



Riksrevisjonen

Office of the Auditor General of Norway

Tools for Designing Performance Audits

EUROSAI Training Event, Prague – April 27-29 2009 –
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The Design of a Performance Audit

1. Why we decided to systematically apply “new design tools”

2. Which tools?

3. An example of how they were applied

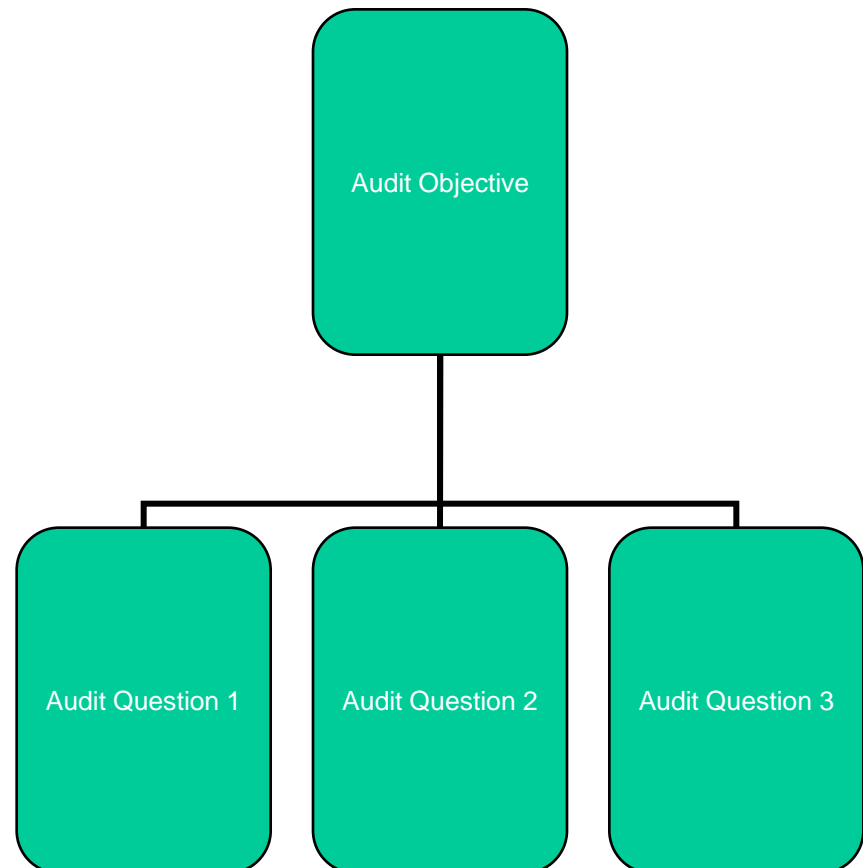
Parallell audit with the Russian SAI on joint management of fisheries resources in the Barents Sea + Norwegian Sea

Tools in question

1. Question pyramid/tree (NAO: issue analysis)
 2. Design matrix (GAO)
- The function of design tools:
 - determine what we are going to audit
 - determine how we are going to do it
 - determine whether the audit is feasible

Question tree

- Structuring and defining paramount audit goals and questions into specific audit questions and tasks



Design Matrix

Audit Objective	Audit Questions	Audit Criteria	Audit Evidence	Method	Anticipated findings	Risks to the execution

Why we introduced these tools

- Spent too long time to complete the audits
- Spent too many hours
- Fatigue in many audit teams (turnover, recruitment and training costs)
- Outdated data

Why did we spend so much time?

- Objectives and audit questions were not sufficiently well defined
 - Unclear need for data – too much data was collected
 - Insufficient team involvement
- Too much walking in the fog –

Design Matrix

Audit Objective	Audit Questions	Audit Criteria	Audit Evidence	Method	Anticipated findings	Risks to the execution

Defining the Audit Objective – 1st step

- Should give a clear direction for the audit
- Define the area to be audited: Political objectives, grants, government reforms, government services, etc.
- Has to define what is to be examined
 - Deviations related to three E's (Economy, Efficiency, Effectiveness)
 - Could also include
 - Causes (of deviations)
 - Consequences

Example - Audit Objective

Management and control of fisheries resources

- The objective of the audit will be to report on the efficiency and effectiveness of the national follow-up and implementation of Norwegian-Russian bilateral agreements aimed at the conservation and rational exploitation of jointly managed fisheries resources in the North-East Atlantic Ocean.

Design Matrix – 2nd step: questions

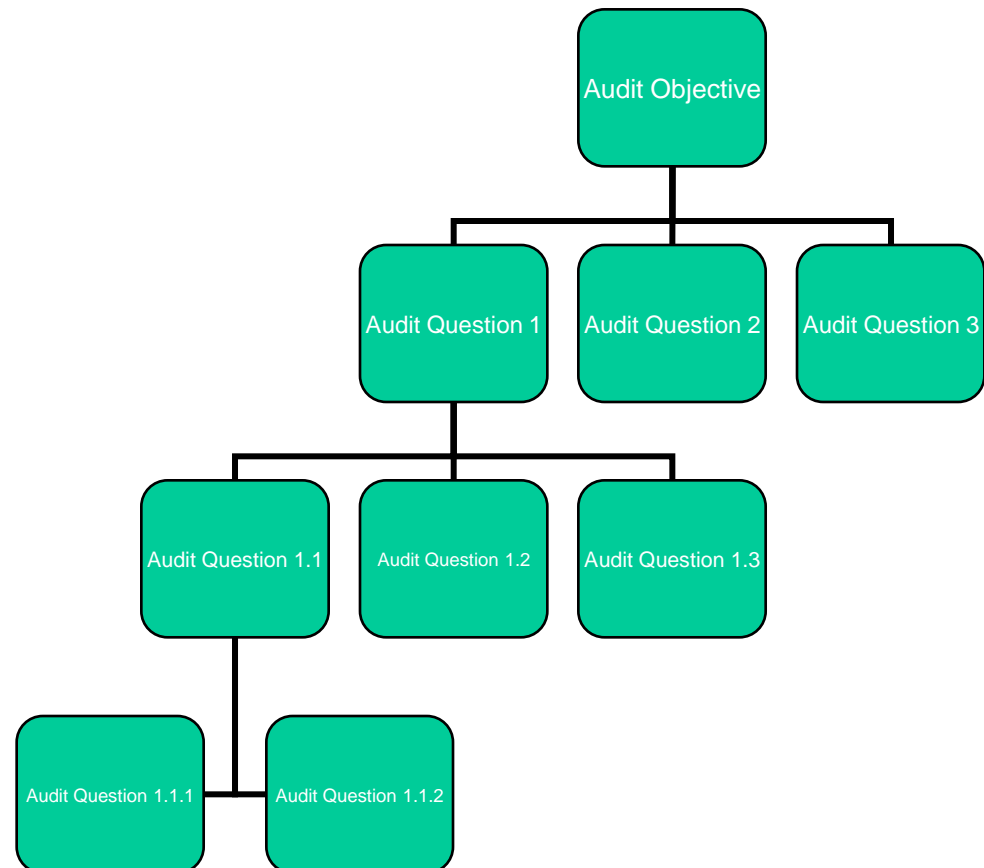
Audit Objective	Audit Questions	Audit Criteria	Audit Evidence	Method	Anticipated findings	Risks to the execution

Audit Questions

- Identify the questions that are to be answered in the audit
- Should define and structure the audit
- Question pyramid / question tree

Question Tree – Defining the Audit Questions in Detail

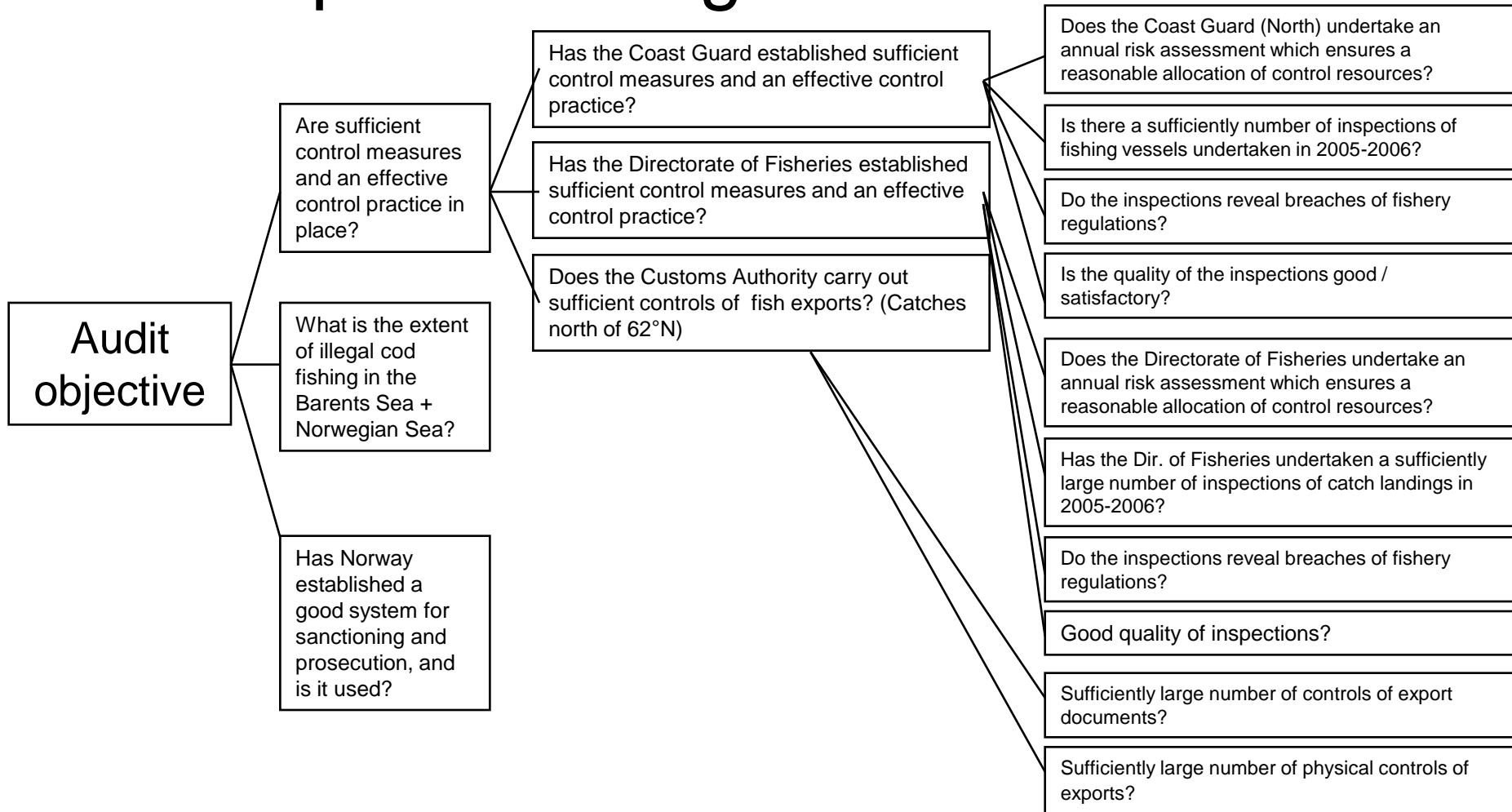
- Moving from level 1 and 2 to level 3 and further if necessary and practical

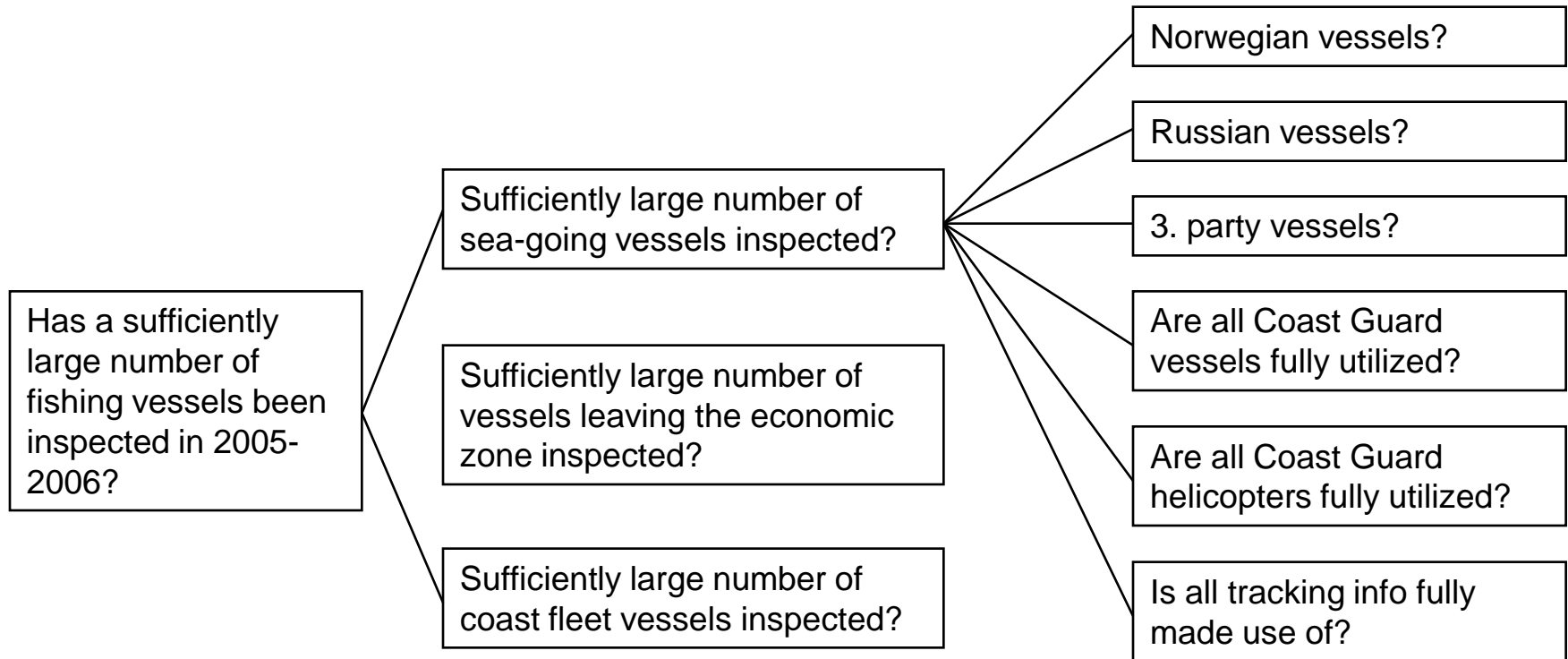


What is the use of a question tree?

- Split a problem into component parts so that:
 - Work can be divided into manageable pieces
 - Set priorities
 - Allocate responsibilities
- Build a common understanding in the team and also with management and even auditees
- Use as a base for structuring reports

Example – management of fisheries



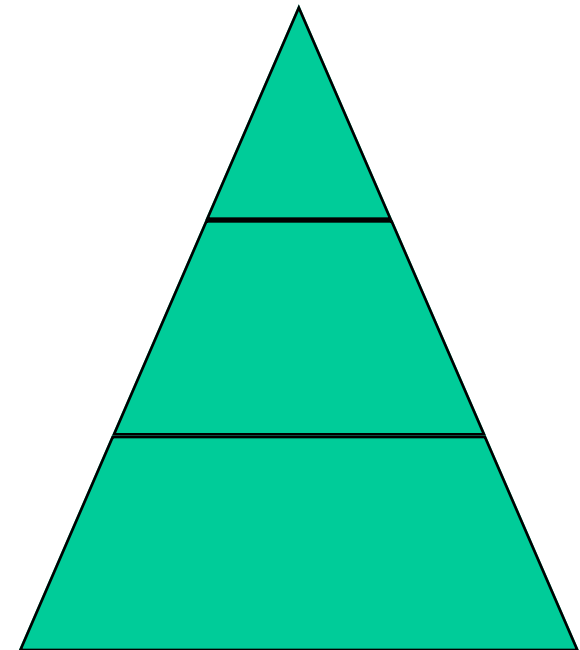


Design Matrix – 3rd step: criteria

Audit Objective	Audit Questions	Audit Criteria	Audit Evidence	Method	Anticipated findings	Risks to the execution

Audit Criteria

- The normative framework for the audit
- Has to be based on parliamentary decisions and statements (majority)
- Use of other sources OK
 - Professional standards
 - Good practice
 - Government regulations



Audit Criteria – Example

The 1982 United Nations Convention on the Law of the Sea prescribes that a coastal state must promote the goal of optimal utilization of living resources in its 200-mile zone through the conservation and management measures deemed necessary, while also ensuring that these resources are not endangered by over-exploitation.

Audit Criteria – Example (continued)

The primary objective for national resource management is to facilitate harvesting of fish that ensures an enduring high yield from the resources while safeguarding the marine ecosystem. Resource control is a key national instrument and a fundamental prerequisite for achieving the goal of profitable and sustainable resource management.

Audit Criteria – Example (continued)

- On land: the **Directorate of Fisheries** and sales organizations - responsible for the executive part of the control work : (The Sea-Water Fisheries Act) The relevant acts are primarily acts of empowerment whose purpose is to give the fisheries authorities the necessary tools for conducting appropriate and sustainable management of ocean resources. The specific rules mainly specified in regulations and the directorate's internal guidelines.
- **The Coastguard's** inspection of fishing vessels has a legal basis in the Act relating to the Coastguard which states that the Coastguard may conduct surveillance of fisheries and resource control

Design Matrix - 4th step - evidence

Audit Objective	Audit Questions	Audit Criteria	Audit Evidence	Method	Anticipated findings	Risks to the execution

Audit Evidence

- The information you need in order to answer your audit questions
 - With specific questions it is easier to identify what information you need c.f. question tree

Examples – Audit Evidence

Assessment of illegal cod fishing in 2004 and 2005, including unregistered fishing of this species of marine biological resources over and above fixed national quotas

- **National quotas**
- **Total outtake of fish**
 - **Landings of Norwegian cod**
 - **Landings of Russian cod**
 - **Landings of third party countries cod**
 - **Discards**
 - **Unregistered landings of cod**
 - **Amount of tourist and recreational cod fishing**

Examples – Audit Evidence (continued)

The effectiveness of state supervisory activities in connection with the conservation of marine biological resources.

- **No. of hours the Coast Guard vessels are operational**
- **No. of hours Coast Guard helicopters are operational**
- **No. of Norwegian, Russian and third party countries vessels |control**
 - **Physical control**
- **Quality of the inspections (control forms and reports fully complete)**
- **No. of uncovered violations (by type of offense)**
- **Etc.....**

Design Matrix - 5th step: method

Audit Objective	Audit Questions	Audit Criteria	Audit Evidence	Method	Anticipated findings	Risks to the execution

Methodology

- Define how to get the information you need
- Define how to analyze the collected information
- Where can we get the data we need – sources?
- How do we collect the data?
 - Documents, data registers, interviews, questionnaire, observations, pictures, vignette

Design Matrix – 6th step: findings

Audit Objective	Audit Questions	Audit Criteria	Audit Evidence	Method	Anticipated findings	Risks to the execution

Anticipated findings

- Define deviations that you anticipate to find
- Should describe what conclusions you will expect to present given your paramount audit questions
- Should underpin the rationale for the audit and ensure direction – and help provide consistency

- Finally: does everything fit well together?

Examples – Anticipated findings

- High outtake of fish above the national quotas
- Limited surveillance by Coast guard due to lack of vessels and low availability of helicopters
- Infringements are not duly followed up in many cases (lack of prosecution)