

Auditing standards for the office of the Auditor General of Norway

1 February 2005

Preface

The objective of these auditing standards is to ensure that the concept of “best auditing practices in the Office of the Auditor General” complies with the general requirements set by the Office of the Auditor General for the performance of audits.

The auditing standards have been largely based on INTOSAI’s standards for government auditing. Other national and international auditing standards have also been used as background material when compiling the auditing standards for the Office of the Auditor General of Norway.

The auditing standards are to be used as the starting point for all auditing work carried out by the Office of the Auditor General from 1 July 2005.

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

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Auditor General

Introduction

Legislation and instructions concerning the activities of the Office of the Auditor General

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

Through auditing, monitoring and guidance the Office of the Auditor General shall ensure that the state's revenues are paid as intended and that the state's resources and assets are used and administered in a sound financial manner and in keeping with the decisions and intentions of the Storting, cf. Section 1 of the Auditor General Act. The duties of the Office of the Auditor General are also stipulated in Section 9 of the said Act and in chapters 2, 3 and 4 of the Instructions.

Section 10 of the Act sets the following requirements for the performance of audits: "The Office of the Auditor General shall be objective and neutral in the performance of its duties. Audits shall be planned, performed and reported as prescribed by the relevant legislation and instructions and by best auditing practices in the Office of the Auditor General".

Best auditing practices in the Office of the Auditor General – auditing standards

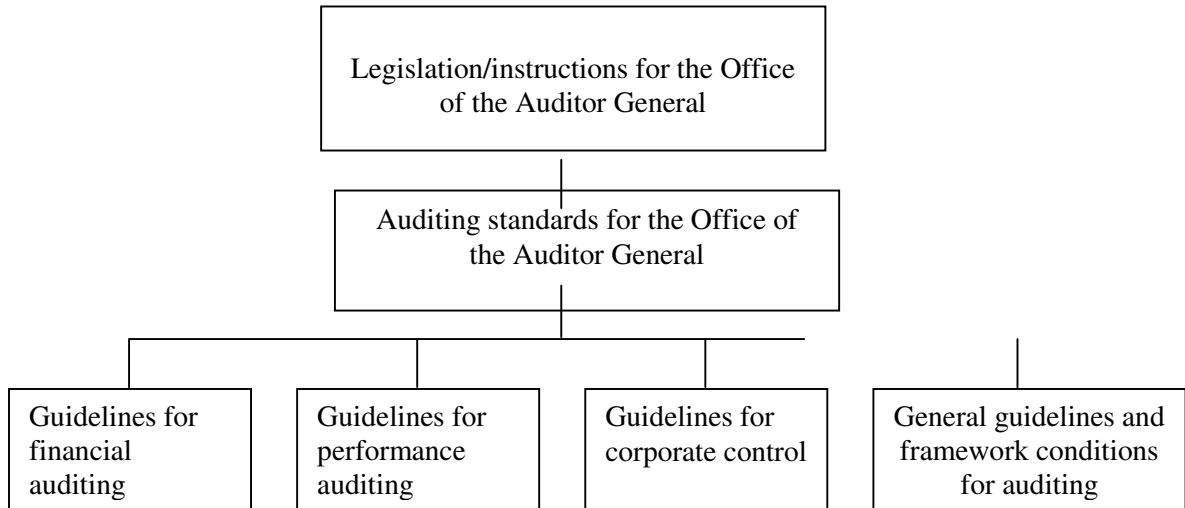
The concept of "best auditing practices in the Office of the Auditor General" is dynamic and will develop over time in keeping with changes in the legislation, instructions, international and national standards, guidelines and accepted methodology. The objective of the auditing standards is to ensure that the concept of "best auditing practices in the Office of the Auditor General" complies with the general requirements set by the Office of the Auditor General for the performance of audits.

The auditing standards are based on the INTOSAI standards. INTOSAI's "Code of Ethics" for the relevant standards is given in Appendix 2, and the "Code of Ethics" in Appendix 3. "Standards for auditing and related services", issued by the Norwegian Institute of Public Accountants, and other international and national standards have also been used as background material in the compilation of the standards of the Office of the Auditor General.

The auditing standards for the Office of the Auditor General apply to all types of audit. The use of the standards is adapted to the purpose of each type of audit in accordance with the guidelines for the auditing work. For easy reference, all the auditing standards can be found in Appendix 1.

The relationship between legislation/instructions, auditing standards and guidelines for auditing work

The relationship between legislation and instructions, auditing standards and guidelines for auditing work is shown in the following diagram:



The figure shows the levels of provisions and guidelines that govern the performance of the auditing work in the Office of the Auditor General.

The Auditor General Act and the Instructions concerning the activities of the Office of the Auditor General

The Act and the Instructions provide the frameworks for the work of the Office of the Auditor General. Reference is made to the booklet “Act and Instructions relating to the Office of the Auditor General – with comments” issued by the Office of the Auditor General in June 2004. The Act and Instructions adopted by the Storting take precedence over any form of auditing standard. Standards and guidelines shall ensure compliance with the intentions of the Act and Instructions in the performance of the auditing work.

Auditing standards for the Office of the Auditor General

The auditing standards are intended to define the meaning of the concept of “best auditing practices in the Office of the Auditor General”. This is a dynamic concept and will develop over time in keeping with changes in legislation, instructions, international and national standards, guidelines and accepted methodology. The requirements in the auditing standards may therefore be more stringent than the detailed requirements prescribed in the legislation and instructions. In this event the auditing standards are to be observed.

Guidelines for auditing

The requirements related to auditing work laid down in legislation and instructions and the auditing standards are specified in the guidelines for each individual type of audit. The guidelines describe how the auditing work is to be performed.

Structure of the auditing standards

The Office of the Auditor General's auditing standards are divided into three categories:

- general standards
- field standards
- reporting standards

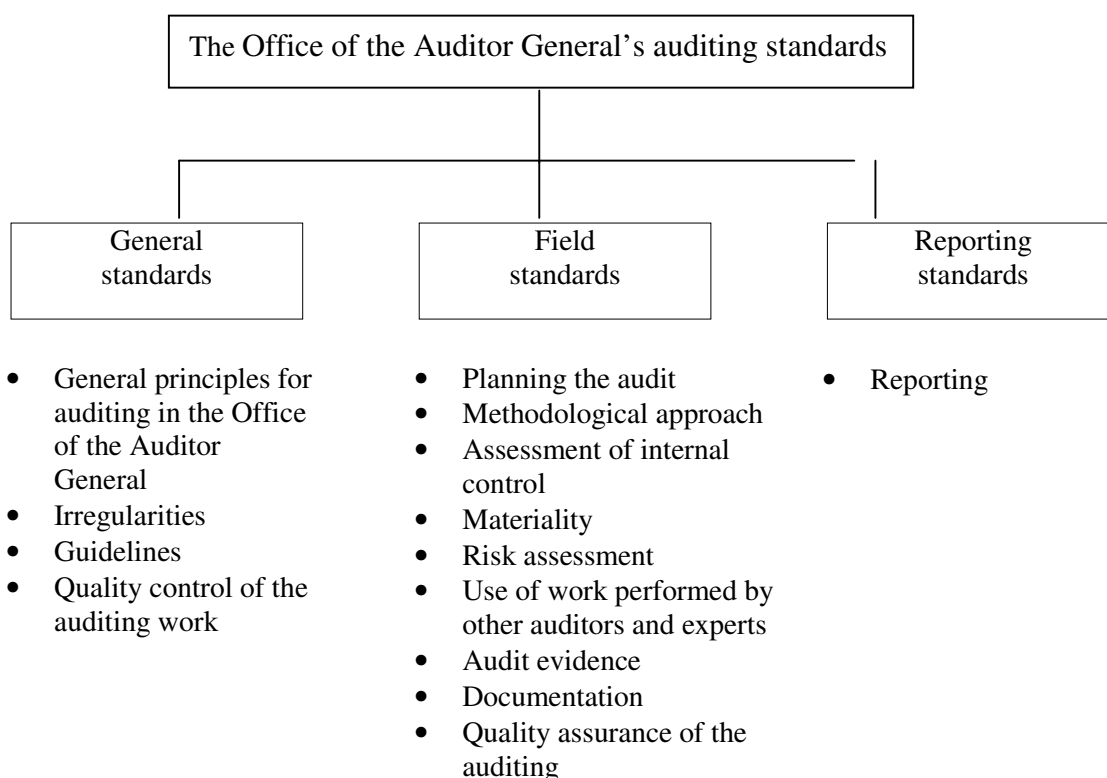
All standards are classified under one of these categories.

The general standards primarily describe the fundamental requirements that apply to all types of audit performed by the Office of the Auditor General.

The field standards contain the requirements for conducting the audit work and describe the essential requirements that apply to the performance of all types of audit.

The reporting standards contain requirements regarding documentation and the reporting of performed auditing that apply to all types of audit.

The structure of the auditing standards is shown in the following diagram:



The auditing standards are numbered consecutively, and explanations are given for each standard. The requirements that are described in the explanations form part of the auditing standards and must be observed in the performance of the audit.

The term *auditor* is used as a generic term in the standards. It is intended to cover any person who performs audit work for the Office of the Auditor General and in principle covers national auditors, civil servants at the Office of the Auditor General and others who carry out auditing services or auditing work for the Office of the Auditor General.

It is stated in the standards that the auditors must plan and perform audits with a professional degree of scepticism and must be prepared for the possibility that they may come across circumstances involving financial statements or other information containing material errors and non-compliance. The auditors' field of work will span so many different areas that it is not possible to lay down a single set of rules or minimum requirements that will apply in every case. It is ultimately the auditors' professional judgement that is decisive for the conclusions that are drawn. This is a fundamental aspect of the auditing standards.

All those who perform audit work for the Office of the Auditor General have an independent responsibility for the quality of their work and for ensuring that the auditing standards are complied with and that all audit work is performed in accordance with "best auditing practices in the Office of the Auditor General".

General standards

General principles for auditing in the Office of the Auditor General

The purpose of these standards is to lay down the general principles that apply to all types of audit performed by the Office of the Auditor General and to ensure that the Office of the Auditor General and/or auditors perform the tasks governed by the operative standards and the reporting standards efficiently and effectively and in a manner that assures the quality of the results.

1
The Office of the Auditor General shall be independent.

2
Auditors shall exercise professional and personal integrity in the performance of the audit.

Explanations

Independence

The Office of the Auditor General's independence is laid down in Section 2 of the Auditor General Act which states: "The Office of the Auditor General shall perform its duties in an autonomous and independent manner, and determine itself how the work shall be arranged and organised".

The Office of the Auditor General is not subject to the Government's authority to issue instructions. Moreover, the Government or administration cannot introduce rules or pass resolutions that prevent the Office of the Auditor General from performing auditing or monitoring and cannot interfere with the execution of its duties.

The Office of the Auditor General's proposed budget is submitted directly to the Storting, cf. Section 8, paragraph 1 of the Auditor General Act. The Ministry of Finance cannot interfere in the budgetary process or set guidelines for the Storting's allocations to the Office of the Auditor General.

Only the Storting can establish a framework for the Office of the Auditor General's activities, both legally (by Acts, instructions or plenary decisions) and financially (budget and the Appropriations Regulations). The Storting and the Office of the Auditor General have a common understanding that within the established framework the Office of the Auditor General has an independent status and the responsibility to clarify the detailed content and execution of its auditing duties. The Office of the Auditor General shall, for example, determine the methodology that is appropriate for the duties that are to be performed.

Section 10, paragraph 1 of the Auditor General Act states that the Office of the Auditor General shall be objective and neutral in the performance of its duties. The Office of the Auditor General shall be politically neutral and shall not be influenced by party politics in the performance of its duties. However, through a plenary decision the Storting can instruct the Office of the Auditor General to initiate special investigations, but the Office of the Auditor General itself chooses how the investigation shall be carried out, cf. Section 9, paragraph 7 of the Auditor General Act. It is assumed that the right to issue instructions is applied with caution and in a manner that gives rise to no doubt as to the independence of the Office of the Auditor General.

The Office of the Auditor General may demand any information or explanations that are necessary to facilitate the performance of its duties, cf. Section 12, paragraph 1 of the Auditor General Act. The Office of the Auditor General decides what constitutes necessary and relevant information for the performance of its duties.

Professional and personal integrity

Pursuant to Section 19, paragraph 1 of the Auditor General Act, auditors shall comply strictly with the principles of independence and objectivity and shall perform their duties with the interests of the public in mind.

Auditors shall not have an association with the audited/monitored entity that may weaken the impartiality or objectivity of the individual in question in the performance of his/her tasks. Any circumstances that may influence impartiality shall be considered before an auditing task is performed.

Auditors shall exercise due integrity and care in the performance of the audit so that the audit is perceived as independent and objective.

Auditors should avoid any conflicts of interest by refraining from accepting gifts that may influence or be perceived as influencing the auditor's independence and integrity. Auditors shall not exploit their official position for personal benefit and shall avoid circumstances that pose a risk of abusing their position.

The auditor's duty of confidentiality is described in Section 15 of the Auditor General Act. All information obtained from an audited entity shall only be used in connection with the performance of the audit. However, the Office of the Auditor General can make a report to the police on suspicion of a criminal offence, and can cooperate with other relevant supervisory authorities before the audit has been completed and without reporting the matter to the audited entity or the supervisory ministry.

Auditors shall use methods and practices of the highest possible quality in their auditing work and shall follow guidelines and procedures that have been laid down for this work to enable them to carry out their tasks effectively and efficiently.

Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work so that their duties are performed competently and with impartiality.

Auditors must plan and perform audits with a professional degree of scepticism and must be prepared for the possibility that they may come across circumstances that involve information containing material errors and non-compliance.

Auditors must determine the audit procedures that are required to carry out an audit in keeping with the principles of best auditing practices in the Office of the Auditor General and in relation to the requirements given in legislation, instructions, the auditing standards and the guidelines for the audit.

When processing information, auditors shall follow the instructions for information security in the Office of the Auditor General and in supplementary security provisions.

3

The conduct of the Office of the Auditor General shall instil trust, confidence and credibility in the Storting, the government administration, the general public and audited entities.

Explanations

The general public's confidence in and respect for the auditor's work largely results from the skills, judgements and work performed by auditors as a professional group. It is therefore in the interests of both auditors and the general public that the auditor cooperates with fellow auditors in a fair and balanced manner.

For the Office of the Auditor General to attain credibility and to be perceived as objective it is important that its reports and statements are regarded as thorough, accurate and reliable by competent third parties.

4

The Office of the Auditor General and the auditors shall have the required competence.

Explanations

Auditors shall possess adequate qualifications, ability and experience and have access to all the tools and aids they need at all times to be able to perform an efficient and effective audit. Auditors shall have the competence that fulfils the needs of the scope and complexity of the audit assignment.

Auditors shall update their skills in line with the development within their professional area and shall be given the opportunity to meet this requirement.

Irregularities

The purpose of these standards is to lay down requirements regarding the assessment of the risk of irregularities on the performance of all types of audit undertaken by the Office of the Auditor General.

5
Through auditing, the Office of the Auditor General shall contribute to preventing and identifying irregularities.

6
When planning and performing audit procedures and assessing and reporting the results of these, auditors shall assess the risk that there may be irregularities.

7
Auditors shall consider gathering information in the audited entity about detected cases of irregularities and about any consequence these may have entailed.

Explanations

Section 9, paragraph 4 of the Auditor General Act states that through auditing the Office of the Auditor General shall contribute to preventing and identifying irregularities and errors. During consideration of the Act it was pointed out that the Office of the Auditor General has an important role in the fight against irregularities and corruption, underlined by its opportunity to report its findings and suspicions to the police or other supervisory authorities. It follows from Section 15, paragraph 4 that the Office of the Auditor General can make such reports unconstrained by its duty of confidentiality.

The term *irregularities* is used to refer to intentional acts that entail the use of dishonesty or fraudulence to achieve an unfair or unlawful benefit for oneself or others. Irregularities can be performed by one or more persons within management, by persons who have superior responsibility for governance and supervision, or by employees or others. Irregularities can be distinguished from errors by a consideration of whether the underlying action has been carried out intentionally or unintentionally.

In general terms, the following types of irregularities are relevant for audits:

- corruption
- breach of trust
- embezzlement
- theft
- false reporting of financial statements and results

Auditors shall assess the risk of there being irregularities in the financial statements or other relevant information. Quantitative and qualitative considerations of materiality shall be used as a basis for the assessment of the matters that are to be audited.

Auditors must be aware that cases of irregularity related to the use of public funds often attract greater attention than such cases in the private sector. The Office of the Auditor General must bear in mind the expectations of the Storting and the general public regarding how public funds are to be employed and the expectations these parties have of the Office of the Auditor General as an auditing institution. Consideration must therefore be given to the appropriate measures that must be implemented to identify any irregularities without the audit acquiring the character of an investigation. In some cases this will also apply where irregularities do not involve substantial amounts or assets.

Entities may take decisions that have financial consequences for other parties without these decisions having accounting importance for the entity or the public sector, e.g. the allocation of concessions and permits. In addition, some entities exercise authority of a non-economic nature where some parties may have an interest in influencing decisions or actions. In entities that make this type of decision there is a risk of persons becoming involved in corruption, and auditors must therefore assess the possibility of this in their risk analysis.

It is the entities rather than the auditors that have the main responsibility for preventing and detecting irregularities through the implementation and operation of satisfactory systems for accounting and internal control. The audit can help to reduce the risk of irregularities arising, and when planning and performing audits auditors should have a critical attitude to the fact that there may be irregularities in the audited entity.

In the event of any suspicion of irregularity, auditors should act cautiously and correctly and should not draw hasty conclusions. In consultation with the management of the division/department, auditors should clarify the procedure to be followed, including whether the police or other supervisory authorities are to be notified and whether necessary measures to avoid the destruction of evidence and the like are to be implemented. The Auditor General and the Secretary General of the Office of the Auditor General must be informed.

Guidance and advice

The purpose of these standards is to lay down requirements regarding the advice that auditors may give to audited entities in order to prevent errors and deficiencies in the future. Such advice can be given in connection with the performance of all types of audit undertaken by the Office of the Auditor General.

8

In conjunction with the audit work, auditors can advise the audited entity in areas in which the auditors have the required competence.

9

When advising an audited agency, auditors shall conduct themselves in a manner that prevents any doubt arising as to the independence and objectivity of the Office of the Auditor General.

10

Auditors shall take care to act in a way that prevents the audited entity from perceiving their advice as a directive.

Explanations

Pursuant to Section 9, paragraph 5 of the Auditor General Act, the Office of the Auditor General has an advisory function in relation to the government administration. This function involves giving the agency advice and recommendations founded on professional expertise and knowledge of the agency and other relevant information.

The advice is conveyed to the agency through written and verbal communication about the audit and is given on the basis of:

- audit findings geared toward the objectives of the audit
- facts that are revealed during the audit but that are not directly related to the objectives of the audit
- requests from the agency

Advice can also be given in cases where the Office of the Auditor General participates as an observer in working groups or committees.

The guidance must not be formally or actually tied to any subsequent auditing or monitoring assessments and must be exercised with caution and in a manner that does not place the independence and objectivity of the monitoring in jeopardy. Under no circumstances should auditors behave in such a way that the Office of the Auditor

General's independence and objectivity towards the audited agency is queried or impaired. The government administration has an independent responsibility to make its own decisions, regardless of the guidance received.

Auditors should only give advice on areas where they have the necessary competence.

Fundamental queries put forward by the audited agency or issues that may give rise to uncertainty on the part of the auditor about the advice that should be given must always be submitted to superior levels.

Unless recorded elsewhere, advice given by auditors should be recorded in the working documents.

Auditors must assess auditing matters of interest for governance and supervision that are revealed by the audit and must convey this information to those who have the prime responsibility for governance and supervision.

The Office of the Auditor General can participate as an observer in working groups or committees with the purpose of providing any relevant competence it may possess. To ensure independence and to avoid conflicts of interest, auditors must explain their advisory role and stress that they cannot tie or commit the Office of the Auditor General to one particular view regarding proposals for solutions that are put forward in the course of this work. However, auditors should be able to offer advice and guidance as to whether the solutions assessed could have unfortunate consequences, i.e. consequences that may subsequently generate queries or criticism about the audit.

Quality control of auditing work

The purpose of this standard is to lay down requirements regarding the overall quality control of audits in the various departments and divisions.

11

Quality control shall be carried out to ensure that the auditing work is performed in accordance with best auditing practices in the Office of the Auditor General.

Explanations

Quality control entails a systematic review of the divisions' auditing work and organisation. Quality control covers all the duties auditors are instructed to do in accordance with legislation and instructions for the Office of the Auditor General.

The objective of quality control in the Office of the Auditor General is to promote the effective and efficient use of resources and to achieve audits of high quality, including the most uniform application of methodology and auditing judgement as possible, as well as to contribute to developing methodology and enhancing competence.

Written guidelines and procedures shall be compiled for quality control.

Where appropriate, the generally accepted auditing standards in the Office of the Auditor General and the Office of the Auditor General's over-arching standards also apply for quality control work.

The outcome of the quality control shall be reviewed with the line manager(s) responsible before it is reported to the top management of the Office of the Auditor General.

Quality control of all types of audit shall normally be performed annually.

Field standards

The planning of audits

The purpose of these standards is to lay down the requirements regarding the planning of all types of audit performed by the Office of the Auditor General.

12

Auditors shall plan the audit work in a way that enables the audit to be performed in a professionally satisfactory and efficient manner.

13

Auditors shall draw up the audit plan in accordance with applicable guidelines.

14

The audit plan shall be an efficient and effective management tool.

Explanations

Planning is defined as a process that aims to structure, organise and prioritise the auditing work. Planning shall be documented in accordance with applicable guidelines.

The scope of the planning required will vary according to the size of the audited entity or the extent of the project, the audit's complexity, and the auditor's experience and knowledge of the entity.

The planning process will vary according to the type of audit, but can include the following activities:

- obtaining information
- assessing risk
- assessing materiality
- defining objectives
- determining scope, approach and type, as well as the research questions applicable to the investigations
- assessing access to data and feasibility
- drawing up a budget and schedule for the audit
- identifying competence needs and staffing the audit team
- informing the entity of the scope and objectives of the audit and the audit criteria and if relevant discussing these with the entity

The following may be relevant for the planning of the audit:

- identifying important aspects of the environment in which the audit entity operates
- developing an understanding of the accountability relationships in the entity
- identifying key processes, management systems and controls and carrying out a preliminary assessment to identify both their strengths and weaknesses
- reviewing the internal audit of the entity and its role and work programme
- assessing the extent of reliance that might be placed on other auditors' work, for example the internal audit
- assessing the extent to which the entity has taken action on previously reported audit findings and recommendations
- assessing data sources and performance method

The audit plan must be sufficiently detailed to constitute a useful management tool for the performance of each audit assignment. The form and content will vary according to the type of audit, the size of the entity or the extent of the project, the complexity of the audit, and the auditor's choice of methodology and technological solutions.

In financial audits and corporate control, auditors elaborate further on the planning in the *audit programme*.

Major changes to or deviations from the plan shall be recorded in the working documents and shall be approved by the management of the division or department.

When auditors plan a financial audit, they must analyse the financial statements to enable them to perform an efficient and goal-oriented audit.

Methodology

The purpose of this standard is to lay down requirements regarding the selection and application of methods used in planning and conducting all types of audit performed by the Office of the Auditor General.

15

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

Explanations

Methodology is defined as the approaches, techniques and/or tools that auditors use to plan and perform the audit.

There are major differences between the factors that affect the choice and application of methods for collecting data and those for analysing data.

The methodology shall be documented, and it should be possible to verify the methodological approach.

Accepted audit methods include:

- analytical reviews
- sample audits
- document analysis
- surveys (interviews and questionnaires)
- financial statement analysis

The requirement that the methodological approach be appropriate to the audit objective entails that in addition to the issues of time and resources, elements such as the targets for the audit, individual problems and other issues as well as the means by which the results are to be reported should be considered and compared. Auditors should strive to use the most suitable and effective methodologies for each audit.

Assessment of internal control

The purpose of these standards is to lay down requirements for the assessment of the entity's risk management framework on the performance of all types of audit undertaken by the Office of the Auditor General.

16

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

17

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

Explanations

The objective of auditors' assessment of an entity's risk management is to ensure that the auditing work is geared towards essential aspects that are most exposed to risk, thereby enabling an effective, efficient and goal-oriented audit to be performed.

Auditors shall assess the risk management procedures of the entity when considering the risk factors that are relevant to the objectives and definitions of the audit assignment. If the internal control activities function as required, these can be used as a basis and may reduce the auditors' own control procedures.

Auditors use a risk management framework as an analytical tool to identify and assess how the entity handles the risk involved.

The risk management framework includes the following components:

- the internal environment
- objectives
- identifying incidents
- risk assessment
- risk response
- internal control activities
- information and communication surveillance

The framework is based on the COSO model and is described in more detail in the guidelines.

Auditors carry out *compliance tests* to assess whether the entity's routines and established internal control activities have been adequately designed and actually function in a satisfactory manner. If auditors decide to use the entity's control activities as a basis for their work, these activities must be tested for compliance.

Materiality

The purpose of this standard is to lay down requirements regarding the assessment of materiality in the performance of all types of audit undertaken by the Office of the Auditor General.

18

Auditors shall make assessments of materiality to enable them to perform an economical, efficient and effective audit.

Explanations

Materiality within performance audits is judged on the basis of the consequence of any non-compliance identified in an audit. The consequence must be of fundamental, economic or major social importance.

Materiality within financial audits must be regarded in relation to the fact that information may contain errors or deficiencies or may be based on discretionary appraisals. The costs of avoiding all errors and deficiencies can be so large that they exceed the benefit of such high precision. Errors of a certain size (based on defined criteria for materiality) must therefore be accepted provided that this is not of significance for the entity's ability to carry out the budget resolutions and intentions of the Storting or is not of critical importance for the users of the information. The judgement is based on both quantitative and qualitative considerations.

When performing financial audits, materiality must be taken into account throughout the audit process. If aspects emerge during the process that will influence the defined criteria for materiality, these criteria must be re-assessed against the users' presumed requirements regarding precision in financial or other information.

Risk assessment

The purpose of this standard is to lay down requirements regarding the assessment of the risk of material errors and non-compliance on the performance of all types of audit undertaken by the Office of the Auditor General.

19

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

Explanations

At supervisory level, risks shall be assessed across all types of audit. At field level the assessment of risk in connection with the audit process shall be made within each type of audit. The purpose is to perform an economical, efficient and effective audit. Priority between the audit duties and between other tasks will be assigned on the basis of the risk assessments carried out in the planning phase.

Risk assessment is a systematic process that is carried out to evaluate the risk of errors and deficiencies in financial statements and of non-compliance with the decisions and intentions of the Storting. In the Office of the Auditor General the risk assessment process shall be the governing factor in the work of planning the audit.

Risk assessment at field level is intended to help auditors to assign priorities to their auditing work. Auditors shall amend planned work in the event of new or different information emerging.

Use of work performed by other auditors and experts

The purpose of these standards is to lay down requirements regarding auditors' use of work performed by other auditors and experts, for example any internal audits carried out by the audited entity, in the performance of all types of audit undertaken by the Office of the Auditor General.

20

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

21

In entities that have an internal audit function, auditors shall maintain an appropriate dialogue with internal auditors and shall familiarise themselves with internal audit plans and reports. Auditors shall assess any effects these audits and plans may have on the audit that is being planned in the agency with the aim, for example, of avoiding unnecessary double work.

Explanations

Internal auditing is established by the management of an organisation as a management tool. The areas of activity of internal auditors vary from agency to agency.

An *expert* is a person or company that possesses particular skills, knowledge and experience in specialist areas other than those of the auditors, and that auditors have used to perform certain tasks.

Auditors shall assess whether experts who perform work for the Office of the Auditor General or for the internal audit have had access to the necessary background material. The scope, extent, methods and assumptions on which others' work and conclusions were based must also be evaluated. Furthermore, auditors should assess any certification or authorisation as well as the independence and objectivity of external auditors or experts.

Pertinent to the audit objectives means that the conclusions drawn on the basis of work performed by others support the auditors' objectives for the audit in hand and fulfil the requirements that apply to audit evidence.

Auditors shall not surrender their own plans and working papers to the audited entity's internal auditors. However, the relevant department or division of the Office of the Auditor General may and should give them a verbal overview of planned and completed audits. Meetings should be held with the internal auditors at least once a year or whenever circumstances warrant this.

Audit evidence

The purpose of these standards is to lay down requirements regarding the audit evidence that shall be gathered on the performance of all types of audit undertaken by the Office of the Auditor General.

22

Auditors shall use professional judgement in their assessment of the audit risk, and shall implement the audit procedures that are necessary to reduce this risk to an acceptable level.

23

Auditors shall procure audit evidence that is appropriate, sufficient and necessary and that enables them to draw conclusions on the objective or the issue involved.

24

When certifying accounts, auditors shall always carry out substantive tests.

Explanations

Auditors must assess both the content and the scope of the audit procedures that are used. The content must be such that the results of the procedures are in correlation with their purpose, while the scope must be of an extent that makes the audit risk acceptable.

Audit evidence is information auditors have procured, for example by carrying out review procedures, and that is used to support their judgements and conclusions.

Sufficient and necessary is a measure of the scope of the audit evidence that auditors shall procure. The volume of the audit evidence shall be sufficient to render the audit risk acceptable. To attain the objective of accomplishing an efficient and effective audit, the procurement of evidence shall be restricted to that which is necessary.

Appropriate is a measure of the quality of the audit evidence, i.e. its reliability and relevance. Auditors will normally find it necessary to make use of audit evidence that is more substantive than absolute, and will often procure audit evidence from various sources or of various types.

Auditors shall consider the relationship between the use of resources in the procurement of audit evidence and the sufficiency and appropriateness of the information that is obtained. However, the fact that it is difficult and resource-demanding to procure audit evidence does not in itself represent grounds to refrain from carrying out a necessary procedure.

The reliability of audit evidence is affected by the source (i.e. whether it is internal or external), and whether it is visual, written or oral. The following factors should be taken into account in auditors' assessments of the reliability of the evidence:

- External audit evidence (e.g. confirmation from a third party) is more reliable than audit evidence that has been generated internally.
- Audit evidence that has been produced internally is more reliable if the agency has effective accounting and internal control procedures.
- External audit evidence is more reliable if it has been procured directly by the auditors than if it has been obtained by the agency under audit.
- Audit evidence in the form of documents and written statements is more reliable than verbal statements.

Security will be greater when there is a correlation between audit evidence procured from different sources and between different types of evidence. If information from one source does not correspond with information from another, auditors must decide on the additional procedures that are necessary to allow the information to be used as audit evidence.

Substantive tests are procedures that auditors will use directly as a basis for assessing the correctness of the accounts or the compliance of the accounts with legislation, provisions and relevant regulations. Substantive tests include:

- detailed testing of decisions regarding allocations, transactions and balances
- analytical review methods
- compliance with applicable laws and regulations

Audit procedures performed and audit evidence obtained shall be documented.

Documentation

The purpose of these standards is to lay down requirements regarding the documentation of auditing work on the performance of all types of audit undertaken by the Office of the Auditor General.

25

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

26

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

27

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

Explanations

Documentation of the audit consists of two components: working papers and source material. The documentation can be compiled and stored on paper, film, electronic media or other media.

Working papers constitute material prepared by auditors or by the Office of the Auditor General. Working papers show what has formed the basis of auditors' planning of the audit, the period of the performance of the audit, the scope and extent of performed audit procedures, the results of the audit, the reasons for the auditors' assessments and discretionary judgement and the conclusions drawn.

Examples of working papers include:

- assessments of risk and materiality
- audit plans and audit programmes
- detailed references to sources
- comprehensive lists of data used in connection with the collection of data

- documentation of analyses of data that have been conducted
- evaluations of the work of others (if applicable) and the conclusions drawn from these.

Source material is documentation that has been compiled by others and that auditors have considered relevant to the audit. Material that does not contain relevant information shall only be included in the source material if auditors regard as a deficiency the fact that the matters in question have not been described.

Source material can include:

- the Appropriations Regulations
- the Financial Management Regulations for the Central Government
- the Instructions for Official Studies and Reports
- the Public Procurement Act and Instructions
- information about the legal and organisational structure of the agency and extracts from or copies of important legal documents, contracts, agreements and records
- the agency's internal financial instructions or manual
- the chart of accounts and other information about the agency's accounting systems
- copies of the accounts, letters of allocation and correspondence between the agency and the ministry
- copies of letters, auditing documents and other correspondence concerning matters that auditors have raised or discussed with the agency and the agency's response to them, plus any annotations

Adequate and detailed means that the documentation shall contain all matters that are relevant for the audit in hand so that the results and auditors' conclusions may be checked and verified. The scope and extent of the documentation is a matter for the auditors' professional judgement.

Auditors should bear in mind that the form and content of the working papers will be affected by the following factors:

- the objective, scope and form of reporting the audit
- the nature and complexity of the agency and the nature and quality of the agency's accounting and internal control systems
- the audit methodology and computer tools used in the performance of the audit

In the case of financial audits, each audit is documented in the year's file, while source material is kept in permanent files. The central archives are used for both corporate control and performance audits for the storage of documents once the verification work has been concluded.

Quality assurance of audit work

The purpose of this standard is to lay down requirements regarding quality objectives for the audit work in the various divisions and departments on the performance of audits undertaken by the Office of the Auditor General.

28

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

Explanations

Each individual auditor bears an independent responsibility for assuring the quality of his or her work throughout the entire auditing process. This means that auditors shall perform their audit work in accordance with best auditing practices in the Office of the Auditor General and shall follow the standards and guidelines laid down for auditing.

The auditor's immediate superior is responsible for assuring the quality of the audit work.

Department management bears the ultimate responsibility for initiating and monitoring the quality assurance within its sphere of responsibility. The management shall ensure that the divisions have implemented appropriate and adequate routines for quality assurance that fulfil the requirements laid down in the guidelines. The responsibility of the department management also includes:

- ensuring that the work performed in the division is progressing according to schedule
- determining whether the division possesses the competence necessary to perform the allocated tasks
- ensuring that they are informed about and consider important issues that arise during the course of the audit

Division management is responsible for initiating appropriate routines for quality assurance within the individual divisions. This includes:

- a) monitoring the progress of the audit to assess whether
 - the auditors have the required skills and competence to perform the tasks assigned to them
 - the auditors understand the instructions about how the audit in hand is to be performed
 - the work is carried out in accordance with the plans specified in the audit plan
- b) making sure that they are kept informed about and involved in important issues that arise during the course of the audit by determining the materiality of issues and making any necessary changes to the audit plan
- c) resolving any disagreements in professional judgement among the auditors on the audit team

When carrying out quality assurance, the duties of division management shall include ensuring that:

- the chosen methodology is being used and that it complies with the standards for best auditing practices in the Office of the Auditor General
- the assessments of risk and materiality have been sufficiently substantiated
- the audit plans have been based on the assessments of risk and materiality
- the work is being performed in accordance with approved audit plans and programmes
- there is sufficient documentation of the work that has been performed and of its results
- all material factors concerning the audit have either been resolved or included in the conclusions
- the audit objectives and targets have been attained
- the final conclusions comply with the results of the performed audit work

Reporting standards

Reporting

The purpose of these standards is to lay down requirements regarding reporting audit work on the performance of all types of audit undertaken by the Office of the Auditor General.

29

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

30

The Office of the Auditor General reports to the Storting and informs the audited entities and the supervisory ministry about the result of the audit pursuant to applicable guidelines.

Explanations

The Office of the Auditor General's obligation to submit reports to the Storting is stated in Section 11 of the Auditor General Act and in Sections 15 to 17 of the Instructions concerning the activities of the Office of the Auditor General.

The requirement that all the factors that are presented shall be *relevant* means that there shall be agreement between the assessments of risk and materiality undertaken in connection with the audit, the given objectives for the audit, the way in which the audit was carried out, the audit criteria and the auditors' judgements, conclusions and recommendations or suggested measures.

The requirement that the form and content of the audit reports should present *all the relevant factors* means that all the information included shall be valid and complete.

The requirement that *any aspects that warrant criticism that have been revealed by the audit should be described clearly* in the audit report entails that all findings and judgements shall be presented in full and be stated correctly and precisely.

The requirement that the presentation of the facts shall be *impartial, objective and constructive* entails that the facts are presented separately from the opinions of the Office of the Auditor General, and that the audited agency shall verify the facts and be given the opportunity to respond and make comments. The ministry is also to be given the opportunity to review and comment on the judgements and conclusions of the Office of the Auditor General.

Review and verification means that it must be clear which audit evidence and data the audit was based on. How the data was gathered and analysed shall be described, and the validity and reliability of the data shall be justified. The judgements and conclusions shall be derived from the presented audit evidence and in such a way that it is possible for others to carry out the same audit and reach the same overall result.

The Office of the Auditor General communicates the results of its financial audits to the audited agency when it finds that it has results that are of significance to the agency. A copy of the letter to the agency is sent to the supervisory ministry.

Once the annual audit has been completed, the Office of the Auditor General sends the audited entity a *concluding audit letter* summarising the audit for the financial year in question.

Performance audit reports are submitted to the relevant ministry for review and comment, regardless of whether or not the report will be submitted to the Storting. The central government administration has access to all the performance audit reports that are not submitted to the Storting as an individual issue since the Office of the Auditor General publishes these reports.

Appendix 1 – Auditing standards

- 1 The Office of the Auditor General shall be independent.
- 2 Auditors shall exercise professional and personal integrity in the performance of the audit.
- 3 The conduct of the Office of the Auditor General shall instil trust, confidence and credibility in the Storting, the government administration, the general public and audited entities.
- 4 The Office of the Auditor General and the auditors shall have the required competence.
- 5 Through auditing, the Office of the Auditor General shall contribute to preventing and identifying irregularities.
- 6 When planning and performing audit procedures and assessing and reporting the results of these, auditors shall assess the risk that there may be irregularities.
- 7 Auditors shall consider gathering information in the audited entity about detected cases of irregularities and about any consequence these may have entailed.
- 8 In conjunction with the audit work, auditors can advise the audited entity in areas in which the auditors have the required competence
- 9 When advising an audited agency, auditors shall conduct themselves in a manner that prevents any doubt arising as to the independence and objectivity of the Office of the Auditor General.
- 10 Auditors shall take care to act in a way that prevents the audited entity from perceiving their advice as a directive.
- 11 Quality control shall be carried out to ensure that the auditing work is performed in accordance with best auditing practices in the Office of the Auditor General.
- 12 Auditors shall plan the audit work in a way that enables the audit to be performed in a professionally satisfactory and efficient manner.
- 13 Auditors shall draw up the audit plan in accordance with applicable guidelines.
- 14 The audit plan shall be an efficient and effective management tool.
- 15 Auditors shall use generally accepted methods in the planning and performance of the audit, and the methodology applied shall be appropriate for the audit objectives.
- 16 Auditors shall make a preliminary assessment of the risk management procedures of the entity that are relevant for the audit.
- 17 Should auditors choose to base the audit on appropriate internal control activities, these activities shall be tested for compliance.
- 18 Auditors shall make assessments of materiality to enable them to perform an economical, efficient and effective audit.
- 19 Auditors shall make risk assessments for all audit work undertaken by the Office of the Auditor General, and the assessments shall form part of the process that is implemented to ensure that the audit is economical, efficient and effective.
- 20 When using work performed by others, auditors shall review and assess whether the work in question is pertinent to the audit objectives and meets the requirements for audit evidence.
- 21 In entities that have an internal audit function, auditors shall maintain an appropriate dialogue with internal auditors and shall familiarise themselves with internal audit plans and reports. Auditors shall assess any effects these audits and plans may have

- on the audit that is being planned in the entity with the aim, for example, of avoiding unnecessary double work.
- 22 Auditors shall use professional judgement in their assessment of the audit risk, and shall implement the audit procedures that are necessary to reduce this risk to an acceptable level.
 - 23 Auditors shall procure audit evidence that is appropriate, sufficient and necessary and that enables them to draw conclusions on the objective or the issue involved.
 - 24 When certifying accounts, auditors shall always carry out substantive tests.
 - 25 Auditors shall document matters that serve to support the Office of the Auditor General's internal and external reports. Documentation also constitutes evidence that the audit has been carried out in accordance with best auditing practices in the Office of the Auditor General.
 - 26 The scope and content of the documentation shall be sufficiently adequate and detailed to allow full comprehension of completed audits and the conclusions drawn on the basis of procured audit evidence. All audits shall be documented in accordance with applicable guidelines.
 - 27 Routines shall be implemented to ensure that the documentation is appropriately handled and stored and is filed for a period that is both sufficient to meet the needs of the Office of the Auditor General and is in accordance with regulations and statutory requirements. All audit documentation is the property of the Office of the Auditor General.
 - 28 Divisions and departments shall perform quality assurance work that usefully serves the individual audit tasks and their performance.
 - 29 The form and content of reports shall present all the relevant factors. Any aspects revealed by the audit that warrant criticism should be clearly described. The presentation of the facts shall be impartial, objective and constructive. The audit evidence and the performance of the audit shall be presented in a way that enables them to be reviewed and verified.
 - 30 The Office of the Auditor General reports to the Storting and informs the audited entities and the supervisory ministry about the result of the audit pursuant to applicable guidelines.

Appendix 2 – Extracts from INTOSAI’s auditing standards

The INTOSAI auditing standards that have been relevant in the compilation of the auditing standards for the Office of the Auditor General are reproduced below. From October 2004 INTOSAI’s standards have been available in their entirety at [Standards](#).

INTOSAI auditing standard no. 2.2.1 a) relating to independence (cf. auditing standard no. 1):

The auditor and the SAI must be independent.

INTOSAI Code of Ethics no. 13 relating to integrity (cf. auditing standard no. 2):

Integrity can be measured in terms of what is right and just. Integrity requires auditors to observe both the form and the spirit of auditing and ethical standards. Integrity also requires auditors to observe the principles of independence and objectivity, maintain irreproachable standards of professional conduct, make decisions with the public interest in mind, and apply absolute honesty in carrying out their work and in handling the resources of the SAI.

INTOSAI Code of Ethics no. 6 relating to trust, confidence and credibility (cf. auditing standard no. 3):

It is of fundamental importance that the SAI is looked upon with trust, confidence and credibility.

INTOSAI auditing standard no. 2.2.1 c) relating to competence (cf. auditing standard no. 4):

The auditor and the SAI must possess the required competence.

INTOSAI auditing standard no. 3.4.1 relating to compliance audits (cf. auditing standards no.5, 6 and 7):

In conducting regularity (financial) audits, a test should be made of compliance with applicable laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the financial statement amounts or the results of regularity audits. The auditor also should be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements or results of regularity audits.

In conducting performance audits, an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should design the audit to provide reasonable assurance of detecting illegal acts

that could significantly affect audit objectives. The auditor also should be alert to situations or transactions that could be indicative or illegal acts that may have an indirect effect on the audit results.

The regularity audit is an essential aspect of government auditing. One important objective which type of audit assigns to the SAI is to make sure, by all means put at its disposal, that the State budget and accounts are complete and valid. This will provide Parliament and other users of the audit report with assurance about the size and development of financial obligations of the State. To achieve this objective the SAI will examine the accounts and financial statements of the administration with a view to assuring that all operations have been correctly undertaken, completed, passed, paid and registered. The audit procedure normally results in absence of irregularity, in the granting of a "discharge".

Explanation no. 3.4.6 to INTOSAI auditing standard no. 3.4.1 (cf. auditing standards no. 5, 6 and 7):

Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity's internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

INTOSAI's general auditing standard no. 2.2.1 covers factors that are relevant for guidance and advice (cf. auditing standards no. 8, 9 and 10):

The general auditing standards include

- (a) The auditor and the SAI must be independent.*
- (b) SAIs should avoid conflict of interest between the auditor and the entity under audit.*
- (c) The auditor and the SAI must possess the required competence.*
- (d) The auditor and the SAI must exercise due care and concern in complying with the INTOSAI auditing standards. This embraces due care in planning, specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations.*

Explanation no. 2.2.27 to the general auditing standard no. 2.2.27 (cf. auditing standards no. 8, 9 and 10):

The SAI should not participate in the management or operations of an audited entity. Audit personnel should not become members of management committees and, if audit advice is to be given, it should be conveyed as audit advice or recommendation and acknowledged clearly as such.

In the Code of Ethics no. 22 the following is particularly relevant (cf. auditing standards no. 8, 9 and 10):

When auditors are permitted to provide advice or services other than audit to an audited entity, care should be taken that these services do not lead to a conflict of interest. In

particular, auditors should ensure that such advice or services do not include management responsibilities or powers, which must remain firmly with the management of the audited entity.

INTOSAI auditing standard no. 2.1.28 relating to quality control (cf. auditing standard no. 11):

As a further means of ensuring quality of performance, additional to the review of audit activity by personnel having line responsibility for the audits concerned, it is desirable for SAIs to establish their own quality assurance arrangements. That is, planning, conduct and reporting in relation to a sample of audits may be reviewed in depth by suitably qualified SAI personnel not involved in those audits, with consultation with the relevant audit line management regarding the outcome of the internal quality assurance arrangements and periodic reporting to the SAI's top management.

INTOSAI auditing standard no. 3.1.1 for planning (cf. auditing standards no. 12, 13,14 and 15):

The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

INTOSAI auditing standard no. 2.2.36 relating to competence (cf. auditing standard no. 15):

Since the duties and responsibilities thus borne by the SAI are crucial to the concept of public accountability, the SAI must apply to its audits, methodologies and practices of the highest quality. It is incumbent upon it to formulate procedures to secure effective exercise of its responsibilities for audit reports, unimpaired by less than full adherence by personnel or external experts to its standards, planning procedures, methodologies and supervision

Explanation no. 2.2.37 to INTOSAI auditing standard no. 2.2.1 (cf. auditing standard no.15):

[---] The SAI should equip itself with the full range of up-to-date audit methodologies, including systems-based techniques, analytical review methods, statistical sampling, and audit of automated information systems.

INTOSAI auditing standard no. 3.0.3 c) for assessment of internal control (cf. auditing standards no. 16 and 17):

The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

Explanation no. 3.1.3. f) to INTOSAI auditing standard no. 3.1.1 relating to planning (cf. auditing standard no. 18):

Determine the materiality of matters to be considered.

Explanation no. 3.1.4 a) to INTOSAI auditing standard no. 3.1.1 (cf. auditing standard no. 18, 19):

Collect information about the audited entity and its organisation in order to assess risk and to determine materiality.

1INTOSAI auditing standard no.3.03 a) for planning (cf. auditing standards no. 19, 20 and 21):

The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

Explanations no. 3.1.3 g) and h) to INTOSAI auditing standard no. 3.1.1 (cf. auditing standards no. 20 and 21):

Review the internal audit of the audited entity and its work program.

Assess the extent of reliance that might be placed on other auditors, for example, internal audit.

Explanation no. 2.2.45 to INTOSAI general standard no. 2.2.1 (cf. auditing standards no. 20 and 21):

When the SAI uses the work of another auditor(s), it must apply adequate procedures to provide assurance that the other auditor(s) has exercised due care and complied with relevant auditing standards, and may review the work of the other auditor(s) to satisfy itself as to the quality of that work.

Explanation no. 3.1.4 g) to INTOSAI auditing standard no. 3.1.1 (cf. auditing standards no. 20 and 21):

Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

INTOSAI auditing standard no. 3.5.1 for audit evidence (cf. auditing standards no. 22, 24, 25, 26 and 29):

Competent, relevant and reasonable evidence should be obtained to support the auditor's judgement and conclusions regarding the organisation, program, activity or function under audit.

INTOSAI auditing standard no. 3.2.1 relating to quality assurance (cf. auditing standard no. 29):

The work of the audit staff at each level and audit phase should be properly supervised during the audit, and documented work should be reviewed by a senior member of the audit staff.

Explanation no. 3.5.5 to INTOSAI auditing standard no. 3.1.5 (cf. auditing standards no. 25, 26 and 27):

Auditors should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit.

INTOSAI auditing standard no. 4.0.7 for reporting (cf. auditing standards no. 29 and 39):

a) At the end of each audit the auditor should prepare a written opinion or report, as appropriate, setting out the findings in an appropriate form; its content should be easy to understand and free from vagueness or ambiguity, include only information which is supported by competent and relevant audit evidence, and be independent, objective, fair and constructive.

b) It is for the SAI to which they belong to decide finally on the action to be taken in relation to fraudulent practices or serious irregularities discovered by the auditors.

With regard to regularity audits, the auditor should prepare a written report, which may either be a part of the report on the financial statements or a separate report, on the test of compliance with applicable laws and regulations. The report should contain a statement of positive assurance on those items tested for compliance and negative assurance on those items not tested.

With regard to performance audits, the report should include all significant instances of non-compliance that are pertinent to the audit objectives.

Appendix 3 – INTOSAI’s Code of Ethics

The INTOSAI Code of Ethics can be found on INTOSAI’s website.

Chapter I

Introduction

Concept, background and purpose of the Code of Ethics

1. INTOSAI has deemed it essential to establish an international Code of Ethics for auditors in the public sector.

2. A Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor place high ethical demands on the SAI and the staff they employ or engage for audit work. A code of ethics for auditors in the public sector should consider the ethical requirements of civil servants in general and the particular requirements of auditors, including the latter’s professional obligations.

3. With the Lima Declaration of Guidelines on Auditing Precepts¹ as its foundation, the INTOSAI Code of Ethics should be seen as a necessary complement, reinforcing the INTOSAI Auditing Standards issued by the INTOSAI Auditing Standards Committee in June 1992.

4. The INTOSAI Code of Ethics is directed at the individual auditor, the head of the SAI, executive officers and all individuals working for or on behalf of the SAI who are involved in audit work. However, the Code should not be interpreted as having any impact on the organisational structure of the SAI. Due to national differences of culture, language, and legal and social systems, it is the responsibility of each SAI to develop its own Code of Ethics which best fits its own environment. Preferably these national Codes of Ethics should clarify the ethical concepts. The INTOSAI Code of Ethics is intended to constitute a foundation for the national Codes of Ethics. Each SAI has the responsibility to ensure that all its auditors acquaint themselves with the values and principles contained in the national Code of Ethics and act accordingly.

5. The conduct of auditors should be beyond reproach at all times and in all circumstances. Any deficiency in their professional conduct or any improper conduct in their personal life places the integrity of auditors, the SAI that they represent, and the quality and validity of their audit work in an unfavourable light, and may raise doubts about the reliability and competence of the SAI itself. The adoption and application of a code of ethics for auditors in the public sector promotes trust and confidence in the auditors and their work.

6. It is of fundamental importance that the SAI is looked upon with trust, confidence and credibility. The auditor promotes this by adopting and applying the ethical requirements of the concepts embodied in the key words Integrity, Independence and Objectivity, Confidentiality and Competence.

Trust, Confidence and Credibility

7. The legislative and/or executive authority, the general public and the audited entities are entitled to expect the SAI’s conduct and approach to be above suspicion and reproach and worthy of respect and trust.

¹ From the IXth Congress of INTOSAI, meeting in Lima. Can be obtained from the INTOSAI General Secretariat in Austria.

8. Auditors should conduct themselves in a manner which promotes co-operation and good relations between auditors and within the profession. The support of the profession by its members and their co-operation with one another are essential elements of professional character. The public confidence and respect which an auditor enjoys is largely the result of the cumulative accomplishments of all auditors, past and present. It is therefore in the interest of auditors, as well as that of the general public, that the auditor deals with fellow auditors in a fair and balanced way.

9. The legislative and/or executive authority, the general public and the audited entities should be fully assured of the fairness and impartiality of all the SAI's work. It is therefore essential that there is a national Code of Ethics or similar document which governs the provision of the services.

10. In all parts of society there is a need for credibility. It is therefore essential that the reports and opinions of the SAI are considered to be thoroughly accurate and reliable by knowledgeable third parties.

11. All work performed by the SAI must stand the test of legislative and/or executive scrutiny, public judgements on propriety, and examination against a national Code of Ethics.

Chapter 2

Integrity

12. Integrity is the core value of a Code of Ethics. Auditors have a duty to adhere to high standards of behaviour (e.g. honesty and candidness) in the course of their work and in their relationships with the staff of audited entities. In order to sustain public confidence, the conduct of auditors should be above suspicion and reproach.

13. Integrity can be measured in terms of what is right and just. Integrity requires auditors to observe both the form and the spirit of auditing and ethical standards. Integrity also requires auditors to observe the principles of independence and objectivity, maintain irreproachable standards of professional conduct, make decisions with the public interest in mind, and apply absolute honesty in carrying out their work and in handling the resources of the SAI.

Chapter 3

Independence, Objectivity and Impartiality

14. Independence from the audited entity and other outside interest groups is indispensable for auditors. This implies that auditors should behave in a way that increases, or in no way diminishes, their independence.

15. Auditors should strive not only to be independent of audited entities and other interested groups, but also to be objective in dealing with the issues and topics under review.

16. It is essential that auditors are independent and impartial, not only in fact but also in appearance.

17. In all matters relating to the audit work, the independence of auditors should not be impaired by personal or external interests. Independence may be impaired, for example, by external pressure or influence on auditors; prejudices held by auditors about individuals, audited entities, projects or programmes; recent previous employment with the audited entity; or personal or financial dealings which might cause conflicts of loyalties or of interests. Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest.

18. There is a need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with the SAI's auditing standards.

19. Auditors should make use of information brought forward by the audited entity and other parties. This information is to be taken into account in the opinions expressed by the auditors in an impartial way. The auditor should also gather information about the views of the audited entity and other parties. However, the auditors' own conclusions should not be affected by such views.

Political neutrality

20. It is important to maintain both the actual and perceived political neutrality of the SAI. Therefore, it is important that auditors maintain their independence from political influence in order to discharge their audit responsibilities in an impartial way. This is relevant for auditors since SAIs work closely with the legislative authorities, the executive or other government entity empowered by law to consider the SAI's reports.

21. It is important that where auditors undertake, or consider undertaking, political activities they bear in mind the impact which such involvement might have - or be seen to have - on their ability to discharge their professional duties impartially. If auditors are permitted to participate in political activities they have to be aware that these activities may lead to professional conflicts.

Conflicts of interest

22. When auditors are permitted to provide advice or services other than audit to an audited entity, care should be taken that these services do not lead to a conflict of interest. In particular, auditors should ensure that such advice or services do not include management responsibilities or powers, which must remain firmly with the management of the audited entity.

23. Auditors should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities which could influence or be perceived as influencing their independence and integrity.

24. Auditors should avoid all relationships with the management and staff in the audited entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently.

25. Auditors should not use their official position for private purposes and should avoid relationships which involve the risk of corruption or which may raise doubts about their objectivity and independence.

26. Auditors should not use information received in the performance of their duties as a means of securing personal benefit for themselves or for others. Neither should they divulge information which would provide unfair or unreasonable advantage to other individuals or organisations, nor should they use such information as a means for harming others.

Chapter 4

Professional Secrecy

27. Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purposes of meeting the SAI's statutory or other identified responsibilities as part of the SAI's normal procedures or in accordance with relevant laws.

Chapter 5

Competence

28. Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality.

29. Auditors must not undertake work they are not competent to perform.

30. Auditors should know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices.

Likewise, they must possess a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity.

Professional Development

31. Auditors should exercise due professional care in conducting and supervising the audit and in preparing related reports.

32. Auditors should use methods and practices of the highest possible quality in their audits. In the conduct of the audit and the issue of reports, auditors have a duty to adhere to basic postulates and generally accepted auditing standards.

33. Auditors have a continuous obligation to update and improve the skills required for the discharge of their professional responsibilities.

Glossary

The terms used in this Code of Ethics have the same interpretation or definition as those used in the INTOSAI Auditing Standards.