being an organisation that is more representative of the taxpayers it serves.

**1.39** Introduce a more systematic approach to resource allocation, with more frequent movement across departmental units and taking into account individual, team and organisational priorities.

**1.40** SNAO should take a more strategic approach to remuneration, examine the market more frequently and use salary bands more actively to help improve retention and recruitment.

## Digitalisation

### SNAO Organisational development model

**1.41** SNAO has a development model that is under the purview of the Management Support Department. This is in part a response to the “stove piping” issues described in section 1.10: organisational development was fragmented across the organisation with each department working on its own priorities. SNAO set up a development council (UFR), consisting of representatives from across the organisation, chaired by the head of Management Support and a systems architecture and security council, which advises on security and network issues and technical feasibility. This model has been adjusted during the period of review for this report. We will address the adjustments in our findings.

**1.42** The UFR’s main task is to consolidate key requirements for development priorities in one representative body. In its first year, the UFR decided on 10 key development priorities, all of which were continued into the second year. The council analyses needs and suggestions for coming digital developments and proposes development projects for the top management team to decide development priorities.

### Main findings relating to digitalisation

**1.43** A centralised approach to digitalisation is a sensible approach that further embeds the “one SNAO” vision as well as ensuring that bids for resources for digitalisation are considered equally across the organisation, allowing SNAO to prioritise and avoid duplication. Governance arrangements have been created with an intention of including individuals from different departments, embedding a “ground up” rather than a “top down approach”.

**1.44** The energy that SNAO has invested behind the digitalisation demonstrates that SNAO has acknowledged the risks to which it is exposed in future if it does not take action. This shows that leadership and risk monitoring processes are effectively identifying risks and taking steps to improve organisational resilience. The number of systems in use have been successfully rationalised and individuals across the organisation have commended the work that was performed during the pandemic to enable effective hybrid working.

**1.45** There is scope to improve the decision making and governance functions that drive the digitalisation project. The UFR is a large committee with unhelpful variation in who attends from the different departments. This has since been adjusted, and the UFR is now a smaller body consisting of management representatives with more influence and authority in what it proposes for the management team. Issues were previously brought to the committee that should not be, such as day to day IT issues. A division of responsibility between UFR and other support functions has addressed this.

**1.46** Steps have been taken to define roles and responsibilities, but in creating a “ground up” approach, SNAO have found themselves unable to prioritise or effectively manage the range of projects. As a result, it is not clear whether anyone can say with confidence that projects will be completed in a specific timeframe, creating a sense of disengagement. The project has been promoted by senior leaders, but the delays in tackling high profile issues such as new audit management tools, have failed to meet the raised expectations of project teams. Across the broad range of teams we engaged with, people believed that the digitalisation project was the right approach, but were losing faith with respect to what would be achieved.

**1.47** The steps taken on the structure of the model, may solve some of the issues, but there are further issues with the decisions and resource allocation that UFR now has to deal with. SNAO has underestimated the scale of resources needed to implement digital change, taken on too many projects, at the same time, all using the same scarce resources. Those involved in advancing the digitalisation agenda were clearly knowledgeable and engaged in the subject matter, producing interesting work on the different versions of digital change over time. However, with a small team, there are limitations on their ability to meet high expectations and scarce resources are stifling their ability to be innovative.

**1.48** Filing and archiving in performance audit is still performed manually, with physical paper records printed and stored in boxes. Given the organisations acknowledgement that sustainability and digitisation were high priorities, we were surprised that SNAO were continuing to work in this way when so many options were available. In our view, there was a tendency to aim for perfection, rather than pragmatism.

## **Recommendations**

**1.49** SNAO should reprioritise and set deadlines for key decisions on critical projects. Clear lines of accountability and delivery plans should be in place for any ongoing projects, and SNAO could consider the management team taking a risk based portfolio management role, rather than taking direct ownership for all projects.

**1.50** The UFR committee has been reduced in size, but should continue to evaluate its work and be particularly mindful of how much capacity the organisation realistically has to complete development projects. A more rigorous portfolio discussion based on expected benefits for the organisation and required inputs to complete the projects would be helpful.

**1.51** SNAO should develop a new engagement & change plan to improve communication with internal stakeholders, clarify what practical improvement people will be able to see and rebuild a sense of momentum.

1.52 SNAO should take decisive action to resolve high profile issues, working with consultants already engaged with the organisation to identify an appropriate audit system for financial audit; and to migrate performance audit archiving from paper records to an acceptable solution.

## Relevance

**1.53** For SNAO, relevance refers to audit work that contributes to well-functioning central government activities. Relevance is part of Goal 1 in the strategy and a clear priority for the office. Our main source for assessing how SNAO demonstrates its relevance is the annual performance and financial report and the follow-up report.

**1.54** For financial audit, SNAO focuses on the number of modified opinions, with the objective of having as few as possible<sup>4</sup>. SNAO also follows up auditees that have received modifications and assesses if they have taken necessary steps to address the issues raised in previous audits.

**1.55** For performance audit, SNAO reports on the number of reports it publishes and provides disaggregated data on how many reports cover economy, efficiency and effectiveness. The main results indicator presented is the number of reports that have led to improvements based on the findings.

**1.56** Another key area where SNAO demonstrates its relevance is in communication, which is actually a separate goal in the strategic plan. As mentioned in section 1.18, we found this to be more of an output, than outcome goal. The communication unit presented us with a thorough run-through of their activities. They include identifying target groups, helping auditors in charge prepare to communicate with press, participation in external events, media monitoring and work with language and accessibility.

**1.57** SNAO has identified parliament and government as its most important stakeholders. Our impression was that performance audit focuses more on parliament and financial audit focuses more on government, but both engage and work to demonstrate relevance for both stakeholders. Performance audit has a particular challenge as they report to the policy committee in parliament that is responsible for the policy area they are reporting on, meaning they report to all committees.

### Main findings in relation to relevance

**1.58** SNAO works effectively to boost its relevance through its performance audit reports. The communications team meet all of the elements of the SAI PMF<sup>5</sup> and work professionally to maximise the value of each report. However, it was not clear that SNAO were being strategic in the way that it sought to prioritise reports likely to have a greater impact in the media or society in general. There was some evidence of the communication department working more closely with media when the topics were more complicated, so that the media would understand the reports better.

**1.59** There is a sound follow up process in place where the report follow up is conducted after 2 years and after 5 years. However, our review of sampled performance audits in section 2.35 showed that evidence of follow-up activity in four of the six reports was unclear and not well understood among team members. While there is an appropriate minimum level of follow up process in place to capture activity across all of the reports, we reflected that it may be appropriate to flex these timescales where necessary to enable a more

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<sup>4</sup> It's important to be clear that the onus is on the government to produce financial statements that don't receive modified opinions.

<sup>5</sup> SAI PMF Indicators 24 and 25

bespoke follow up plan for each report.

**1.60** The follow-up report performed on an annual basis was an effective means of communicating how SNAO were monitoring the impact of performance audit reports beyond the publication date. However, in our discussions with the parliamentary committees for trade and industry and environment, the parliamentarians were not familiar with the report.

**1.61** The parliamentarians we interviewed were very positively inclined towards SNAO's work. A good practice we identified was the work SNAO does to familiarise all committees with its work at the beginning of the parliamentary session. The committee members we interviewed were very appreciative of this and also suggested that an end-of-session evaluation would add further value to the cooperation between parliament and the SAI.

**1.62** It is not clear that the risks set at the organisational level are driving the organisation to be more relevant. As discussed in section 1.13, the scope of the risks are so broad that it is hard to see whether they are pushing the organisation in the direction that senior leaders or external stakeholders want.

## **Recommendations**

**1.63** SNAO should establish its 'customer focus' through increased external engagement, and use this as a key driver of activity, and to set direction at an overall strategic level. Key metrics relating to 'relevance' should be clarified and reported transparently in order to understand whether SNAO is making progress over time. SNAO should establish a clear definition of what good 'relevance' means to the organisation (using external feedback) and set out steps to achieving that status. This is related to our observations in section 1.21, where we recommend a further specification of Goal 1.

**1.64** SNAO could consider reporting in more innovative ways and segmenting its communications strategy for performance audit reports, in order to maximise relevance from each report, as opposed to a one-size-fits-all approach.

**1.65** In addition to tracking and reporting on addressed findings, SNAO could consider publishing recommendations and the associated actions and responses more clearly on the website to provide greater transparency, alongside a more flexible approach to the recommendations follow-up process to ensure that follow-up was performed in the most appropriate way for each audit.

**1.66** SNAO should consider the parliaments' proposal for an end-of-period evaluation.

# Part Two: Performance audit review

**2.1** This section summarises findings from the review of a sample of SNAO's reports. We reviewed the published reports prior to our visit using the template in Appendix 4 and then interviewed auditors involved in the performance audits during our visit to SNAO offices, covering the topics in Appendix 5. The findings are structured around the SAI Performance Audit Standards' three dimensions<sup>6</sup> and are based on review of a sample of six reports and discussions with the relevant project teams.<sup>7</sup> It covers quality management, process and presentation. In particular, we have looked at:

- a **Standards and quality management:** What standards, policies, and quality management practices are present in the audits we reviewed.
- b **Performance audit team management and skills:** How the performance audit teams were selected, the performance audits reviewed and what consideration was made of how well equipped they were to deliver the audits.
- c **Quality control in performance audit:** What level of quality controls were observed for the performance audits reviewed. This includes observations on how well these controls seem to work to deliver high quality, rigorous reports.
- d **Reporting:** How findings have been reported and presented in the reports selected for review.
- e **Follow-up:** How recommendations in the reports have been designed and how well they are suited to follow-up activity.

**2.2** This section is focused on a cold review of SNAO reports, with complementary evidence drawn from discussions with the relevant performance audit teams and – where relevant - additional supporting evidence on process and quality. The findings draw solely on the six reports selected<sup>8</sup>. The review adapted the criteria from the previous peer review and SAI standards and assessed each report using the checklist in Appendix 4. For this report, we have not referred to specific performance audits in our findings, as requested by SNAO.

## Headline findings

**2.3** Overall, the reports selected displayed a range of strengths. In particular, the review team noted consistent good quality analysis. It also welcomed the clear and thorough explanation of the performance audit scope, and the detail provided on methods and limitations at the outset of the performance audits. Another strength was the widespread use of primary research and thorough use of referencing which made it easy for the reader to identify the source of facts in the reports.

**2.4** The reviewers agreed with senior management's opinion that there is more room to consider Economy, Efficiency and Effectiveness. Most of the reports that we reviewed did not have much contextual financial information or information on the financial consequences of poor performance. More information of this kind could have helped readers, such as parliamentarians and taxpayers, understand the level of taxpayer's money that is at risk and why it is therefore so important that improvements are made. For some of the reports reviewed this might have changed the way performance audits were scoped and findings presented.

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<sup>6</sup> SAI-12 Performance Audit Standards and Quality Management, SAI-13 Performance Audit Process, and SAI-14 Performance Audit Results.

<sup>7</sup> We are grateful to the organisers for arranging for former employees to return for some interviews. For two reports only the Unit Head was available for interview.

<sup>8</sup> The reports were selected purposively by the team prior to commencement of the peer review. The aim was to select a sample which represented a range of strategic areas, methods, and where possible overlap with the UK NAO's own work to be able to make comparisons.

- The scope can sometimes be narrow and focused on a specific area where it's not clear whether it will have the most impact.
- There is an absence of financial information in several of the reports reviewed and there is an opportunity to take a broader view of spending areas when determining the performance audit scope.

The review also attempted to feed into the wider thinking that the SNAO is doing on quality and relevance and has identified some examples where the organisation may want to consider how these issues pan out in practice. The main points are:

- a More could be done in some cases to make the language and visual presentation of the reports accessible to the target audience. Interviewees told us that parliamentarians are the most important audience for these reports. However, it may be hard for Parliamentarians without a technical background to understand some of the more specialised methodologies used in audits and the results they generate. Making reports more accessible to lay readers through clear language and use of graphics would also help to engage the press and the wider public.
- b Recommendations were generally clear, but they could be sharpened to increase SNAO's ability to achieve impacts. For example, recommendations could be made more specific and measurable, and the work to follow up on the recommendations more closely linked to the relevant units and teams at SNAO. The process to follow up on recommendations and measure impacts is discussed more fully in Section 1.60.
- c There are some good processes in place to manage performance audits throughout their lifecycle, but the review was unable to identify how far they operate in practice. Based on discussions with the teams, performance audit leads seemed to take a flexible approach. The extent to which risks were identified and actively monitored varied from performance audit to performance audit. This can be constructive given the size of the teams but means this approach will rely heavily on the performance audit lead.

# Standards and quality management

## Standards and policies

This section describes how the performance audit cycle functions and the policies that support it. This is focused on the performance audit process and milestones in the reports reviewed.

Overall process:

**2.5** SNAO has standards for performance audits (see Appendix 1 for an overview of the process). The review team discussed the audit process with the teams responsible for the selected reports.

**2.6** Central to the process are two seminars where scope and findings are challenged. An initial seminar is held before the decision is made whether or not the performance audit will proceed, and a final one before the draft audit report is finalised. The process also includes a structure to solicit comments from externally sourced reference persons and clearing the report for factual accuracy with the clients.

**2.7** The review team received verbal assurances in meetings with performance audit staff that the process is followed, but it is difficult to confirm what challenge was provided at the key stages and how this was addressed from available paperwork.

## Team management and skills

This sub-section comprises two parts. First we make observations on the team structure for the performance audits we observed. Then we go into more detail on the skills in the performance audit teams. We do not cover matters of overall resourcing strategy here since this is covered in more detail in Section 1.30.

Audit team:

**2.8** We asked performance audit teams about the planning process and team structure. Teams are generally small, with two or three members. Project leads have a fundamental role in developing the question, concept and methods. This was also made clear in the audit manual which sets out the responsibilities of the Project Leader (see Appendix 2). Team members' understanding of the model and responsibilities was in line with the office's rules or procedures. In practice this meant that project leads have a strong sense of ownership of the product, and often had experience in the area of work already.

**2.9** This 'ownership' contributed positively to the quality of analysis undertaken. In the reports reviewed it was noted that the Project Leader's background and areas of interest strongly influenced the focus and analysis that went into the report. Reviewers wondered whether this was a contributor to the lack of financial focus in several of the reports reviewed, since performance audit teams as a rule were not led by individuals with a finance background. The introductory seminar is an important place for the assembled group to discuss and challenge the scope and the extent of focus on economy, efficiency, and effectiveness, especially for those outside the team. There is scope for making it clearer to the Auditor General that these aspects were addressed, and how. We noted one report where the scope had changed quite substantially, but this had not been the result of the seminar.

Skills:

**2.10** An important part of planning and implementing performance audits is ensuring that the right skills are deployed at the right time and place. Team members and management emphasised the importance of 'kompetens' and there is widespread awareness in the organisation around the importance of continuously upskilling staff as well as ensuring that performance audits were staffed by individuals that had the right

skills. The reviewers observed that there are significant technical skills<sup>9</sup> within the organisation and that the performance audits reviewed were led by team members with subject matter expertise in the area of work.

**2.11** SNAO may want to consider possible gaps in cross-government expertise and project management skills. Some skills fall between subject matter expertise and technical skills but are relevant across government. Key examples are delivering major programmes, procurement, and digitalisation. Without these skills in the organisations, performance audits that look at these issues may be overlooked, even if they are major areas of risks for governments. In particular, there were performance audits that had elements of procurement and contracting for major projects which are areas of expertise in their own right. There are different ways this could be addressed. For example, there is scope to increase team members' access to non-academic technical guidance. SNAO could consider how they can access these skills. For example, this can be achieved by upskilling staff, making use of suitable experts (through the reference person process) or pursue targeted recruitment.

## Quality assurance

This sub-section covers observations on quality control that is directly linked to the evidence in the report. We cover the examples of internal quality control teams told us about and elaborate on ways this could be strengthened.

**2.12** The reviewers queried what forms of quality controls had been implemented during the course of the performance audit and discussed the arrangements with the performance audit teams. The performance audit teams delivering the sampled performance audits gave examples of different forms of internal quality control - in addition to the seminars - through peer review of analysis and regular review of draft by project leads. This took the form of more informal and ongoing review and allowed challenge from colleagues outside of the team. The formal process also included review by external reference persons and fact checking with the client.

**2.13** The review observed that the set processes are taken seriously by teams and management but, as noted earlier, this is difficult to confirm retrospectively under current arrangements. A fully digitised record management system would provide the opportunity to provide a clear audit trail between the report and underlying evidence, as well as evidence of review. This provides added assurance for senior management that performance audits follow best practice and have dealt with internal and external challenge. It also provides protection if individuals and organisations consulted for performance audits claim to have been misrepresented in the published report. Finally, it is an opportunity to identify and spread good practice within the office. This is covered in more depth in Section 1.52.

## Process

**2.14** This section covers the overall process of delivering the sampled reports. In line with the SAI standards the peer review has considered planning, implementation, and reporting. Overall, SNAO has a clear process that takes reports through their lifecycle, and the guidance appears both easy to follow and appreciated by the teams using it. As we have said previously, we found it difficult to access information on how effectively the process works in practice, as this sort of review is not part of the current system.

## Planning

This sub-section covers observations the planning and scoping of performance audits reviewed. It looks at what is included in the report and what the reviewers felt was absent/would have liked to see.

**2.15** To complement the review of the reports, the reviewers met with members of the performance audit teams and discussed the planning process of the performance audits selected. They also considered the

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<sup>9</sup> In particular, performance audit teams seemed to have a high level of expertise in economics, social research, and specialised areas of quantitative methods.

performance audit proposals and design documentation shared by SNAO. This section covers observations on the work that goes into determining the focus and scope of the audits.

**2.16** There seems to be strong involvement by the performance audit lead from the start, and the performance audit proposals evidenced thinking around how the performance audit fit in with strategic risks. However, as noted in Section 1.13 these risks are very broad. Most performance audits on public spending or programmes could reasonably be fit under them. The planning of the performance audit is also guided by the set process to take audits forward through proposal and design stage.

- Each performance audit is first communicated to the AG as a proposal before scoping and design is progressed.
- At the design stage colleagues are invited to challenge the design and direction of the audit during the design seminar. A template of questions is available for reviewers (see Annex V) and questions are invited to probe rationale, scope, assessment criteria, methods, and resourcing. This is part of a suite of review points at the proposal stage, design stage, and reporting stage (see Annex V). The questions are comprehensive and cover a wide range of areas that are critical to deliver an impactful and timely audit.

**2.17** Use of reference persons can provide valuable contributors. The reviewers observed that they were able to provide detailed input and challenge if considered appropriate, although they sometimes required careful handling. It is important to capture how they were, or were not, actioned.

**2.18** Similarly, internal review is a useful source of challenge and scoping support. The guidance for the seminars suggested that internal reviewers are asked to consider points around economy and efficiency, but the absence of financial and budgetary information in several reports we reviewed suggests that more emphasis could be put on these issues during the seminars.

**2.19** The review team felt that quality could be better supported by making a formal record of the review points made in the seminars. SNAO has guidance for reviewers and templates available, but for the reports that we reviewed these could not be located. This meant that it was difficult to identify what changes and concerns had been considered and limited the review team's ability to comment on the extent to which this helped shape the final products.

## Implementation

This sub-section covers observations on how the reports selected for review were delivered.

**2.20** We asked performance audit teams about the experience of implementing audits and managing risks during the course of the project. The objective was to understand how teams had engaged with processes in practice, and how the audits considered had been delivered.

**2.21** It is difficult for the reviewers to draw general conclusions about the how well teams manage delivery risks and operate within time and resource constraints from our review, as they do not keep records of day-to-day management. The majority of the audits obviously managed risk well and were delivered within time and budget. However, in a few cases there was a large variance against the expected hours resourced in the initial performance audit plan which had implications for the budget and scope of those audits.

**2.22** The performance audits are tracked throughout implementation and the majority appear to be published as initially planned without substantive revision. However, changes do inevitably take place, and the cold review picked up examples where additional resource and time was put in to deliver the performance audit.

## Reporting

This sub-section presents our summarised observations on how the reports reviewed were presented. It covers observations on how the analysis has been carried out and presented in the reports.

**2.23** We observed examples of high-quality analysis and good practice describing scope and methodologies in the sample we examined. We also identified some areas with the potential for improvement. Our findings are summarised in the table below, followed by our detailed findings.

<b>Headline findings on ‘reporting’</b>	
<b>Scope and rationale</b>	<p>Reports state scope and rationale clearly, and the introductory summary is a strength of the reports.</p> <p>Separately we noted that the project plans for the performance audits linked the audit scope with SNAO’s strategic objectives.</p>
<b>Key findings</b>	<p>Most of the reports were very well laid out and summarised headline findings in a clear and succinct manner.</p> <p>We thought that key findings could be expressed in financial terms more often (although this would depend on more financial analysis being performed during the audit).</p>
<b>Recommendations</b>	<p>It is clear who the recommendations are aimed at, and they are based on key findings.</p> <p>The lack of measurable and time-bound recommendations makes it less easy to measure the extent and timeliness of audited bodies’ implementation of the recommendations.</p> <p>The reports made a relatively small number of recommendations, meaning that some key findings were not addressed.</p>
<b>Presentation and content</b>	<p>Reports clearly and comprehensively explain the source of the evidence on which findings are based, and where primary analysis was used. This was a strength across the reports. This also highlighted the amount of primary research which goes into SNAO’s performance audits.</p> <p>The reports are generally well written, but do not seem to be aimed at lay readers (including non-expert members of the Riksdag). The reviewers wondered if SNAO want to consider how they can adapt their report to make them more reader-friendly.</p> <p>SNAO could also adjust its report template to include numbered paragraphs. This would make cross-referencing between sections, as well as the key findings and main body, easier.</p>
<b>Graphics</b>	<p>There is scope for improving the presentation and impact of graphics and the visual presentation of data. We found some weaknesses in how tables were presented and labelled and felt more could be done to use high-impact graphics.</p>

### *Scope and rationale*

**2.24** The reports reviewed included well-written introductions and summaries. All of the performance audits reviewed included clear rationales for undertaking the audits and were explicit about what would and would not be covered in the reports. This was a great aid to the reader and was welcomed by the reviewers. This seems to reflect the work that goes into performance audit design early on in the project plan, with detailed abstracts developed already at the performance audit design and methodology stages (studieförslag and studieupplägg).

### *Key findings*

Most of the reports were very well laid out and summarised the main findings in a clear and succinct manner. The key findings followed logically from the content of the reports. There were also examples of a good balance between wider policy and financial implications, and detailed cost analysis. However, in certain

cases reviewers felt the key findings could have been expressed more clearly. In particular, we thought there was scope to do more to:

- provide more financial context, such as how much it cost to operate contracts or to run the relevant parts of government; and
- bringing home the financial implications for the Riksdag and the taxpayer, by setting out the cost benefits of adopting good practice where the audit had identified improvements and/or the existing costs of inefficiency or waste.

### *Presentation and content*

**2.25** This is an area where SNAO could make small changes with a tangible impact on how the reports are received and understood. The reports are generally well written and well-presented, but it can sometimes be difficult for lay readers to cut through technical language to get at the key messages of the report. This is an area where fact checking and editing at the final stages of the report play an important role, and we saw examples where stakeholders' feedback on clarity and accuracy were taken on board.

**2.26** We discussed the intended audience with performance audit teams and they told us that reports are aimed mainly at parliamentarians. Still, parliamentarians may not be technical experts on the topic presented. The reviewers noted that there is guidance to write in "plain" Swedish, and this was referred to by performance audit teams, but the review found areas where drafting could have been clearer for the non-expert reader. For example, it may aid readability to put some of the detail into an appendix.

**2.27** This is also an area where graphics can support drafting and help make messages clearer (see paragraph 1.30).

**2.28** SNAO might also adjust its report template to include numbered paragraphs. This would make it easier to cross-reference between sections, and between the key findings and main body. It would also make it easier to discuss specific points with others, such as the media and members of the Riksdag.

### *Recommendations*

**2.29** The performance audits produced recommendations that flowed logically from the audits and were aimed at the appropriate audited bodies. This was welcomed by reviewers and represents good practice. There were examples of very well-drafted recommendations in the audits reviewed clearly specified the actions required of the auditees and were attainable, and against which SNAO could measure progress. Reviewers also observed that recommendations were linked to key findings, and that generally key findings could be traced to a recommendation

**2.30** Reviewers still felt that there was room for recommendations to be worded more clearly, and that more work could be done by performance audit teams and management to ensure they were measurable, targeted and set a date for implementation, while still avoiding the danger of 'self-review' by being too detailed.

### *Graphics*

**2.31** Reviewers felt that more use could be made of graphics to provide context to the audits and to present data and findings in an accessible and engaging way, and to think about how this could be done early in the audit process. There were examples of good use of graphics to aid comprehension. However, reviewers felt even more could be done to use graphics as a tool to illustrate complex delivery structures, processes, and trends over time.

# Results

## Submission and publication

**2.32** The SAI standards cover both the timeliness of submission and publication. The reports reviewed were broadly submitted and published on time. The reviewed performance audits seemed timely and fit in with the objectives set out by SNAO's management team.

## Follow-up

**2.33** The reviewers considered how the reports had designed and targeted recommendations and discussed the logic with the performance audit teams during fieldwork.

**2.34** Overall, the review found that the audit recommendations were generally clearly worded and followed logically from the findings, although they were relatively small in number which made coverage of the key findings more of a challenge. The recommendations tended not to set criteria that would make it clear when the recommendation had been implemented, or set a timescale within which implementation should take place.

**2.35** Reviewers heard examples of reports being well received by the Riksdag and being covered by the media. The reception by parliament seems to vary by performance audit and research area.

**2.36** In general, the auditors to which we spoke did not have a clear idea about what had happened in response to the report and whether recommendations had been implemented.

# Part Three: Financial Audit Review

**3.1** This section summarises findings from the review of a sample of SNAO's financial audits. We reviewed the files in MKI/Pentana for the five audits we selected and then interviewed auditors involved in the audits during our visit to SNAO office. We discussed observations and methodological approaches taken by SNAO at a policy level. The findings are structured around the requests in the Inception Report. It covers quality management, process and other issues that came up where we think there is scope for audit improvement. In particular, we have looked at:

- **Standards and quality management:** What standards, policies, and quality management practices are present in the audits we reviewed.
- **Financial audit team management and skills:** Did the teams selected ensure sufficient competency and staffing for the assignment, how did they manage their resources and evaluate the audit.
- **Quality assurance in financial audit:** What level of quality controls were observed for the audits reviewed and includes observations on how SNAO well these controls seem to work to deliver high quality, rigorous audits.
- **Financial Audit Process:** Observations and findings for the planning, execution, conclusion and reporting phases of the audits selected.
- **Other matters:** An additional observation of scope for improvements based on how the Swedish Government structures its charts of accounts.

**3.2** This section focuses on a cold review of SNAO audits, with complementary evidence drawn from discussions with the relevant audit teams and – where relevant - additional supporting evidence on process and quality. The findings draw on the five audits selected<sup>10</sup>. The review used the criteria for file review and quality assurance in SAI PMF<sup>11</sup>

**3.3** In the Inception Report SNAO requested guidance in implementing the new ISQM. NAO UK has provided input to this process in meetings and e-mails to the staff working on the implementation. We have determined that it is not necessary to include further reporting on ISQM in the report.

## Headline findings

**3.4** Overall we found the financial audit process to be well-documented, thorough and in line with international standards.

**3.5** We have some observations and recommendations concerning the limiting of the use of assertions to risks outside the standard audit programme and the sampling methodology applied.

**3.6** In addition to matters related to audit, we think SNAO could benefit greatly from convincing the government to further standardise its financial reporting framework with a standard chart for accounts at a

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<sup>10</sup> The team purposively selected audits prior to commencement of the peer review. The aim was to select a sample which represented a range of responsible units and auditors in charge, and where possible overlap with the Office of the Auditor General of Norway's own work to be able to make comparisons.

<sup>11</sup> SAI PMF Indicators 4 (iv) and 10 (i)-(iii)

more detailed level. This will create better opportunities for efficient audit analyses and provide greater transparency in financial reporting across the government.

## Standards and quality management

### Standards and policies

**3.7** SNAO has developed guidance for financial audits that comply with the ISSAIs. The guidance is in a series of documents that cover key topics in the audit cycle, such as pre-engagement activities, planning, risk and materiality. Our assessment of the guidance concludes that this is thorough and in accordance with international standards.

**3.8** Our assessment is that the main part of SNAOs support and guidance for financial audit is in MKI/Pentana, the audit management system. The set-up of the system provides a structured set of questionnaires, checklists and guidance for different stages of audit. These help to ensure that the audit adheres to the ISSAIs. We think this is a useful approach and it integrates the support into the audit process and is easier for the auditor to engage with the requirements, rather than having to look up in the routines and procedure documents. In addition, we note that the support page on the intranet (SAITEN) provides the key policies and procedures both in a list, and is structured according to the part of the audit when they are most applicable, which is very helpful for the auditor.

**3.9** Our assessment is that the structure of the audit cycle in Pentana is set up to ensure that the auditors are fulfilling individual requirements in the documents in the ISSAI 2000-2899 series. As we will discuss later in the conclusion and reporting section for financial audit, our impression is that the construct of the audit management system is based more on standards than methodology, and that there may be some trade-offs to this approach.

### Team management and skills

**3.10** SNAO has a comprehensive professional development programme for auditors. The office mainly recruits economics graduates and takes them through a career development programme that aims to produce fully qualified auditors in charge. The programme includes levels of training from introductory and basics to intermediary and advanced levels. It also requires a professional exam to become an Auditor in Charge.

**3.11** At the engagement level there is a thorough system of assessment of the required skills, resources, ethical requirements and competency in MKI/Pentana. This includes individual statements of ethics compliance, with a requirement for the Auditor in Charge to address any deviations. There is also a resource plan that allocates hours per team member to different sections of the assignment. We found assessments of required competency in each assignment.

**3.12** In order to ensure sufficient resources in a context where the office has both a high turnover rate and approximately 20 vacant positions, SNAO has a framework agreement with private sector audit firms to engage both experts on certain topics. For example actuarial expertise when auditing pensions, and additional resources to cover the understaffing. See the section on strategic skills supply for additional discussion of this topic.

**3.13** SNAO has a system for recording all hours for each team member in the audit team. The teams also have a routine at the end of the engagement where team members give their own assessment of how the audit has functioned on a practical level. A discussion on deviations from the budgeted hours for the engagement is also in the audit file. This is a good basis for capturing lessons learned at a micro level and to improve the audit efficiency continually

**3.14** SNAO has a system for ensuring necessary competency, ethical requirements and planning, organising and tracking time spent on the audits. This both complies with the standards and forms a good informational basis for the teams to work on continual improvements in efficiency. We found the context to be important here too, SNAO has a high turnover rate and staff shortage, but has still found ways to ensure its audits are completed in accordance with quality standards.

## Quality assurance

**3.15** SNAO has a thorough system of quality control. Within the engagement, it has checklists that, in our assessment, cover the most important standard requirements for the engagement. There is a policy for engagement quality review of audits of entities with a significant impact on the consolidated state accounts. There is also an annual quality assurance review. Finally, because the office is subject to controls by the regulatory body for audit, its chartered accountants are subject to external review every seven years, most recently in 2021. There is also an expert group (KÅR) giving second opinions to auditors in charge when dealing with challenging issues for the audit team.

**3.16** We have reviewed reports from the most recent quality assurance reviews and the external review and can confirm that there is a well-established quality assurance procedure. The internal quality assurance reports are particularly useful as they go into details about findings and give guidance on how to avoid similar errors in the future. The external review conducted by the Swedish Institute of Chartered Accountants, on behalf of the regulatory body, seems to confirm that the office has set up an acceptable system of quality assurance and professional development for the auditors in accordance with ISQC-1.

**3.17** Our conclusion on the quality assurance system is that it complies with the relevant ISSAIs and provides a solid basis for ensuring that the office. Reviewing it against SAI PMF<sup>12</sup>, it fully complies with all the requirements set out in relevant ISSAIs.

## Financial Audit Process

**3.18** This section covers the overall process of delivering the sampled audit engagements. In line with the ISSAI standards, the peer review has considered planning, execution, and conclusion and reporting. Overall, SNAO has a clear process that takes audits through their lifecycle. The guidance appears both easy to follow and appreciated by the teams using it. As mentioned above, the audit management system provides a lot of support that ensures compliance with the ISSAIs. In addition, there are tools and procedures to continually assess the assignment in the team and enable to improve the audits for future periods.

### Planning

**3.19** In the audits we reviewed, we found that they key elements of the planning phase, such as understanding the entity, identifying risks, setting materiality etc., were well documented. The reviewed engagements also had a clear strategy that was easy to follow from material balance, to risk, to audit procedure and approach (testing controls and/or substantive test of details or substantive analytical procedures).

**3.20** An area where we think there is scope for improvement is the use of assertions. In the planning phase, assertions are only identified for balances that are associated with higher risk of material misstatement or significant risks. This is a methodological choice, where lower risk balances are covered by the standard auditing programme (basgranskningsprogram). The standard auditing programme, designed by the

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<sup>12</sup> SAI PMF Indicator 4 (iv)

methodology unit, covers relevant risks and assertions for the financial statement items being audited. Yet, we found that it was difficult to assess if this was actually the case in the individual assignments. We also questioned whether this was taking away the opportunity for inexperienced auditors to develop their own professional judgement. We wondered if, for example, they only would get the opportunity to develop procedures if they are working with high risk or significant risk balances, and may not develop the judgement to assess whether a procedure is appropriately designed to address the assertion and risk. According to the information we got, quite a few engagements are based on solely following the standard auditing programme, hence many auditors will not gain experience in reflecting about sufficient appropriate evidence gathering if their audit work is disconnected from audit assertions.

**3.21** The standard audit programmes appear to cover the relevant assertions but there is not a clear connection to “the nature, timing and extent of planned risk assessment procedures; [and] the nature, timing and extent of planned further audit procedures at the assertion level.”<sup>13</sup>. If assertions were to be used in these standard audit programmes, it would not only come up to par with standard but also likely indirectly support the auditors’ focus when executing audit actions and summarising findings. We think a standard programme could still more explicitly include assertions covered in the engagement files and recommend looking into including these when developing the next audit management tool. The assertions can be explicitly addressed in a standard programme likely without a negative impact on efficiency from standardisation.

**3.22** Another observation we made with the planning phase was the assessment of risk. There are effective three levels of risk:

- Low: covered by the standard programme
- Risk of material misstatement
- Significant risk

All this is in accordance with the standards, however, the new ISSAI 2315 is more explicit about assessing the likelihood and magnitude of risks of material misstatement. This is perhaps an area where SNAOs approach is more linked to adhering to standards than developing a methodological approach as we referred to in section 3.9, but we highly recommend decomposing each risk into likelihood and magnitude and assessing each separately and concluding with a combined assessment. We also find that this decomposition is useful as a communication tool with audited entities, as they can become aware of areas of that impact the assessed likelihood of risks affecting the financial statements, which is often within their control to mitigate. Magnitude is often given, for example by the size of the balance being assessed against materiality and other financial statement items, but discussing likelihood with management can provide a clearer link between the auditor’s assessment and management’s impact on it. We recognize that SNAO has updated its guidance here following the adoption of the new of ISSAI 2315.

## Execution

**3.23** Our review of the execution phase in the five audits showed that the audit procedures are in accordance with the standards and the office’s own rules and procedures. They are well documented, thoroughly described and easy to follow. We also found that the audits mostly followed internal sampling procedures to ensure sufficient evidence and that the teams had designed appropriate audit procedures to address both the risks and assertions associated with the procedure.

**3.24** In one engagement, we observed that the audited account balance appeared to only have been addressed through test of controls, which is not sufficient. In our interview, the Auditor in Charge explained that they were dual-purpose tests, but acknowledged that this could have been more clearly explained in the audit file. We agreed with the auditor’s assessment, but think it would be useful to give more guidance on

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<sup>13</sup> ISSAI 200: 83

using and documenting dual-purpose tests than we found in the support material (with the caveat that we have not reviewed the guidance SNAO offers through the Swedish Institute for Chartered Accountants (FAR)). Dual-purpose tests can be a very efficient approach, but when based on sampling it is important that the team documents on the audit file that the sample collected meets both the sufficiency requirements of a test of control and a substantive test of detail<sup>14</sup>.

**3.25** Another area we questioned was SNAOs sampling tool for substantive tests of detail. SNAO uses a non-statistical heuristic tool based on account balance size, performance materiality, number of records and risk assessment. It is an acceptable tool, but we only found it to be so if there are no findings in the engagement. SNAO's tool uses performance materiality in its entirety to determine the sample size. Other heuristic models we have worked with have additional parameters, such as expected error and tolerable error. Expected error will normally be zero for many of the balances in the engagements we reviewed, but tolerable error is a more flexible way of using performance materiality. Tolerable error is usually set at performance materiality as a maximum and adjusted to a lower amount based on timing of performing the test and/or other errors already found in the financial statement. A problem with SNAOs approach is that if the audit teams were to find errors at the end of an audit, which they determine to be close to material, they might have to go back and expand the scope of previous tests to ensure that there are no additional errors that bring the cumulative errors above materiality. It is often advisable to set tolerable error at some rate lower than performance materiality to further reduce the detection risk early on in the engagement and raise it closer to performance materiality towards the end of the audit. This is why timing is an important facet of an audit plan. It is also useful to have a tool that is flexible enough to accommodate uncorrected findings close to materiality towards the end of the audit. The methodology unit also informed us that they were not comfortable using their sampling model as the basis for projecting errors. We have shared our (OAGN) model with SNAO, which should offer a solution, but it will only project errors on smaller items.

## Concluding and Reporting

**3.26** Our review found that in all five engagements the teams had concluded properly and issued an appropriate audit opinion. The assessments were well documented in MKI/Pentana. As mentioned in 3.13, the teams have an excellent procedure for evaluating the audit at the end of the engagement and bring lessons learned forward to the next year's audit. We also found that the audit report was in compliance with the ISSAIs.

**3.27** One area of improvement we suggest relates to the issue raised in 3.20 regarding assertions and the issue we raised with complying with standards vs. integrating a methodology<sup>15</sup> into the audit management system. Pentana/MKI lacks the ability to track the connections between audit assertions, risks and procedures performed. This is a useful feature found in many types audit management software and it can make the conclusion phase a lot more efficient by generating reports that confirm that assertions and audit risks identified in planning have been reduced to acceptably low levels through the procedures performed. In MKI/Pentana, the reviewer must trace each risk and assertion manually to ensure sufficient appropriate coverage. Our observation was that the review confirmed that coverage was sufficient and appropriate based on the audit performed according to the plan. We found it difficult to confirm, given both the lack of assertions in the standard audit programme and having to manually trace risks to procedures. We therefore recommend looking into such functionality for the next audit management software as it presents an opportunity for streamlining the conclusion process and reducing the risk of omission of relevant assertion coverage.

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<sup>14</sup> ISSAI 2330: A23 says that a dual-purpose test is designed and evaluated by considering each purpose of the test separately. Our interpretation is that this extends to how many records need to be sampled.

<sup>15</sup> By methodological approach, we mean a structure in the audit management system that captures the connections between risks, assertions, analyses and procedures, providing a clearer illustration of the common thread that runs through the audit.

# Other matters

## Opportunities for Efficiency through Government Standardisation

**3.28** SNAO supplies its auditors with centrally performed analyses, for example, outliers which may indicate material misstatements, fraud etc. The data for this analysis are collected from pay roll. In addition, data from Hermes (the government accounts) are supplied for analysis purposes. Third party data supplied from agencies such as The Swedish National Financial Management Authority (*ESV*) are also used for analysis. For example, information from a contract database for leases gives an important input to analyse the size of operational costs. These are examples of highly cost-efficient use of data analysis to support auditing. During the peer-review it was obvious that there is one external factor that is a particular obstacle for future development of computer-based analysis.

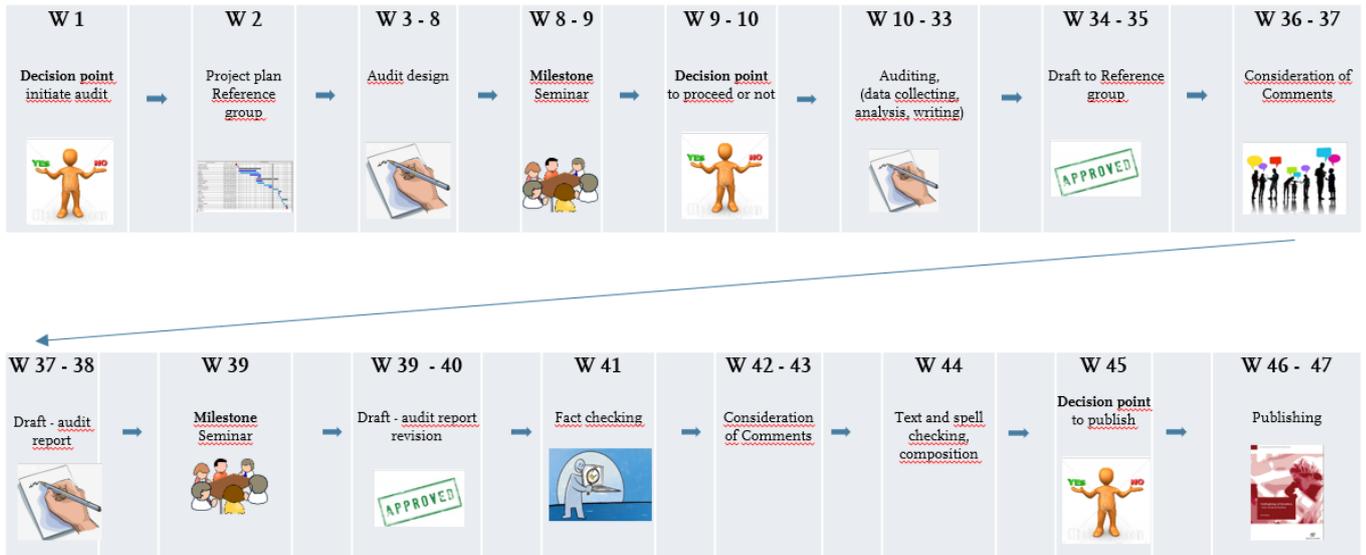
**3.29** Sweden has a mandatory set standard chart for government accounts (*S-kontoplan, statliga inrapporteringskoder*) for Hermes governments accounts but lacks a mandatory financial chart of accounts standard code (*standard baskontoplan*). Hence, an entity can theoretically use whatever financial chart of accounts code they prefer as long as the financial account code connects to the correct standard government account code.

**3.30** The lack of a mandatory fixed standard chart of financial account codes limits transparency and all forms of analysing and efficient substantive analytical measures, including collecting and interpreting data from the accounts and annual financial report and especially from more than one entity. If the financial chart of accounts standard for account codes already developed by The Swedish National Financial Management Authority (*ESV*) goes from voluntary to mandatory and was implemented in the government sector, SNAO would benefit enormously and could increase the efficiency in Financial Auditing. Instead of every auditor doing their own analysis, collecting data from different entities using the same scripts in efficient data analysis software tools would allow the office to provide virtually complete analyses, which the audit teams just need to assess. It would improve efficiency and add value to auditing and planning.

**3.31** We recommend that SNAO engage with government to convince them to implement this. It may not be sufficient to argue the benefits for SNAO alone, so we recommend also raising the transparency argument, a standardised chart of accounts allows the public more access to see not just budget chapters the entities spend their money on, but also what types of cost. This can be valuable for public transparency, research. This was standardisation was implemented in Norway in 2014 and allowed for the creation of the portal [www.statsregnskapet.no](http://www.statsregnskapet.no), where there are interactive charts which the public can use to compare and analyse what government entities are spending their money on, in addition to the outturn of budget chapters.

# Appendix 1: Performance Audit Process

SNAO shared the generic PA process with the team.



## Appendix 2: Audit Guidance Extracts

### **Project leader**

The project leader is responsible for conducting the audit.

The project leader's responsibility includes carrying out the audit determined in accordance with the project plan and audit design by:

- planning, managing and following up the audit work and allocating tasks in the project group
- ensuring that the documentation at each stage of the process is of agreed quality
- collecting and preparing the views of those employees who may have specific expertise in the matter, such as special advisers in methodology or other employees within the agency
- informing auditees including the ministry concerned about the audit and otherwise as necessary
- contacting the Legal Department and Communication Department as necessary, and providing information, for example concerning whether the focus or planning of the audit changes
- keeping the Head of Unit responsible informed about the progress of the audit and if there is a risk of major deviations from the audit design or project plan
- informing the Head of Unit of differences of opinion on material issues

# Appendix 3: Management Information

## Production Plan

Granskning	Projektplan			Review comparison of PP and Rev (GR) publication date			
	Publ. enl. urspr. PP	Timmar	Publ. rev vid GR	Planned	Actual	Variance	Action
Försvarsmaktens personalförsörjning av soldater och sjömän	202112	3,983	202205	2021-12-01	2022-05-01	151	delayed
Statens pandemistöd till idrott och kultur	202204	2,604		2022-04-01	--01	No revision	No change
Statens bidragsgivning till civilsamhällets organisationer	202211	2,866		2022-11-01	--01	No revision	No change
Granskning av de statliga servicekontoren	202212	3,404		2022-12-01	--01	No revision	No change
Polisens hantering av mängdbrott	202302	3,590		2023-02-01	--01	No revision	No change
Samhällets informations- och cybersäkerhet	202303	3,371		2023-03-01	--01	No revision	No change
Kostnadsberäkningar och konsekvensanalyser bakom genomförda reformer	202204	2,590	202206	2022-04-01	2022-06-01	61	delayed
Myndigheters åtgärder för att förebygga och hantera trakasserier mot statligt anställda	202210	3,000		2022-10-01	--01	No revision	No change
Miljömässigt ansvarsfull upphandling	202206	3,200	202210	2022-06-01	2022-10-01	122	Delayed
Regeringens hantering av ändringsbudgetar under pandemin	202206	2,430		2022-06-01	--01	No revision	No change
Regeringens lokalisering av myndigheter utanför Stockholm	202211	4,821	202209	2022-11-01	2022-09-01	-61	pushed forward
Sidas arbete med val av samarbetspartner och biståndsform	202202	3,154	202205	2022-02-01	2022-05-01	89	Delayed
Statens arbete med att säkerställa skyddsutrustning under coronapandemin	202202	3,489	202205	2022-02-01	2022-05-01	89	delayed
Statens tillsyn av öppenvårdsapotek och handel med läkemedel	202205	3,000		2022-05-01	--01	No revision	No change
Statens insatser för kortare väntetider i vården	202212	3,960		2022-12-01	--01	No revision	No change
Statens insatser för att motverka vårdskador och missförhållanden i vården och omsorgen om äldre	202211	3,549		2022-11-01	--01	No revision	No change
Det nationella smittskyddet	202303	3,478		2023-03-01	--01	No revision	No change
Insatser till unga med funktionsnedsättning i övergången in från skola till arbetsliv	202212	3,905	202202	2022-12-01	2022-02-01	-303	pushed forward – Note that initial rev date was 2020 02, assumed this to be a typo and adjusted to 2022

Sjukskrivningsprocessen, hyrläkare och digitala läkarbesök	202109	3,360	202203				
				2021-09-01	2022-03-01	181	Delayed
I väntan på dom – migrationsdomstolarnas handläggningstider i asylmål (RiR 2022:5)	202203	3,260	202110				
				2022-03-01	2021-10-01	-151	pushed forward
Systemet för hantering av offentliga biträden i migrationsärenden	202206	2,981	202205				
				2022-06-01	2022-05-01	-31	pushed forward
Systemet med spårbyte från asyl- till arbetskraftsinvandring		2,932	202209				
				--01	2022-09-01	No revision	No change
Statens insatser för likvärdig betygsättning	202208	2,900	202210				
				2022-08-01	2022-10-01	61	Delayed
Den statliga lönegarantin – förekomst av missbruk och myndigheternas kontrollarbete (RiR 2022:4)	202203	4,140					
				2022-03-01	--01	No revision	No change
Kontrollen och uppföljningen av statens stöd till studieförbunden	202203	5,518	202208				
				2022-03-01	2022-08-01	153	Delayed
Skolverkets uppdrag att tillhandahålla statistik om grund- och gymnasieskolor	202208	2,400					
				2022-08-01	--01	No revision	No change
Fungerar skolpengen som det var tänkt för skolans huvudmän och dess elever?	202206	4,506					
				2022-06-01	--01	No revision	No change
Uppfyller Samhall sitt uppdrag?	202304	5,610					
				2023-04-01	--01	No revision	No change
Statens insatser inom den regionala utvecklingspolitiken	202204	2,890					
				2022-04-01	--01	No revision	No change
Konsumentverkets tillsyn	202205	2,499					
				2022-05-01	--01	No revision	No change
Statens arbete mot invasiva främmande arter	202206	2,990	202205				
				2022-06-01	2022-05-01	-31	pushed forward
Statliga insatser för att attrahera investeringar i datahallar	202206	2,690					
				2022-06-01	--01	No revision	No change
Transportstyrelsens tillsyn	202211	2,900					
				2022-11-01	--01	No revision	No change
Statens insatser för att motverka tågförseningar	202212	3,170					
				2022-12-01	--01	No revision	No change
Statens arbete för klimatanpassningar av den byggda miljön		3,154	202211				
				--01	2022-11-01	No revision	No change

## Management Information for the selected performance audits

[REDACTED]

## Appendix 4: PA Published report checklist for reviewers

<b>Scope and rationale:</b>
- Does the report clearly explain the context and rationale for the audit/review and how it relates to SNAO/Unit-level risk assessments?
- Is the scope and focus of the report clear?
<b>Key findings:</b>
- Are the main findings summarised clearly and succinctly?
- Can the summary be read as a stand-alone piece (conveying key findings clearly and succinctly)?
- Is the summary a fair and balanced reflection of the work as a whole?
- Does the main text support the summary?
- If there is no summary - are the key findings and conclusions clear to the reader?
<b>Purpose:</b>
- Does the report meet the stated scope and rationale?
- Does the report fully address the report's objectives and key questions?
<b>Evidence:</b>
- Are the judgments in the report supported by robust evidence and analysis?
- Is it easy for the reader to understand how the findings have been drawn from underlying evidence?
<b>Recommendations:</b>
- Are recommendations attainable and SMART, recognising constraints and dependencies?
- Are the recommendations supported by evidence and clearly linked to audit findings?
- Are there key findings without associated recommendations where they would be expected?
- Is it clear who is responsible for implementing the recommendations?
- Will it be possible to measure progress and confirm when/that recommendations have been implemented?
<b>What progress has been made in implementing recommendations?</b>
o Is it likely that they will lead to significant improvements in VfM?
o If there are no recommendations, is it clear why?
<b>Presentation and content:</b>
- Is it easy for the reader to understand how the information presented has been drawn from underlying evidence?
- Is the report balanced, authoritative and persuasive?
- Is the report's main body well structured?
- Is the purpose of each chapter clear?
- Does the narrative flow?
- Are the findings clear throughout the report?
- Does the report only include content that addresses the report's scope and objectives?
- Is the report accessible to the lay reader?
<b>Presentation of analysis:</b>
- Does the report include appropriate <u>quantitative information</u> on costs, benefits and performance?
- Does the report include appropriate <u>qualitative information</u> ?
If the answer to either is no, is it clear why from statements about scope and methods?

<b>Graphics:</b>
- Are graphics appropriately used?
- Are graphics consistent, clearly presented and clearly explained?
<b>Methods:</b>
- Is the audit approach clear?
- Does the report include an appropriate range of evaluative criteria and techniques?
- Is it clear how and why the work has used primary and secondary data sources?
- Does the report set out the methodology clearly and in sufficient detail to assess the robustness and quality of the data/evidence?
- Does the report include discussions on the limitations of any data or analysis presented where this would reasonably be expected?
<b>Wider comments - to help SNAO learn and improve on the variety and quality of outputs produced, and hold government to account while helping to improve the delivery of public services:</b>
- Does the reviewer have any suggestions for improving the report?
- Are there any other things the reviewer would have liked to see done, or included/excluded from scope?

# Appendix 5: Questions for reviewers interviewing audit teams

## Questions for review of audit proposal

- How does the proposal fit into the department's audit portfolio? Is there a link to the risk analysis in the audit plan?
- How does the audit proposal relate to the objective of covering all essential elements of a committee area during a term of office?
- Are there previous or ongoing audits or future proposals from other units related to similar problem areas?
- Does the proposal include expenditure areas located at different entities?
- Are there sufficient resources and the right skills available to start and carry out the audit in accordance with the audit proposal?
- Is the overall assessment that the audit proposal is relevant?
- Does it cover central government commitments or activities related to important societal issues?

## Relevance and materiality

- Does the audit apply to central government activities/actions/commitments and is the audit within the Swedish National Audit Office's audit mandate? Is it clear who the auditee(s) are?
- Is it clear whether the Riksdag has set out any specific objectives for the activities, what follows from the Riksdag's decision or whether the committee responsible has called for anything specifically on the matter?
- Does the audit have a fundamental focus on performance, i.e. economy, resource efficiency or effectiveness?
- Are there indications of effectiveness or efficiency problems and can these problems pose a risk of inefficiencies for the state?

## Questions at design seminar

- All in all, do the overall audit question, sub-questions and delimitations clearly describe the focus and scope of the audit?
- Do the conditions exist for analysing the causes of the problems, as well as the conditions for making recommendations that can help solve the problems?

## Reasons for audit

- Is the audit well justified on the basis of the criteria of relevance, materiality, added value and timing as well as feasibility?
- Is the activity to be audited clearly defined?

## Feasibility and audit design

- Is the overall audit question formulated in such a way that there is a clear link with the problems and the central government activity/initiative/commitment being audited? Is the audit focused on assessing the economy, efficiency and/or effectiveness of the activity?
- Is the link between the overall audit question and the sub-questions clear so that the answers to the

questions in combination provide a basis for responding to the overall audit question?

- Are delimitations clearly described and justified?
- Are the assessment criteria well described and logical from the point of view of the overall audit question?
- Are the assessment criteria reasonable and useful in relation to reasonable demands that can be made of state actors?
- Are the assessment criteria formulated in such a way as to establish the link with each of the sub-questions?
- Have the assessment criteria been operationalised, or has it been clarified how this is to be done in the course of the audit?
- Method of information gathering and analysis
- Are the methods chosen appropriate and sufficient to provide a reliable basis for answering the respective sub-question?
- Are the methods chosen for information gathering and analysis, including any samples, well described and specified? Is it clear what methods are to be used for each sub-question?
- Are the pros and cons of selected methods discussed?
- Have selected methods been tested and assessed as reliable, sufficient and feasible for the present case?
- Are the proposed resources and time input realistic? Have any risks been considered?
- Do resources and timetable deviate from the audit proposal?

## **Questions for review at report seminar**

### Relevance and usefulness

- Is the effectiveness of state activities or central government commitments audited on the basis of financial management (economy), use of resources (efficiency) and achievement of objectives (effectiveness)?
- Does the audit add value by presenting new knowledge and opportunities for improvement?
- Does the report contain all the necessary information to answer the overall audit question and sub-questions?
- Is the report clear enough to enable the reader to understand how we have arrived at our findings and conclusions in the area in question?
- Is it clearly justified why the audit has been carried out? Is the audit placed in a context, linked to the objectives of the activity, risks, problems, etc.?
- Do we analyse the causes of and propose solutions to the problems and deficiencies identified by the audit?
- Are the recommendations addressed to those responsible for the issues audited?

### Transparency and credibility

- Are the links clear: how the overall audit question and sub-questions, assessment criteria, methods, findings, conclusions and recommendations are linked –the “common thread”?

- Are the findings supported by reliable and sufficient evidence?
- Are text sections of different kinds clearly separated: descriptive sections, findings, conclusions and recommendations?
- Is the text objective: does the audit show starting points, present facts neutrally and analyse them logically?
- Is the text balanced and fair: are both positive and negative findings presented, are deficiencies put in their context and are criticisms qualified in terms of circumstances?
- Is there superficial language or value-loaded words?
- Do we analyse and report how the demarcations and uncertainties in data, method and analysis may have affected the conclusions?

#### Accessibility and reader-friendliness

- Are the summary, main text and appendices adapted to the needs and level of knowledge of the respective target group?
- Does the report have a clear and logical structure: are issues addressed as far as possible in a context?
- Do headlines and summaries highlight the important messages, does the most important come first in sections and paragraphs?
- Are the words used in the report straightforward and short, rather than long? Are terms and concepts explained and used consistently? Is the language correct and consistent?

## Appendix 6: Selection of Financial Audits

We selected five financial audits for review:

- The Swedish Tax Authority
- The Swedish Police Force
- The Regulatory Authority for Press, Radio and Television
- The Grant Authority for Religious Communities
- University College of Kristianstad

The OAGN team was provided with a list of all audits, with information about information security issues, budget size and information about which units were responsible for the audit. We attempted to select audits where we had similar experience from our own audit practice and a good variety of size and responsible teams. We struggled with one of the smaller engagements as the Auditors in Charge were no longer with the office or on leave. When this happened, we kept selecting new engagements until we found one with staff we could interview. The decision on which audits to review rested entirely with the OAGN team.