



General part of the audit manual



Audit and monitoring manual of the National Audit Office of Finland
General part of the audit manual

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The National Audit Office of Finland (NAOF) is Finland's Supreme Audit Institution, and its mandate is laid down in section 90 of the Constitution of Finland. It operates in affiliation with Parliament and audits the legality and appropriateness of the state's financial management and compliance with the state budget. The NAOF also monitors fiscal policy and oversees election campaign and political party funding.

The National Audit Office performs the audit task laid down for it in section 90 of the Constitution of Finland by conducting financial audits, compliance audits, performance audits, fiscal policy audits and audits combining the above audit methods so that the management central government finances is audited in accordance with good auditing practice.

Under section 20(3) of the Act on the National Audit Office (676/2000), the National Audit Office approves this audit manual, which lays down the criteria for good auditing practice in the external professional audit of central government finances conducted by the NAOF. This manual applies to all external audits performed by the NAOF and steers the preparation of specific guidelines for each audit type. The manual was updated to reflect the management and organization change that entered into force on 1 April 2019.

This manual is based on the international ISSAI auditing standards (www.issai.org) adopted by the International Organization of Supreme Audit Institutions (INTOSAI). The manual is in compliance with the requirements laid down for levels 1, 2 and 3 of the ISSAI standards, including the general auditing principles set out in ISSAI standards 100, 200, 300 and 400. The requirements set by standards 200, 300 and 400 are dealt with in greater detail in the guidelines specific for each audit type.

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Contents

1 General.....	5
Scope of application and purpose	5
Main definitions.....	5
2 The tasks of the National Audit Office as an external auditor and monitoring body.....	8
Position and tasks	8
Relationship between external audit and management	9
Relationship between external audit and internal control.....	10
Audit types and general principles governing the audit design.....	10
Principles governing the establishment of audit criteria	10
Right to obtain information	11
Protection against self-incrimination.....	11
3 Prerequisites and principles of auditing	13
General auditing principles	13
Perspective of central government finances and the issue of materiality	13
Tasks of the different audit types and the foundations of audit questions	14
Requirements for good governance	16
Audit ethics, objectivity and independence	16
Management of human and financial resources	17
Competence management and development	17
Processing of information and application of the Act on the Openness of Government Activities	18
Processing of personal data.....	18
4 Planning an audit	19
Assessing risks at the NAOF level.....	19
Situational picture, operating environment and risk analyses, and explanatory memoranda ..	19
Audit plan of the National Audit Office	19
Audit-specific planning	19
Hearing the audited entity on the audit criteria.....	20
5 Implementation of the audit	21
Interaction with the audited entity	21
Inside information and processing it	21
Reliability of the audit evidence	22
Evidence and analysis	22
Audit documentation.....	23
Hearing the audited entity and circulation for comments	24

6	Audit reporting	25
	Forms of audit reporting and general reporting requirements	25
	Situations involving irregularities	26
	Communicating on audit findings	26
	Appeals and complaints related to audits	26
7	Follow-up and a learning organization	28
	Purpose and principles of follow-up	28
	Learning organization	28
8	Quality system	30
	Quality policy	30
	Principles and responsibilities of quality management	30
9	Cooperation with stakeholders	31
	References	32

1 General

Scope of application and purpose

- 1.1 The general audit manual of the National Audit Office (NAOF) lays down the criteria for good auditing practice and the common requirements for the audit, monitoring and assessment performed by the National Audit Office.
- 1.2 This manual is in compliance with the requirements laid down in the general part of the ISSAI standards (levels 1, 2 and 3) adopted by INTOSAI, the International Organization of Supreme Audit Institutions. The requirements set by standards 200, 300 and 400 are dealt with in greater detail in the audit-type-specific guidelines.



Kuvio 1: ISSAI 100-Fundamental Principles of Public-Sector Auditing

Main definitions

- 1.3 The National Audit Office is responsible as an organization for ensuring that the auditor's obligations and responsibilities referred to in the ISSAI standards are complied with. The tasks and obligations laid out in this manual and the ISSAI standards apply to the NAOF's public officials that take part in the definition and carrying out of individual audit and monitoring assignments as well as in steering and decision-making.
- 1.4 In legal sense, central government finances are the economic entity which is referred to in the Constitution of Finland, on which Parliament decides, and for the liabilities, assets, revenues and expenditure of which the State of Finland is ultimately responsible in accordance with the decisions of Parliament. In this sense, central government finances cover on-budget activities, which are

treated as a separate accounting office, off-budget state funds, state-owned companies, and other state assets, as well as the funds and agencies operating under Parliament.

- 1.5 The state's financial management refers to the decisions and activities on the basis of which resources for central government finances are collected, managed and used. The state's financial management also covers the operating policies involving resources and their allocation and the other decisions concerning the content of operations.
- 1.6 General government finances refer to the entity of organizations classified as general government, as defined in the European System of National Accounts 2010 (ESA 2010).
- 1.7 Fiscal policy refers to the measures with which the state steers the national economy through the level or structure of general government revenues and expenditure. Fiscal policy includes the budgetary policy, tax policy, and user charging policy. Fiscal policy is part of economic policy.
- 1.8 Good administration refers to the fundamentals of good governance referred to in section 21 of the Constitution of Finland and the principles of good administration laid out in more detail in the Administrative Procedure Act. In a broader sense, good administration also includes the ethical principles concerning good administrative practices (public service code of ethics).
- 1.9 Good governance means the generally accepted principles that relate to the good steering, management and supervision systems in the activities audited or monitored by the National Audit Office and that are issued internationally in the INTOSAI Guidance for Good Governance (INTOSAI GOV) and other standards and recommendations related to the good steering, management and governance system of central government or other public bodies. Good governance includes the requirement that final accounts reporting gives a true and fair picture of the financial situation, that internal control and risk management are efficient and adequate, that all activities are transparent and that the needs of society at large are met.
- 1.10 Internal control refers to the measures taken by the organization's management in order to obtain reasonable assurance that
 - the law and the principles of good administration are complied with (legality and appropriateness);
 - the activities are effective; and
 - that the reporting on the activities and finances is on a true and fair basis.
- 1.11 Internal audit comprises objective and independent assessments that rely on auditing methods performed with the purpose of providing the top management with reports on the appropriateness and adequacy of the organization's internal control and risk management.
- 1.12 In external audit, an independent auditor operating outside the organization assesses the organization's activities and final accounts reporting objectively for citizens, the supreme decision-making body and stakeholders.
- 1.13 In fiscal policy monitoring, an expert body independent of the Government assesses objectively the reliability of the information and economic forecasts used in the preparation of fiscal policy and fiscal policy decision-making, the functioning of the fiscal policy steering instruments, the setting of and compliance with fiscal policy rules and objectives, the achievement of fiscal policy objectives, risk management, and the prerequisites for achieving the objectives.
- 1.14 Risk management is a set of procedures steered by the top management of an organization in order to identify the risks of the organization and manage them so that there is reasonable assurance that the objectives set are achieved and the tasks can be performed in an appropriate manner.
- 1.15 A risk refers to a threat of a harmful event or a lost opportunity and the likelihood of such an event.
- 1.16 Performance refers to the achievement of the societal and operational objectives set out for the activities (effectiveness), economic efficiency, productivity, and service capacity. The National Audit Office always examines performance from the economic perspective. Performance is based on cost-effectiveness, which means that the objectives should be achieved as successfully as possible with as few resources as possible. This is achieved when the responsible authority promotes the optimal use of resources to achieve intended outcomes with the lowest possible costs to central government.
- 1.17 Audited entity refers to the organization or information to which an audit is targeted.

- 1.18 Subject matter or audit question refers to the information, activity or other matter that is assessed in the audit in relation to the audit criteria.
- 1.19 Audit criteria refer to the basis on which the information or activity that constitutes the audited entity is assessed.
- 1.20 Assertion is a justified assumption or expectation concerning the audited activities, financial transactions, and information. In an audit that makes use of assertions, the external auditor considers and observes various potential deviations from expectations and assertions. An example of an assertion is that a public-sector organization operates in a lawful manner in compliance with the Constitution.
- 1.21 An analytical approach refers to an approach in which the information and evidence are compared, analysed and interpreted on the basis of objective criteria and in which individual pieces of information and sources are examined in relation to the audit criteria and the audit evidence. An auditor working with an analytical approach must show professional scepticism, apply source criticism, and focus on assessing the audit evidence objectively instead of describing it.

2 The tasks of the National Audit Office as an external auditor and monitoring body

Position and tasks

- 2.1 The National Audit Office is an independent and professional external auditor of central government finances and a monitor of fiscal policy whose mandate is laid down in the Constitution of Finland.
- 2.2 The NAOF is one of the three independent monitoring bodies laid down in the Constitution of Finland. The other two are the Parliamentary Ombudsman and the Chancellor of Justice.
- 2.3 Provisions on the NAOF's position and tasks and its right to obtain information are laid down in section 90 of the Constitution of Finland ([731/1999](#)). For the purpose of auditing central government finances and compliance with the state budget, there shall be an independent National Audit Office in affiliation with Parliament. The National Audit Office has the right to obtain the information it needs to perform its duties from public authorities and other entities monitored by it.
- 2.4 The National Audit Office is independent of the entities that it audits and, operationally, it is also independent of Parliament. Parliament may only assign tasks to the National Audit Office by enacting an act that meets the special requirements the Constitution sets for independence.
- 2.5 The tasks of the National Audit Office are laid down in more detail in the Act on the National Audit Office ([676/2000](#)), the Act on the Right of the National Audit Office to audit certain Credit Transfers between Finland and the European Communities ([353/1995](#)), and the Fiscal Policy Act ([869/2012](#))¹.
- 2.6 The National Audit Office is responsible for the independent fiscal policy monitoring and assessment referred to in the [Stability and Growth Pact](#) (Fiscal Compact), Budgetary Framework Directive of the European Union [2011/85/EU](#), and the Regulation (EU) No [473/2013](#) of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans of the Member States.
- 2.7 The National Audit Office is the national audit body referred to in the [Treaty](#) on the Functioning of the European Union that acts in cooperation with the European Court of Auditors (Article 287).
- 2.8 The National Audit Office audits the legality and appropriateness of the state's financial management and compliance with the budget.
- 2.9 The basic task of the National Audit Office is:
 - to secure Parliament's ability to use its budgetary power, to verify the lawfulness, openness and performance of central government finances and to guarantee the openness of election campaign and political party funding;
 - to ascertain that the principles of the rule of law, democracy and sustainable finances are implemented in the management of central government finances and the election campaign and political party funding.
- 2.10 As laid down in section 20 of the Act on the National Audit Office and section 5.1 of the NAOF's [rules of procedure](#), audits are conducted in accordance with the guidelines and orders issued by the Auditor General. The NAOF's rules of procedure are a legal norm, which contains provisions on the procedures observed in the NAOF's decision-making, officials exercising the decision-making powers that the NAOF is vested with under law, the agency's presenting officers and drafting responsibilities, and the qualification requirements for public posts at the NAOF (except for the post of the Auditor General).
- 2.11 The Act on Auditing Public Administration and General Government Finances or the Auditing Act do not apply to the audits conducted by the National Audit Office.
- 2.12 When performing its audit and monitoring tasks, the NAOF is subject to the legislation governing the activities of the authorities in general. Thus, the audit process is subject to, for example, the Administrative Procedure Act ([434/2003](#)) and the Act on the Openness of Government Activities ([621/1999](#)). The public officials performing audit tasks are subject to the Act on Parliamentary Public Servants ([1197/2003](#)).

Relationship between external audit and management

- 2.13 The National Audit Office performs external audit and independent monitoring with the aim of promoting the accountability of the bodies responsible for the steering, management and operations of the audited and monitored entities as regards complying with the principles of good administration and governance and operating cost-effectively. In this context, good administration and governance include accountability for the operations, the related provision of true and fair information (true and fair view), reporting on the accounting office's finances and operations, and openness concerning the finances, operations and performance.
- 2.14 In Finland's central government finances and in the preparation of the country's fiscal policy, the Government is responsible for the proper organization of the public administration and its operations, drafting and implementation of legislation, planning and management of central government finances and, as part of the above, organization of internal control and risk management.
- 2.15 Under section 68 of the Constitution of Finland, each ministry is, within its administrative branch, responsible for the preparation of matters to be considered by the Government and for the appropriate functioning of the public administration. This responsibility also covers the organization of the internal control of public administration and ensuring its proper functioning.
- 2.16 Under section 90(1) of the Constitution of Finland, Parliament supervises central government finances for which purpose Parliament has an Audit Committee. The Audit Committee is responsible for parliamentary supervision of the management and assessment of central government finances and, as part of this task, consideration of the reports the NAOF has submitted to Parliament.
- 2.17 The external audit and monitoring performed by the National Audit Office covers the information produced by the Government and other management responsible for the operations in question or the operations coming under the responsibility of the two. External audit and the assessments carried out as part of fiscal policy monitoring to increase accountability are not targeted at phenomena or similar issues in which the aim is not to increase the accountability of the Government or the management responsible for the operations or reporting.
- 2.18 The external audit or monitoring performed by the National Audit Office does not absolve the management from its responsibility for the operations or to provide reliable information in the preparation of and reporting on the matter.
- 2.19 The National Audit Office can perform audit and monitoring activities and carry out other expert activities before any decisions are made and parallel to decision-making and implementation as long as there is a clear division of responsibilities between external audit on the one hand and the management of the audited entity and the authorities responsible for administrative steering on the other and as long as the National Audit Office is also in a position to audit the activity in question in an objective manner on an ex post basis.
- 2.20 The National Audit Office reports to Parliament, which is the highest governmental body wielding fiscal power.
- 2.21 Under section 5 of the Act on the National Audit Office, the NAOF must submit an audit report to the audited entity and the ministry responsible for the sector in question for information and for further measures, as well as to the Parliamentary Audit Committee and the Ministry of Finance for information. In addition to these, the NAOF has also decided to submit its reports to the Government Financial Controller's Function for information. The NAOF decides specifically in the case of each audit whether it also submits its report to other parties, such as the special parliamentary committees. External audit and monitoring reports are intended for the highest-ranking public officials responsible for the operations or reporting. They are prepared in such a manner that they support the Government and the top management responsible for the operations or reporting.
- 2.22 The publicity of reporting and the openness of the agency's operations provide citizens and stakeholders with an opportunity to make use of the audit findings in public debate. This means that the activities of the National Audit Office promote a public debate founded on a broad and reliable knowledge base. This perspective is taken into account in the planning and implementation of audit and monitoring activities, in reporting on them, and in the NAOF's communications.

Relationship between external audit and internal control

- 2.23 Section 24 b of the State Budget Act and the State Budget Decree issued under it contain provisions on the organization of the internal control related to central government finances. Central government agencies and institutions must ascertain that they have proper internal control arrangements covering their own activities and the activities for which they are responsible. The management of the agency or institution is responsible for the internal control arrangements and for ensuring that the arrangements are adequate and appropriate. Under the State Budget Decree, internal audit must be in place if this is substantiated in view of the achievement of the objectives of internal control. The provisions of the State Budget Decree, the orders and guidelines concerning the drafting of financial rules, and the approved financial rules serve as sources for audit criteria for the internal control of the financial process².
- 2.24 The National Audit Office verifies and promotes good organization of steering, management, internal control, and risk management.
- 2.25 In the risk analysis on the basis of which an audit is planned and in the audit, according to the need defined in the planning, the NAOF assesses the internal steering, internal control and risk management procedures applied by the officials responsible for the steering and management of the audited entity.
- 2.26 The NAOF may use the findings of internal audits in its work. The NAOF must verify that the information is reliable and that the internal audit procedures have complied with the principles of good administration.

Audit types and general principles governing the audit design

- 2.27 In order to carry out its external audit and fiscal policy monitoring task, the National Audit Office conducts:
- financial audits of central government and its accounting offices,
 - compliance audits of the management of central government finances (both in connection with financial audits and as separate audits),
 - performance audits, and
 - fiscal policy audits
- 2.28 The NAOF also conducts audits combining the above audit types.
- 2.29 The NAOF carries out fiscal policy monitoring in accordance with the Fiscal Policy Act, the Stability and Growth Pact, the Budgetary Framework Directive, and the regulation of the European Parliament and of the Council on monitoring draft budgetary plans of the Member States.
- 2.30 Compliance audit and performance audit can be used as an instrument of the oversight of political party funding, laid down as a responsibility of the NAOF under a separate act.

Principles governing the establishment of audit criteria

- 2.31 The audit criteria applied in audit and monitoring are open, unambiguous, and publicly available. The audit criteria are established in accordance with more detailed guidelines issued specifically for each audit type according to the following general principles:
- in attestation engagements, the audit criteria are based on the general and audit-type-specific guidelines as well as norms and recommendations,
 - the audited entity has the right to know the audit criteria and the grounds for applying them, and it will be provided with an opportunity to be heard on the audit criteria before they are approved,
 - the audit criteria are suitable for the evaluation of the audited entity, they are objective and based on legislation, principles of good administration, policy goals approved by Parliament or Government, or generally accepted or justifiable interpretations or recommendations on performance or appropriateness of another kind,

- in direct reporting engagements and, if necessary, in attestation engagements, the audit criteria are disclosed in the audit report or the annex to it. In financial audits, the audit criteria are presented in the publicly available financial audit manual.
- on the basis of the audit criteria, Parliament and the representatives of the audited entity are able to understand on what the assessment of the subject matter has been based,
- the audit criteria promote the accountability of the audited entity for good and performance-oriented management of the audited issues and development of the activities.

Right to obtain information

- 2.32 The National Audit Office has the right to obtain the documents, reports and other information that are necessary for performing the task laid down for it, without delay, from the authorities. The NAOF's right to obtain information, laid down in the Constitution of Finland, usually overrules the secrecy obligation. The NAOF also has the right to receive the reports and other information that it needs in its operations from the Bank of Finland and the Social Insurance Institution of Finland.
- 2.33 The NAOF has the right to obtain from the financial auditor of the audited entity, without delay, all copies concerning the audited entity that are necessary for the audit and other documents and information that the auditors have in their possession. The right to obtain information also applies to the copies of the memoranda and minutes prepared by the financial auditor as well as other documents that concern the activities of the audited entity and that have been prepared as part of the financial audit.
- 2.34 The right to obtain information may only be exercised for conducting an audit approved as part of the audit plan in accordance with an audit design prepared in advance. The NAOF's right to obtain information should be utilized in full so that appropriate material and audit methods can be used in the audits.
- 2.35 The use of the right to obtain information should be proportionate to the objective. No information is collected on issues that are not appropriate or necessary for performing the audit. When the right to obtain information is exercised, consideration should be given to the administrative costs incurred by the audited entity as a result of the information acquisition. When the right to obtain information is exercised, it is important to comply with the Data Protection Act.
- 2.36 The audit evidence obtained on the basis of the right to obtain information can be utilized in the NAOF's work.
- 2.37 Audit evidence that falls within the scope of statistical confidence under the Statistics Act and that has been obtained for the purpose of examining dependencies and interaction mechanisms between societal variables on the basis of statistical analyses is used only for purposes that, in terms of their contents, are comparable to "a statistical report related to scientific research and social conditions" as referred to in section 13(2)(1) of the Statistics Act. Statistical data must be anonymized in such a manner that, if necessary, the data can be processed by means of identifiers replacing identity codes (e.g. personal identity code or business identity code). When the results are reported, individual observations or the observation unit must not be identifiable.
- 2.38 The NAOF may require an audited entity to provide information on pain of a penalty payment. Any serious problems concerning access to information are detailed in the audit report.

Protection against self-incrimination

- 2.39 The obligation to provide correct information connected with the NAOF's right to obtain information does not override the right not to incriminate oneself or the right not to assist in the establishment of one's own guilt (protection against self-incrimination). In a situation where a public official is suspected of committing an offence, they have the right not to assist in the establishment of their guilt.
- 2.40 The draft audit report and/or the audit report can be provided with a note stating that, in the NAOF's opinion, the conduct of the audited entity has in certain respects been in violation of the law. The draft audit report/the audit report must state in which manner the conduct of the audited entity has been in violation of the law and which legal provisions have been violated according to the NAOF's

view. This requires that the legal situation must be carefully examined before a note on legality is issued. If a person employed by the audited entity is suspected of committing an offence and the option of issuing a legal note is examined, consideration must be given to the suspect's right not to incriminate themselves in their position.

3 Prerequisites and principles of auditing

General auditing principles

- 3.1 The general principles applied to auditing are as follows:
- compliance with the principles of audit ethics, especially objectivity and independence,
 - professional judgement, due care, analytical approach, and scepticism,
 - efficient quality management to ensure that the audit engagements can be performed in accordance with the guidelines and in a manner that will guarantee the reliability of the findings and keep the audit risks within the limits set,
 - good management of the audit team and the necessary competence to ensure that the planning of the audit, allocation of resources, implementation, and reporting on the audit are appropriately organized,
 - sufficient risk assessment that forms the basis for targeting the audits and focusing on essential risks in individual audits, and that supports the identification of risks to high-quality implementation of the audit,
 - sufficient audit evidence to ensure that the audit findings are based on an adequate volume of data and a competent analysis of it. Evidence is to be considered sufficient when another expert could reach the same conclusions on the basis of the data used. The general principles applicable to the reliability and adequacy of the evidence are included in the premises of the audit design of both attestation engagements and direct reporting engagements.
 - sufficient documentation of the implementation of the audit and the evidence to enable an outside expert to ascertain that the audit has been conducted in accordance with the guidelines and that the evidence is sufficient,
 - good communication and interaction ensuring that the audit stakeholders and the audited entity have access to the details of the methods, criteria, implementation and findings of the audit in a comprehensible and transparent manner, in accordance with the Act on the Openness of Government Activities and the principles of good administration,
 - an innovative approach aiming for continuous improvement by which the NAOF strives, in all of its operations, to support sustainable renewal and learning in public administration, to develop its own operations, and to learn more while performing its duties.

Perspective of central government finances and the issue of materiality

- 3.2 In all audit types, the audit is targeted at the management of central government finances, which means that the issue to be examined must always be directly or indirectly connected with central government finances. In each audit, the audited issue is also evaluated from the perspective of central government finances.
- 3.3 Understanding materiality is crucial at all stages of the audit. Materiality must be taken into account, for example, in audit planning, collection of audit data and evidence, and reporting on the audit. When materiality is assessed, it is essential to consider the impact of the issue and its materiality on decision-making. Materiality can often be defined in monetary terms but it can also be defined on the basis of other factors.
- 3.4 In fiscal policy monitoring, the focus is on general government finances as a whole, pursuant to the Fiscal Policy Act, although the monitoring is targeted at the measures taken by central government and their impacts.
- 3.5 In financial audit and compliance audit, the perspective of central government finances means that the audits are targeted at the largest items that are the most significant in terms of the final central government accounts, and the most important agencies and institutions.
- 3.6 In performance audit, the perspective of central government finances is, first of all, implemented by focusing on activities involving substantial amounts of state funds or activities that have an essential effect on central government revenue, expenditure, costs, or assets. Secondly, this perspective is considered in the setting of the audit designs for individual audits so that the costs arising from the implementation of the objectives are always taken into account.

- 3.7 In fiscal policy audit, the perspective of central government finances means that in the targeting of the audit, the focus is on its size in terms of the national economy and central government finances, whether or not the information is material, accurate and timely from the perspective of parliamentary decision-making, and the relevance of the information with regard to the public debate on fiscal policy and central government finances.
- 3.8 The perspective of central government finances and the consideration of the related materiality and audit risk are defined in more detail in the guidelines issued specifically for each audit type, and they are specified as necessary in the NAOF's audit plan and the audit-specific project plans.
- 3.9 At the NAOF level, the aim is to ensure that the approaches of different audit types complement each other so that the NAOF is able to perform its audit duties in an adequate and balanced manner.

Tasks of the different audit types and the foundations of audit questions

- 3.10 By performing audits of the four types described above, the National Audit Office carries out the tasks of attestation engagement and direct reporting engagement as set out in the international ISSAI standards, in accordance with the principles guiding the setting of the audit design as laid out in the table below:

Attestation engagements

- financial audit
- fiscal policy monitoring and fiscal policy audit of the reliability of information
- compliance audit
- performance audit: e.g. audit of the societal impact information contained in the Government's annual report

- Audit task** Issuing an opinion in which the auditors
- state whether the information provided by the audited entity is in accordance with the audit criteria (final accounts provide an essentially true view, the information on the structural deficit and the sustainability or performance of general government finances is essentially reliable),
 - the information on the application of the law and the principles of good administration is essentially correct (e.g. the state budget and the key budget provisions have been complied with, internal control is properly organized, and the Stability and Growth Pact has been complied with).

Basis for the audit design

Reliability of the final accounts: provisions in the budgetary legislation concerning the reporting on final central government accounts and the rules issued under them, and as a good practice, general international standards and recommendations concerning the reliability of final accounts reporting.

Reliability of the information on structural deficit and the expenditure rule / sustainability of general government finances / general government budgetary framework, and of the information concerning compliance with other fiscal policy rules: norms, standards, principles and recommendations concerning reliability and reporting.

Assertions can be used in the audit design.

Audit evidence

Alternative 1: Audit resulting in an audit opinion of reasonable assurance

- Sufficient amount of audit evidence to enable the NAOF to conclude that the audited reporting / data complies with the criteria.

Alternative 2: Audit resulting in an audit opinion of limited assurance

- Sufficient amount of audit evidence allowing the NAOF to conclude that the audited reporting is free from material misstatement.

Evidence that is comprehensive and diverse in terms of quality and adequate in terms of quantity so that another expert could, on the basis of the evidence, reach the same conclusion. There is a sufficient amount of audit evidence that is appropriate, relevant and valid from the perspective of the attestation engagement, and reliable in terms of its content and sources.

Audit reporting

A short-form, standardized audit report presenting the main conclusions or, if necessary, a report according to the model of a long-form audit report.

The documentation is usually contained in the working papers (financial audits; possibly also in fiscal policy audits and compliance audits).

Direct reporting engagements

- performance audit
- fiscal policy audit
- compliance audit
- fiscal policy evaluation

Audit task	In an audit the audited entity is evaluated on the basis of audit-specific audit criteria.
Basis for the audit design	<ul style="list-style-type: none"> – A clearly formulated audit question and an audit objective selected on the basis of the principles for targeting audits, the materiality criteria specific for the different audit types, and the material risks connected with the presentation of the audited information or activities. – The aim of the audit is to instil a stronger sense of accountability into the top management responsible for the audited entity and to produce new information for developing the operations. – Assessment criteria for the audit engagement and the objective derived from the positions adopted by Parliament, legislation, principles of good administration, and the policy goals approved by Parliament and the Government against which the audited information or activities are assessed. – Assertions can be used if separately justified.
Audit evidence	Evidence that is comprehensive and diverse in terms of quality and adequate in terms of quantity so that another expert could, on the basis of the evidence, give the same answers to the audit questions and reach the same conclusions on the basis of the audit questions.
Audit reporting	An audit report in which the audit design (objective, audit design and criteria) are presented in a concise manner, material observations, material conclusions and the grounds for them, any opinion with the grounds for it, and the recommendations of the National Audit Office. Detailed grounds for establishing the audit criteria, description of the audit methods (as an annex and in the audit and monitoring working documents).

Requirements for good governance

- 3.11 The National Audit Office performs its audit and monitoring activities in a systematic manner according to plan. All auditing and monitoring performed by the NAOF and the manner in which it uses its right to obtain information are based on the NAOF's audit plan, approved in accordance with the Act on the National Audit Office. The purpose of this is to ensure that the exercise of public authority contained in the audit and monitoring and in the NAOF's use of its right to obtain information is in accordance with the principles of good administration and that central government finances are audited in accordance with the good auditing practice based on the international ISSAI standards, taking into account the material risks and the materiality of the examined issues.
- 3.12 All audits are conducted in accordance with the Administrative Procedure Act and the principles of good administration and legal principles laid down in it.
- 3.13 As the audits conducted by the NAOF are supervisory audits referred to in the Administrative Procedure Act, they are not subject to the provision of section 39 of the act.
- 3.14 In order to implement the Act on the National Audit Office, the general provisions of the Administrative Procedure Act, and the principles of good administration, the audits conducted by the NAOF comply with the procedures laid down in chapter 5 below.

Audit ethics, objectivity and independence

- 3.15 As laid down in section 19(2) of the Act on Parliamentary Public Servants, the conduct of the public officials performing tasks must be in line with their position and tasks.
- 3.16 The most important principles concerning independence and ethics are integrity, objectivity, professional competence, due care, confidentiality, and professional conduct. The values set out in the NAOF's Strategy 2019–2023 are responsibility, openness, objectivity, and respect. These values contain the agency's ethical principles and are part of the process of applying audit ethics and

independence in audits. The values are defined in more detail in the NAOF's [value matrix](#), which is part of this audit manual.

- 3.17 Conduct in line with the position and tasks, required under the Act on Parliamentary Public Servants, means conduct in accordance with the NAOF's ethical principles set out in the value matrix.
- 3.18 The NAOF reviews compliance with the requirement of independence, ethical principles and good governance, and the processes and procedures concerning them are reviewed at least every five years. Furthermore, the NAOF ascertains its independence by a rotation at least every seven years as regards the audited entities.
- 3.19 Ethical commitment is part of the audit process in each audit. The auditors taking part in the audit and the management representatives responsible for approving the project-specific audit plan ascertain, in discussions during the preparation of the preliminary review or project-specific plan, that the audit can be conducted in accordance with the principles of good administration laid down in the Administrative Procedure Act and the ethical principles set out in the NAOF's value matrix. The following issues are discussed in relation to the auditors taking part in the audit:
- that the auditors are not disqualified in the manner referred to in the Administrative Procedure Act,
 - that there are prerequisites for conducting the audit in an impartial manner in accordance with the principles of good administration.
- The manner in which the discussion is documented is set out in the guidelines issued specifically for each audit type.
- 3.20 Each public official is personally responsible for their independent conduct and compliance with the agreed ethical principles and guidelines, as well as good administration and governance.
- 3.21 Notifications of and permits for outside employment of the NAOF's public officials guarantee compliance with the disqualification rules and adequate professional distance from the audited entities.
- 3.22 The [ISSAI 130](#) Code of Ethics is part of the NAOF's value matrix and code of ethics. The ethical requirements of these guidelines and the requirements concerning the activities and conduct laid down in the Act on Parliamentary Public Servants are interpreted in accordance with the ISSAI 130 Code of Ethics.

Management of human and financial resources

- 3.23 The public officials in management positions as defined in the NAOF's [rules of procedure](#) are responsible for ensuring that the necessary competence is available for each assignment and project and that the NAOF has the capacity to perform these tasks, including adequate time resources and human and financial resources.
- 3.24 The NAOF's resource forum decides on and assumes responsibility for the audit risk connected with the allocation of resources and competence.
- 3.25 The Auditor General as the official who makes decisions on the NAOF's audit plan, the Planning Director as the official who presents the audit plan, and the heads of the impact areas in their own responsibility areas are responsible for the audit risk of the selected topics, themes and priorities related to the targeting, focus and extent of audits.
- 3.26 The HR policy of the National Audit Office is described in greater detail under the [HR policy](#) in the NAOF's strategy 2019–2023. The operating manual describes the human resources processes and procedures set out in the NAOF's human resources policy³.

Competence management and development

- 3.27 The National Audit Office develops its competence and operations on a continuous basis and in a wide range of areas. The NAOF provides opportunities for learning and development and encourages its staff members to engage in the process. Competence development comprises on-the-job learning, peer learning, and training.

- 3.28 The perspective of competence development is taken into account in the management, steering and organization of audits.
- 3.29 The perspective of learning, professional competence, and sharing of knowledge is taken into account during the different stages of the audit process. Collective competence and sharing of knowledge and experience in an audit are ensured as more than one person take part in each audit. Matters are discussed together, and different projects and experts are consulted.
- 3.30 Continuous and systematic maintenance and development of competence in the NAOF's competence areas are taken into account in the provision of training.
- 3.31 Development discussions with individual staff members are conducted each year. The development and maintenance of professional competence are agreed in connection with the development discussions and the preparation of personal development plans.
- 3.32 Each public official of the National Audit Office is personally responsible for continuously maintaining and developing their professional competence and for ensuring that they possess the required qualifications and expertise.
- 3.33 The guidelines issued specifically for each audit type define the manner in which adequate competence resources and special expertise are appropriately allocated for the selected audit methods and quality control.
- 3.34 In its audit planning, the NAOF ensures that its own resources are utilized and that, if necessary, external experts can be used if the special expertise required by all methods is not available.
- 3.35 The NAOF's competence policy is described in greater detail under [competence policy](#) in the NAOF's strategy 2019–2023.

Processing of information and application of the Act on the Openness of Government Activities

- 3.36 Public access to the NAOF's audit and monitoring documents complies with the Constitution of Finland, the Act on the Openness of Government Activities, and the [instructions on the public access](#) to the NAOF's documents. These provisions and instructions are interpreted in a manner in which the emphasis is on openness. All requests for information and documents must be treated in an equal manner.
- 3.37 All audit and monitoring documents that must be kept secret are marked 'secret' in accordance with the NAOF's [information security order](#).

Processing of personal data

- 3.38 The Data Protection Act (5 December 2018 / 1050) contains general provisions on data protection. The National Audit Office and each of its public officials must ensure that all personal data is processed in compliance with the Data Protection Act.

4 Planning an audit

Assessing risks at the NAOF level

- 4.1 The NAOF's risk analysis identifies the most significant risks and changes in the operating environment affecting central government finances and the state's financial management. The risk analysis, the societal impact targets set out in the NAOF's strategy, and the principles for targeting audits help to identify the audit topics and questions that are the most relevant to central government finances.
- 4.2 The NAOF's risk analysis is updated when necessary, nevertheless at least every other year.

Situational picture, operating environment and risk analyses, and explanatory memoranda

- 4.3 The planning system is based on forming a comprehensive situational picture of the NAOF's external operating environment to cover the NAOF's field of operations. The situational picture is formed on the basis of operating environment analyses. The end product of the analysis is a general or more limited overview of the operating environment or a phenomenon related to it. Analyses are made to cover the NAOF's operating field and, on the other hand, to meet the needs of the impact areas.
- 4.4 Audit topics are planned on the basis of the operating environment analyses, risk analyses, and explanatory memoranda prepared in the project 'Strategic planning and monitoring of the operating environment'.
- 4.5 Audit-topic-specific planning specifies the risks identified in the NAOF's risk analysis and the strategic audit targeting principles and focus areas.
- 4.6 The NAOF's planning process has been described separately.

Audit plan of the National Audit Office

- 4.7 Under the Act on the National Audit Office, all audit and monitoring activities are based on the NAOF's audit plan. The audit plan is approved by the Auditor General on the basis of a presentation.
- 4.8 The NAOF's audit plan is drawn up on the basis of the results of the NAOF's risk analysis, operating environment analyses, and risk analyses specific for audit or monitoring topics or audit types or functions. On the basis of these, the heads of the impact areas propose topics for the NAOF's audit plan.
- 4.9 The NAOF's audit plan is prepared in a common planning process. The NAOF's management is responsible for ensuring that the NAOF's performance targets and audit plan can be implemented as well as possible.

Audit-specific planning

- 4.10 A written project-specific audit plan (hereafter "project plan") is drawn up of each audit topic entered in the NAOF's audit plan.
- 4.11 The project plan defines the objectives, scope, topic area and subject matter of the audit, including the audit questions, audit criteria, audit methods, resources and schedule, audit evidence, and the manner in which the evidence is collected.
- 4.12 In addition, the project plan sets out essential factors (such as materiality, risk assessment, and the information contained in previous audits and opinions) that may influence the audit and the audit conclusions. The project plan contains an assessment of the auditability of the audited entity and the audit question.

Hearing the audited entity on the audit criteria

- 4.13 In direct reporting engagements, the audited entity is heard on the audit criteria before the project-specific plan is adopted. The hearing can also be conducted orally, but it must be documented in writing.
- 4.14 In financial audits and other attestation engagements that are conducted on a regular basis, audit criteria are discussed with representatives of the audited entity's management when stakeholder feedback is collected and when the NAOF's audit manual is substantially revised. In individual audit projects, the NAOF ensures in discussions with the audited entity that the management of the audited entity is aware of the audit criteria applied to financial audits or other types of attestation engagements.

5 Implementation of the audit

Interaction with the audited entity

- 5.1 Contacts with the audited entities and other important stakeholders must be maintained actively throughout the audit process to ensure access to the information required for the audit, smooth cooperation, and the best possible utilization of the audit results. Good and appreciative interaction with the audited entity supports the conducting of the audit and increases its impacts.
- 5.2 Before the decision is made on starting an audit engagement, the audit topic, audit criteria and audit design are discussed with audited entity and the ministry responsible for it. In this procedure, the audited entity is reserved an opportunity to be heard on the audit criteria. The discussion, including the participants and the conclusions reached, is documented in an audit working paper to be included in the audit documentation.
- 5.3 The audited entities are notified of the start of the audit in writing.
- 5.4 The audited entities are informed about the progress and timetable of the audit and about the reporting of the findings, and they offered an opportunity to express their opinion on them. Audit visits are agreed with the audited entity.
- 5.5 Audit evidence should be requested in a cordial and courteous manner, and it must be ascertained that all required material is obtained on the basis of the right to obtain information. Any problems concerning access to information are as a rule solved directly with the persons concerned with the support of the public official steering the audit. If necessary, support is sought from the project owner or the Auditor General.
- 5.6 The audited entity and the ministry steering the entity are informed about the progress of the audit. All material observations and preliminary conclusions are brought to the attention of the management of the audited organization already during the audit. Minor observations that are not included in the audit report are also disclosed.
- 5.7 After the audit, the audited entities are requested to provide feedback on how well the audit succeeded in meeting its objectives and on how the interaction during the audit process succeeded. More detailed instructions on the feedback procedure are given in chapter 7.
- 5.8 More instructions can be found in the audit guidelines and the NAOF's communications policy.

Inside information and processing it

- 5.9 The National Audit Office has the right to audit companies in which the State of Finland has a controlling interest. Some of these companies come under the scope of the Securities Markets Act. The documents of a company or government agency that are included in audit documentation may contain such unpublished information relevant to securities markets whose disclosure and use is prohibited under the Securities Markets Act ([746/2012](#)). Inside information may also be involved in audits of companies where the State of Finland does not have a controlling interest.
- 5.10 The prohibition to make use of inside information laid down in the Securities Markets Act also applies to the public officials obtaining such information in connection with the audit. Thus, it is prohibited to buy or sell securities for one's own account or for the account of a third party or to provide other persons with direct or indirect advice in securities trading. Moreover, a person in possession of inside information may not disclose inside information to others unless this is done as part of the ordinary performance of work, profession or tasks and the recipient is bound by a secrecy obligation⁴.
- 5.11 Under the Securities Markets Act, inside information means information of a precise nature relating to a security subject to regulated trading or multilateral trading in Finland which has not been made public or which otherwise has not been available in the markets and which is likely to have a material effect on the value of the security concerned or other securities connected with it. Material information refers to information that investors acting in a rational manner would probably use as a basis for their investment decisions. Information will remain inside information until it is made public or becomes otherwise accessible.

- 5.12 An audited company is obliged to disclose inside information to the NAOF's public official so that an audit included in the NAOF's approved audit plan can be conducted. The NAOF's public officials are obliged by law to keep the information secret. As a rule, a company will notify the National Audit Office if the documents disclosed to the NAOF contain inside information.
- 5.13 The public official receiving the documents must ensure that the documents are handled with the necessary care from the start of the process. The documents must be classified, marked, kept and handled in accordance with the NAOF's information security regulation.
- 5.14 Inside information is processed in accordance with the NAOF's [guidelines for insiders](#), which provide general guidelines supplementing this manual.

Reliability of the audit evidence

- 5.15 The conclusions reached on the basis of the audit must be founded on the audit design and systematic methods and adequate and convincing evidence on the basis of which it has been possible to reach the conclusions presented in the audit in a reliable manner.
- 5.16 The work carried out by an internal auditor, another external auditor or an external expert can be utilized in the audit as part of the evidence. Before the work carried out by the auditors referred to above is used as audit evidence, the reliability and relevance of the information must be established from the perspective of the NAOF's audit. It must also be verified that the internal auditor and the other external auditor have observed the generally approved professional standards and requirements and that the audit procedures have complied with the principles of good administration. Correspondingly, when the work of another expert is utilized as evidence, it must be verified that the expert work has been carried out in a knowledgeable and reliable manner and that it has complied with the principles of good administration.
- 5.17 In attestation engagements, audit evidence must be available so that, in terms of its quality and quantity, the evidence is sufficiently broad-based and comprehensive and would enable another expert to reach the same conclusion on the basis of the evidence.
- 5.18 More detailed requirements concerning the reliability and adequacy of the evidence depend on whether the aim of the audit is to obtain reasonable assurance or limited assurance.
- 5.19 In audits resulting in an audit opinion expressing reasonable assurance, there must be an adequate amount of reliable evidence for ensuring that the NAOF may, with reasonable assurance, state that the audited final accounts information, calculations concerning the structural deficit, and other information and activities comply with the audit criteria. In such cases, the NAOF also assumes responsibility for the risk of inappropriate conclusions concerning the compliance of the audited information or activities with the audit criteria. For this reason, it is usually required that the evidence should be weightier in qualitative terms and gathered from a larger number of sources than in limited assurance audits.
- 5.20 Limited assurance audits must contain an adequate amount of reliable evidence so that it can be established that no material defects have been detected in the compliance of the audited information or activities with the audit criteria.
- 5.21 In direct reporting engagements, reliability requires that an experienced external expert can, on the basis of the audit report and other audit documentation, ascertain that the conclusions are based on a comprehensive, thorough and analysis-based consideration in which any uncertainty factors and interpretation-based decisions are openly acknowledged.

Evidence and analysis

- 5.22 The reliability of an audit can be improved by combining audit evidence and methods and evidence collected from various sources.
- 5.23 As a rule, both attestation and direct reporting engagements should contain both qualitative and quantitative audit evidence and analysis.

- 5.24 The audit evidence must be processed in a systematic manner. Systematic processing of the audit evidence must be evident from the audit reports in the case of direct reporting engagements and at least from the working papers included in the archived audit documentation in the case of attestation engagements.
- 5.25 Audit questions must be put in such a manner that answering them will generate added value and they can be answered in a reliable manner.
- 5.26 Cumulative knowledge and experience of the audited entity can be used in the focusing of the audit. The focusing of the audit must be well-grounded and documented, as laid out in the audit guidelines issued for each audit type. Audit conclusions may not be based on cumulative knowledge and experience.
- 5.27 A qualitative analysis is made in a systematic, objective and well-thought-out manner so that there is no further added value of material nature available for interpreting the subject matter, and a qualitative analysis will provide relevant additional information when the subject matter is interpreted on the basis of the audit criteria. Qualitative analysis methods include a document analysis, in which official documents or other evidence are evaluated on the basis of the audit criteria, and a process or risk analysis.
- 5.28 The purpose of use of the oral testimony determines the method of implementation. If oral testimony is used for achieving background information, it can be obtained by posing open questions in a discussion setting. If the aim is to use oral testimony as audit evidence on which conclusions are based, the interviews should be conducted and the evidence based on them should be processed and documented systematically in such a manner that the reliability requirements for reported interview-based conclusions are met.
- 5.29 The aim should be to verify conclusions based on oral testimony according to the multisource principle.
- 5.30 In direct reporting engagements, the aim is to prepare the audit design so that, in order to obtain answers to the audit question, the audit evidence can also be analysed by applying quantitative methods.
- 5.31 The contents and extensiveness of detailed audit measures and the applicable audit methods are discussed in the audit guidelines.

Audit documentation

- 5.32 Audit documentation contains the evidence on which the NAOF has based its conclusions and recommendations and its conclusion regarding the achievement of the overall audit objective. The documentation also presents the evidence showing that the audit has been planned and conducted in accordance with the NAOF's guidelines. This enables the person deciding on the audit report on the basis of a presentation to use the documentation for determining the facts and evidence on which the audit report and the decision on issuing the audit report are based.
- 5.33 The audit documentation is prepared so that it also serves the following purposes:
- it helps in the planning and carrying out of the audit,
 - it helps those responsible for the steering and supervision to steer and supervise the audit work and to meet their obligations concerning the carrying out of the work,
 - it helps to preserve information that will also be relevant to future audits,
 - it makes it possible to conduct quality reviews.
- 5.34 The public official preparing the audit must prepare sufficiently comprehensive audit documentation so that the person deciding on the issue of the audit report on the basis of a presentation or an experienced external expert who has no prior knowledge of the audit concerned is able to form an opinion on the following:
- the nature, timing and scope of the audit measures taken in order to comply with the NAOF's requirements (audit guidelines);
 - the results of the audit measures taken and the audit evidence obtained; and
 - the significant matters raised during the audit, the conclusions concerning them, and the important decisions based on professional judgement made to reach these conclusions.

- 5.35 The audit documentation must be finalized within 60 days of the signing of the decision to issue the audit report.
- 5.36 Audit evidence that is not relevant to the conclusions or opinions is not included in the audit documentation.

Hearing the audited entity and circulation for comments

- 5.37 The audited entity is always provided with an opportunity to be heard before the audit report is issued⁴. Good interaction during the audit is also part of the hearing process.
- 5.38 A public official or another person mentioned in the audit or monitoring report or identifiable on the basis of the report is also heard in person, or it is required in a documented manner that the authority concerned or another organization hears the person in question.
- 5.39 It must be clear from the documents submitted to the audited entity during the audit process that they are of temporary and preliminary nature.
- 5.40 During the final stages of the audit, the draft audit report is sent to the audited entity (and the ministry responsible for the administrative branch) for comments. The purpose of the circulation for comments is to provide the audited entity with an opportunity to give its view of the reliability of the audit evidence presented and at the same time to verify that the audit report contains no misunderstandings.
- 5.41 It must be clear from the draft audit report submitted for comments that it is a draft report. The request for comments must be unambiguous and set out deadlines for submitting official comments in writing.
- 5.42 The persons taking part in the audit go through the comments and agree on any additions and corrections made in the draft audit report.
- 5.43 The processing of the comments and the changes made on the basis of them are documented in the audit working papers. The comments and the memorandum on the processing of the issues raised in them are published on the NAOF's website simultaneously with the audit report.

6 Audit reporting

Forms of audit reporting and general reporting requirements

- 6.1 The NAOF reports on its audits in writing and orally. The main reporting format is an audit report. Other forms of written reports are, for example, a memorandum, an annual summary, and an interim report. What is stated below of an audit report also relates, where applicable, to other forms of audit reporting.
- 6.2 The general requirements set for an audit report are objectivity, fairness, reliability, and openness. The language used in the reports must be easy to understand and free from vagueness and ambiguity. Visualizations and information graphics can be used to make the report easier to understand. The conclusions and recommendations must be expressed clearly and lend themselves to practical application. It must be clear from the conclusions and recommendations who is responsible for the remedial measures.
- 6.3 According to section 5 of the Act on the National Audit Office, the NAOF must submit an audit report to the audited entity and the ministry responsible for the administrative branch in question for information and for further measures, and to the Parliamentary Audit Committee and the Ministry of Finance for information. In addition to these, the NAOF has also decided to submit its reports to the Government Financial Controller's Function for information. The NAOF decides specifically in the case of each audit whether it also submits its report to other actors, such as the special parliamentary committees.
- 6.4 The audit report – with the exception of financial audit reports – and the annexes to it include a brief description of the audit criteria and the comparing of the audit findings against them. The report must present the audit conclusions and the grounds for the conclusions in a systematic and transparent manner.
- 6.5 When the audit report is prepared, it should be considered that it is primarily intended for the top management of the audited entity (the head of the agency) and the top management of the ministry steering the entity (permanent secretary and the head of the department responsible for the matter). The perspective of Parliament is considered by ensuring that the report is as universally understandable as possible and that its language is accurate.
- 6.6 If necessary, the audit reports are also submitted to other actors for information.
- 6.7 The audit reports and, if necessary, the audit memoranda are published online on the website of the National Audit Office in the NAOF's audit report series. An audit report can also be printed.
- 6.8 An audit report should be prepared in such a manner that
 - understanding the audit conclusions on the basis of the audit report does not require special knowledge of the audit methodology used,
 - the certainty provided by different audit methods concerning the conclusions and the related uncertainty factors are described in a manner that is easy to understand and free from ambiguity,
 - a detailed description of the methodology is given and any audit evidence is reported in annexes, or they are only included in the audit documentation,
 - the conclusions presented in the audit are based on the evidence contained in the audit documentation.
- 6.9 In an audit report, a clear distinction should be made between argumentation based on the source material and the analysis carried out by the NAOF. This should be done by means of clear references to the source material.
- 6.10 When interview-based conclusions on the audited subject matter are reported, it should always be clearly stated whether an interview-based conclusion by the NAOF or a description of the interviewees' opinions is concerned.
- 6.11 For reasons of objectivity, the audit evidence that does not support the conclusions drawn in the audit should also be presented in a balanced manner.

- 6.12 The guidelines issued specifically for each audit type include more detailed descriptions of the requirements set for the contents of audit reports and other reports. Separate guidelines (attached to this manual) have been issued on the preparation of reports to Parliament.

Situations involving irregularities

- 6.13 If irregularities are discovered in connection with an audit or there are reasons to suspect irregularities, the aim should be to ascertain that the matter will be investigated further and to avoid any such conduct or activities that might enable the evidence concerning the irregularities to be destroyed. The protection against self-incrimination enjoyed by the suspect must be taken into account in the investigation. This means, for example, that the person suspected of an irregularity must be notified of their right not to assist in the establishment of their guilt. Discovering irregularities may also lead to the suspension of the audit and a request to the police to investigate the matter.
- 6.14 An auditor or another NAOF employee who has detected a suspected irregularity must bring the matter to the attention of their supervisor and the head of the impact team Sustainable Governance and Public Administration. The last-mentioned person will ultimately decide on any further measures. As a rule, the assessment of irregularities and related alternative actions requires a legal assessment of the matter. When such issues are considered, the NAOF's legal expert should be contacted.
- 6.15 Under the Act on the National Audit Office, reporting a suspected offence in the management of central government finances to the police is primarily the responsibility of the management of the central government agency or institution concerned. Reporting the offence is not necessary if, considering the circumstances, the act can be considered minor. The NAOF must report an offence that it has discovered in its audit work unless the audited entity has already reported it. It is not necessary for the NAOF to report the offence if, considering the circumstances, the act can be considered minor.
- 6.16 Reports of irregularities are processed in accordance with the NAOF's [instructions](#).

Communicating on audit findings

- 6.17 Audit findings are communicated in an open, timely, proactive, objective and easy-to-understand manner⁵. In audit communications, extensive use is made of different communication channels in accordance with the NAOF's communications policy.
- 6.18 The audit reports published by the National Audit Office and their timetables are determined in the calendar of audit reports and reports to Parliament, which is published in connection with the audit plan each year. Should there be any changes to these timetables, the head of the impact team in questions agrees on the new timetables with Auditor General and Communications.
- 6.19 The manner of communicating on an audit is determined in the final audit meeting. The NAOF draws up a media release or an online news article and a permanent description on the NAOF's website of all audits and summaries of financial audits. Audits are also communicated on in social media. Any other measures to increase the societal impact of an audit are agreed in the final audit meeting.
- 6.20 For additional instructions on the matter, see also the NAOF's [media policy](#) and [communications policy](#).

Appeals and complaints related to audits

- 6.21 As a rule, it is not possible to appeal against audit reports. However, it is possible to appeal against an audit report, for example, in a situation where the NAOF, in connection with an audit, imposes on an actor other than a central government agency or institution the obligation laid down in section 5(1) of the Act on the National Audit Office to notify the NAOF of the measures taken on the basis of the cautions issued in the audit report. Instructions concerning a demand for rectification must be appended to such a decision, and the NAOF's decision concerning the demand must contain instructions on how to submit an appeal to the Administrative Court.

- 6.22 Instructions on how to submit an appeal to the Administrative Court must be appended to the NAOF's decision to impose or enforce a penalty payment. Instructions on how to submit an appeal to the Administrative Court must be appended to the NAOF's decision made under the Act on the Openness of Government Activities. Instructions concerning a demand for rectification must be appended to a decision on the imposition of a fee under the Act on the Openness of Government Activities.
- 6.23 A complaint about an audit can be filed with the National Audit Office. Complaints are processed by a competent public official designated by the Auditor General, and they are decided by the Auditor General.
- 6.24 At the request of the audited entity, the NAOF may, by the decision of the Auditor General, request the NAOF's scientific council or quality board to give an opinion on the application of good auditing practice or issues concerning the reliability of the methods and knowledge formation used in the audit.

7 Follow-up and a learning organization

Purpose and principles of follow-up

- 7.1 Follow-up is part of the audit process and has the same legislative basis as the audit itself.
- 7.2 The National Audit Office monitors the manner in which the conclusions and recommendations set out in its audit reports are implemented. Follow-up promotes effective implementation of the audit conclusions and recommendations and provides the NAOF, Parliament and the Government with feedback on the societal impact of the audit. At the same time, the NAOF also strives to establish that the audit process has helped to promote learning in society at large, in the audited entity, and at the NAOF, and thereby to promote the prerequisites of good administration and sustainable and cost-effective financial management.
- 7.3 The follow-up is based on a plan. In the follow-up, the NAOF examines whether the measures taken on the basis of the audit observations, conclusions and recommendations have improved the state of the audited matters and the audited entities. The audited entities must be given enough time to implement the recommendations. Follow-up is not part of auditing but a matter of monitoring the changes taking place in the audited entity.
- 7.4 The follow-up of the NAOF's conclusions and recommendations has four main purposes:
 - it increases the likelihood of the recommendations being implemented, thereby increasing the impacts of audits,
 - it supports the decision-making of the Government and Parliament by producing follow-up information utilized by the public administration and Parliament,
 - it supports the evaluation of the NAOF's operations and impacts by providing a basis for evaluating its operations and performance, and
 - it provides incentives for learning and development and contributes to better knowledge and better practices at the NAOF.
- 7.5 The remedial and development measures resulting from audits and other impacts of audits are reported to Parliament.
- 7.6 In follow-up, the focus is on examining whether the audited entity has paid enough attention to remedying the problem. In follow-up, the NAOF examines the recommendations and problems that are still relevant at the time of the follow-up. In follow-up, attention is also paid, as necessary, to other ways of solving the problems and the unintended impacts of the audit.
- 7.7 The NAOF may continue the follow-up if the audited entity has not taken adequate measures to remedy the problems. This may also lead to launching a new audit on the topic.
- 7.8 The follow-up and its results are documented. The audited entity required to take measures may also be provided with written feedback on the follow-up.
- 7.9 By carrying out follow-ups, the NAOF demonstrates to the audited entity and Parliament that it monitors the audited entity and takes an interest in the state of the audited subject matter after the actual audit.
- 7.10 Follow-ups involve the sharing of expertise and knowledge, and their aim is that the audited entities will improve their operating practices.

Learning organization

- 7.11 The National Audit Office is a learning organization that is capable of generating, acquiring and transferring knowledge, and changing its way of operating on the basis of new knowledge and perceptions. After each audit we ask ourselves: What did we learn from this audit?
- 7.12 Feedback is requested systematically on the audit process and on the success of the interaction between the audit team and the audited entity during the audit. Feedback is an important part of the continuous development of competence and interaction and a tool for the NAOF's management. Feedback on the audit and monitoring staff is requested after each audit and, in the case of financial audits, in a collective form once a year.

A summary of the feedback given after the audit is discussed at the NAOF's management forums and published on the NAOF's external website. The feedback on the NAOF's public officials is provided to the persons in question for their information.

8 Quality system

Quality policy

- 8.1 The [quality policy](#) according to the NAOF's strategy presents the management's view of the NAOF's operational and performance quality targets and the prerequisites for achieving them. The quality system is built on it.

Principles and responsibilities of quality management

- 8.2 Quality assurance in audit operations covers all stages of an audit.
- 8.3 The quality system covers the principles and practices of quality management. Development of quality at the NAOF complies with the principles of a learning organization. The [quality system](#) governing the NAOF's audit work is described in the agency's operating manual.
- 8.4 The task of the quality team appointed by the NAOF is to see to the coordination and development of the quality system. This includes the quality policy, quality assurance, quality reporting, national and international comparisons, as well as preparation of external evaluations.
- 8.5 The NAOF's functions are responsible for the sector-specific quality management arrangements and detailed procedures. They are responsible for ensuring that
- there are clear responsibilities and documentation concerning quality matters,
 - quality assurance and reporting practices comply with the general guidelines,
 - quality risks are identified,
 - targets for quality improvements are set and monitored, and
 - procedures and practices are continuously developed on the basis of feedback.
- 8.6 The final accounts of the National Audit Office contain a statement concerning the assessment and approval of internal control and risk management. As part of the statement, the NAOF also sets out its policy concerning the management of quality risks.
- 8.7 When the audit plan is prepared, the NAOF's management assesses the audit risks related to the plan and makes decisions on managing them. By providing expert assessments, the Quality Assurance Lead, appointed by the Auditor General, assists the NAOF's management in the coordination and development of the identification and management of quality risks. The NAOF's Quality Assurance Lead produces an assessment of the implementation of the quality targets to support the preparation of the NAOF's audit plan and the monitoring and setting of performance targets.
- 8.8 When a single audit project is launched, the adequacy of the competence, working hours and resources required in the audit engagement, the prerequisites for applying the principles of ethical auditing, and the management of the most important audit-related quality risks are assessed as part of the preparation of the project plan.
- 8.9 In its quality control, the NAOF gives high priority to adequate management and steering of each audit engagement. The purpose with this is to ensure that the carrying out of the audit in a reliable and objective manner in accordance with the guidelines and the progress of the audit in accordance with the plans are monitored regularly and that the measures ensuring high-quality and successful progress of the audit are taken without delay.
- 8.10 Separate guidelines have been issued on audit quality control and quality reviews.
- 8.11 In addition, the quality system is supplemented with external quality assessment. The NAOF's audit activities are assessed regularly by means of internal and external assessments, and the results are assessed on the basis of the targets set.

9 Cooperation with stakeholders

- 9.1 The experts and management of the National Audit Office communicate with stakeholders consistently in a manner that increases the stakeholders' knowledge and understanding of the NAOF's role and responsibilities as an independent public sector audit institution. The communication is based on the NAOF's customer relations programme (stakeholder programme).
- 9.2 The NAOF promotes the stakeholders' awareness of the importance of transparency and accountability in the public sector. The NAOF publishes its strategy, mission and operating principles, audit manuals, audit plans, final accounts, and audit reports, including the time of publication, openly on its website.
- 9.3 The NAOF aims at clear communication through media relations. The efficiency and effectiveness of stakeholder communication is assessed regularly by means of feedback and stakeholder surveys and interviews.
- 9.4 The NAOF participates in networks and cooperates with its stakeholders, understanding the stakeholders' roles and taking into account their views, nevertheless without jeopardizing its independence.

References

- 1 Act on the implementation of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, the implementation of Treaty provisions of a legislative nature as well as requirements concerning multi-annual budgetary frameworks (869/2012).
- 2 More detailed provisions on the organization and content of internal control are laid down in sections 69 and 70 of the State Budget Decree. Section 65 of the decree contains provisions on the issuing of the top management's assessment of the appropriateness and adequacy of internal control and related risk management. Internal control performed as part of the processes of central government finances should be defined in more detail in the financial rules of the central government accounting office and in accordance with the instructions issued by the State Treasury.
- 3 Incl. the rules of procedure, job descriptions, recruiting manual, development discussions, performance appraisals, pay system, and co-determination procedure.
- 4 Hearing as a fundamental right, as laid down in section 21 of the Constitution of Finland.
- 5 The audit communication policy is based on the principle of right of access to information laid down in section 12 of the Constitution of Finland, the Act on the Openness of Government Activities (621/1999) and the Communications Decree (Decree on the Openness of Government Activities and on Good Practice in Information Management; 1030/1999). The communications recommendation for central government is also taken into account in audit communications.

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